
2024 ANNUAL REPORT



04	2024 Chairman's and CEO's Report
08	Directors' Report
15	Lead Auditor's Independence Declaration
16	Our Executive Management Team
20	Corporate Governance Statement
30	Financial Statements
37	Notes to the Financial Statements
65	Directors' Declaration
66	Independent Auditor's Report

CHAIRMAN'S AND CEO'S REPORT

We are pleased to present the 30 June 2024 Annual Report on the operations of Police Credit Union Limited. Notwithstanding difficult trading conditions, your Credit Union has continued to deliver strong results relative to our strategy and across all financial and non-financial measures.

As we reflect on the past year, we are immensely proud of our collective achievements. From being recognised as Australia's Best Credit Union to successfully achieving our financial and non-financial milestones and community initiatives, each accomplishment is testament to the dedication of our team and the resolute support of Members.

Despite the demanding operating environment, the organisation recorded a group profit after tax of \$6.12 million for the 2024 financial period, which was 20% ahead of the strategic budget expectation, even though 11% lower than the previous period. This result contributed to a 4.6% uplift of our total equity (or reserves) to \$117.14 million. Police Credit Union concluded the year with total group assets of \$1.4 billion, representing an overall growth rate of 4.43% for the period, and, despite intense competition, loans and advances growth closed the year at 5.55%.

Police Credit Union's financial performance remains in the upper industry quartile relative to its key strategic financial ratios of Return on Assets and Return on Equity, which ended the period of review at 0.46% and 5.35% respectively. Operating efficiency management remained effective, with the Cost to Income Ratio concluding the period ahead of budget at 75.58%. Productivity, as measured by Operating Income per full time equivalent employee, concluded the period at \$284 thousand compared to a strategic target of \$266 thousand.

Importantly, Police Credit Union continues to exceed its Member Satisfaction benchmark and recorded a 92.95% result for 2024, an increase from 92.7% in the previous year. This result was underpinned by a best practice Net Promoter Score of 93.2% and a Member Trust rating of 94.9% in the period.

As a market-leading financial institution, supported by the continued trust of over 40,730 Members, Police Credit Union was recognised for the second year running as Australia's Best Credit Union in the 2024 Mozo Awards, giving testimony to our highly competitive products. Being acknowledged as the best in the nation by a non-affiliated and independent third-party comparison site validates our enduring commitment to provide ongoing exceptional service, market-leading rates, and innovative products that support our Members' needs. This industry recognition reinforces our dedication to innovation and service, whilst acknowledging our ability to perform at the highest level within the industry and stand out as a clear alternative in a sector traditionally dominated by the major banks.

Your Credit Union remains committed to an innovation and continuous improvement roadmap that is measured and prudent. Our strategy is focussed on ensuring we remain relevant and agile to improve customer experience outcomes and operational efficiencies within our business model. During the review period, we successfully implemented numerous important system upgrades and enhancements with minimal outage impact for Members. These have driven effective and sustained operational improvements that resulted in the strong performance of the Organisational Resilience Index, which directly impacts our credible engagement and trust with Members.

In response to household cost-of-living pressures, we completed the implementation of an important new service initiative, Your Money Plan, designed to educate Members on the importance of financial literacy. This proprietary software program engages and empowers Members to better understand their financial position and be equipped with the knowledge and tools necessary for better budgeting and informed financial decision-making to assist them in pursuing their financial aspirations.

Our people are at the heart of Police Credit Union. Their work ethic, tireless efforts and positive contributions continue to drive our long-term success. Employee Satisfaction improved to 90.9% for the period, as compared to 89.59% for the previous period, strengthened by a best practice Employee Engagement Result of 93.53% for 2024. The People-based Culture Index score of 95.14 was achieved for the period against a strategic target of 90, and the Risk-based Culture Index score of 97.8 was achieved during the year against a strategic target of 90. Results for both people and risk-based culture indices reflect our continued focus on maintaining high visibility, transparency and attention on customer engagement results, performance outcomes, behaviour and conduct, policy and legislative compliance, and effective risk management, which represent just some of the key measures underpinning these culture indices.

Our strategic goal to enhance environmental sustainability and actively engage our communities remained steadfast during the period. Police Credit Union continued to maintain its carbon neutral footprint having achieved its target reductions since commencing the strategy in 2007, and a self-assessed carbon neutral stance since 2018. During the period we received independent and expert certification confirming and validating our carbon neutral position for our business operations. Police Credit Union successfully implemented a significant solar capture and battery system, which

not only sources sustainable solar energy but supports enhanced resilience through its energy storage system. We continue to offer borrowers the opportunity to offset their vehicles' emissions at no extra cost for the life of their car loan. From a community perspective, Police Credit Union has achieved tremendous success relative to its strategic benchmark each year and has cumulatively invested more than \$7.3 million since 2007 in its direct Community Investment Spend. The annual spend of \$618 thousand well-exceeded the strategic target of \$590 thousand.

Police Credit Union remains committed to high standards of corporate governance. We believe this is a cornerstone of our ability to deliver our purpose and strategy. We recognise that reliability and trust is at the core of everything we do and that our values and positive culture set the foundations for good conduct. Our core values of superior service, honesty, integrity, and financial prudence, reflect the essential and enduring beliefs of the business. It is the policy of the Board to disclose in its annual report a Corporate Governance Statement, which is tabled further in this document.

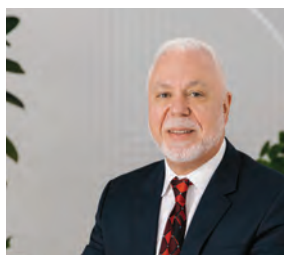
We also acknowledge the long-standing work of Mr Peter Schar, who completed a 25-year tenure as a Director. Peter retired from the Board at the conclusion of the 2023 Annual General Meeting. He has been an integral contributor to the Governance team, and we thank him for his years of exemplary service and dedication to the successes of Police Credit Union. In December 2023, we were pleased to announce that Mr Kevin Lawton was elected as a Director on the Board, bringing a wealth of experience and expertise from over three decades of dedicated service in South Australia Police and extensive governance experience.

On behalf of the Board, Management and the broader team at Police Credit Union, we extend our heartfelt gratitude to our many Members and business partners for your continued support and loyalty. Your trust and partnership are the foundations of our success, and we have a duty to continue to serve you with excellence, innovation and dedication.

Thank you for continuing to be part of our journey.



Mr Alex Zimmermann
Chairman



Mr Costa Anastasiou
Chief Executive Officer

FINANCIAL MEASURES

Below is a summary of the Key Strategic Financial Measures for the 2023/2024 Financial Year



\$6.12m

GROUP PROFIT
AFTER TAX



\$1.4b

TOTAL GROUP
ASSETS



5.35%

RETURN ON
EQUITY



0.46%

RETURN ON
ASSETS



75.58%

COST TO
INCOME RATIO

WHAT OUR MEMBERS SAY

"Police Credit Union means being able to buy a house for me and my children on my own — which is everything! The staff were so friendly and helpful and made the experience easier than expected. I am forever grateful!"

Matilda, Age 32

"Great rates complimented by great service (personalised). Effective and efficient."

Christopher, Age 61

"Nothing is a bother. They answer all my questions & great, friendly service.

They make me feel important..."

Julie, Age 73

"Police Credit Union has to be the most reliable and trustworthy bank there is. They are open and honest to their customers. The staff are so friendly and always go out of their way to help you. They make banking an enjoyable experience."

Nichole, Age 37

"Police Credit Union is a great bank. We feel that we are valued, and that our money is well looked after. If we need assistance we get it, with professionalism and courtesy."

Lorraine, Age 69

"Police Credit Union has been excellent in vigilance to protect my funds from scammers and fraudsters - thank you!"

Timothy, Age 66





93.53%

**EMPLOYEE
ENGAGEMENT**



95.14

**PEOPLE-BASED
CULTURE INDEX**



97.80

**RISK-BASED
CULTURE INDEX**



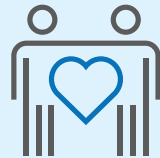
94.9%

**MEMBER
TRUST**



92.95%

**MEMBER
SATISFACTION**



\$618k

**COMMUNITY
INVESTMENT
SPEND**



DIRECTORS' REPORT



The Directors of Police Credit Union Limited (the “Credit Union”) and its controlled entities (together referred to as the “Group”) submit herewith the annual financial report for the financial year ended 30 June 2024. In order to comply with the provisions of the Corporations Act 2001, the Directors’ Report is presented below.

The names and particulars of the Directors of the Credit Union during or since the end of the financial year are:



ALEXANDER PAUL ZIMMERMANN
ELECTED DIRECTOR AND CHAIRMAN

FAICD, FGIA, FGLF, Grad. Cert. Business Admin

Alex was elected as a Director on the Board in 1999.

As the Chairman of Police Credit Union since 2012, Alex offers extensive corporate governance and leadership experience in Board and senior management roles across a range of state and local government, and non-government organisations.

Alex had a successful and decorated career as a South Australian police officer, having commenced as a recruit in 1975 and retiring at the commissioned rank of Chief Inspector in late 2020. As a senior-ranking police officer, he was responsible for significant strategic initiatives and operational achievements that included facilitating business process reviews, crisis management, establishing the Electronic Crime Section, and driving organisational change management projects within South Australia Police.

In November 2022, Alex was appointed by the State Government as the Community Recovery Coordinator for the many communities impacted by the River Murray flood event. This follows on from Alex’s extensive work in supporting communities to recover from disasters when he was appointed by previous State Governments as the Local Recovery Coordinator for the Pinery bushfire, Northern Adelaide Plains flooding and the Cudlee Creek (Adelaide Hills) bushfire.

These roles showcased his open and engaging leadership style and strong capacity for decision-making and strategic thinking, combined with competency in establishing and maintaining beneficial and effective relationships with a wide range of stakeholders during emergency and rebuilding phases.

Alex was motivated to become a Police Credit Union Board Member by the desire to make a substantial governance contribution to the strategic performance and effective operations of the Credit Union, ultimately enhancing the interests of Members and the organisation.

In addition to his extensive leadership and governance experience, Alex has a reputation for meaningfully engaging and supporting communities, as well as developing and maintaining significant and diverse stakeholder relationships – highly valuable leadership skills that develop confidence and commitment amongst the Board, Executive team and staff of Police Credit Union.

Alex is Chairman of the Police Credit Union Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Chair, Workskil Australia (joined January 1995 and appointed Chair in 2004)
- Member, Barossa Hills Fleurieu Local Health Network governing board (appointed July 2023)
- Fellow, Australian Institute of Company Directors
- Fellow, Governance Institute of Australia
- Fellow, Governor’s Leadership Foundation
- Member, Australian Institute of Emergency Services

DIRECTORS' REPORT



MICHAEL JOHN FISHER ELECTED DIRECTOR AND DEPUTY CHAIRMAN

FAICD, B. Policing (Invest), Dip. Justice Admin., Grad. Cert. Applied Management, Grad. Cert. Business Admin

Mick was elected as a Director on the Board in 2000.

Mick brings 44 years of extensive operational police experience to his role as Director and Deputy Chairman of Police Credit Union. For the past 20 plus years, Mick has diligently served the Credit Union and our membership. He previously served as Deputy Chairman between 2006 and 2010, before being appointed Deputy Chairman again in 2012.

Over four decades as a Police Credit Union Member provides Mick with significant insight when it comes to the importance of our core membership – Police, Nurses and other emergency service workers – and he has drawn on his own sector knowledge to assist in the development of strategies to attract new Police Credit Union Members from the broader emergency services sector.

During his impressive career in South Australia Police, Mick has served as the Officer in Charge of Criminal Investigation Branches, Crime Gangs Task Force, and the Serious and Organised Crime Branch. In these areas, he gained experience in complex criminal investigations, including cyber and financial crime. At the height of the COVID-19 pandemic in 2020, he served as Executive Officer in the Police Operations Centre, where he played a key coordination role in South Australia's operational response and management of enforcement operations across the state. His leadership skills in ensuring organisational continuity and state emergency management experience gained through these positions translate seamlessly to his role as Director and Deputy Chairman of Police Credit Union.

Mick is currently a Detective Chief Inspector in South Australia Police and has been an active volunteer in the local community in the area of sports/leisure administration and coaching. Mick is Chairman of the Police Credit Union Board Risk Committee and a Member of the Board Remuneration and Governance Advisory Committee.

In November 2022, Mick was elected to the City of Onkaparinga, the largest Council in South Australia, as a Councillor. Later that month, he was elected by the Chamber as Deputy Mayor. Mick also has membership to various forums and committees. His experience in governance holds him in good stead for his duties.

Other Directorships and Memberships:

- Councillor, City of Onkaparinga
- Fellow, Australian Institute of Company Directors
- Fellow, Australian Institute of Governance
- Member, South Australian Sea Rescue Squadron
- Member, Wallaroo Sailing Club



PETER JOHN ALEXANDER ELECTED DIRECTOR

LLB, MAICD, Cert. Police Studies, Grad. Cert. HR Management, B. Law, Grad. Dip. Legal Practice

Peter was elected as a Director on the Board in 2008.

Peter has an impressive history of work as a lawyer and police officer, including 20 years as a detective with South Australia Police.

He worked as part of the Major Crime Squad for 15 years at the rank of Detective Sergeant and was then seconded to the Police Association of South Australia where he served as President for 17 years. During that time, he was also appointed the National President of the Police Federation of Australia, representing all Australian Police for more than a decade. This highly coveted role has provided Peter with high level management skills gained from deep insight into the law enforcement sector, the particular issues confronting police officers at all ranks and positions and assisting Police Credit Union to support these officers with their financial needs.

Working as a lawyer since 2008, Peter has developed extensive experience in most areas of the law, with a particular speciality in Industrial Relations as well as negotiation experience in many areas, including Government Relations and advocacy. These skills continue to greatly assist Police Credit Union for engagement with Government, regulatory bodies and our partners.

In addition to being awarded the Australian Police Medal, Peter has also received the National Medal and the Centenary Medal. He is a Life Member of the South Australian National Football League and the South Adelaide Football Club in recognition of his many years of dedicated community service.

Peter is a passionate and dedicated advocate for the people he represents and is equally as passionate when it comes to his long-standing position as a Director on the Police Credit Union Board and supporting the ongoing needs of our Members.

Peter is a member of the Police Credit Union Board Risk Committee.

Other Directorships and Memberships:

- Member, Australian Institute of Company Directors



ANN-MARIE CHAMBERLAIN
APPOINTED DIRECTOR
GAICD

Ann-Marie was appointed as a Director on the Board in 2022.

As a highly skilled professional, Ann-Marie possesses extensive experience in business leadership and development, corporate strategy, retail banking, financial management and reporting, as well as risk management. Her passion for customer and employee experience is something that fits naturally with the values and purpose of Police Credit Union, and she brings to the Board more than 15 years' executive experience in Banking and Wealth Management.

Ann-Marie spent more than five years as State General Manager for a large Australian financial institution, where she was responsible for the leadership of the retail banking division, including revenue growth, business profitability, product penetration, customer experience and employee engagement. She was subsequently promoted to a senior executive role where she led the transformation of the Small Business Target Operating Model before spending more than four years as General Manager Wealth, Personal Banking.

Ann-Marie is also a previous State Winner in the Telstra Business Women's Awards (Corporate & Private Sector category) and a recipient of a Centenary Medal for Leadership in the Community. Adding to her impressive list of credentials, Ann-Marie has a personal understanding of the many complex issues facing police, as the daughter and wife of retired police officers. Ann-Marie is a long-standing member of Police Credit Union, having joined in 1981.

Her passion for giving back to the community has seen her serve on the Volunteering SA/NT Board since June 2017, including the role of Chair since October 2019. She has also been Trustee for Kalyra Communities, a provider of aged care, retirement living and affordable housing, for the last four years. Ann-Marie is a member of the Police Credit Union Board Audit Committee, and Board Remuneration and Governance Advisory Committee.

Other Director and Memberships:

- Graduate, Australian Institution of Company Directors
- Chair, Volunteering SA/NT
- Member, People, Remuneration & Governance Committee, Volunteering SA/NT
- Trustee, Kalyra Communities
- Chair, Customer Experience Committee, Kalyra Communities
- Member, Project Control Group & Clinical Governance Committee, Kalyra Communities
- Member, Culture and Remuneration & Nominations Committee, Bedford Group



SUZANNE MARY DAW
APPOINTED DIRECTOR
GAICD

Susy was appointed as a Director on the Board in 2023.

As an accomplished company director and successful local businesswoman, Susy's experience in strategic, audit and governance risk matters spans almost three decades.

Susy has been a risk management consultant and business mentor with her own business, MQM Business Consultants, and has worked with leading private and public organisations across tourism, finance and banking, tertiary education, real estate, sport and recreation, transport, the building industry, and all levels of Government.

She has 19 years' experience as a facilitator for the Australian Institute of Company Directors and was faculty for Strategy and Risk for the Company Directors Course, Applied Risk Governance and Governance to Protect Vulnerable People.

Rounding out her impressive list of credentials, Susy has also worked in clinical and management roles in the Healthcare sector, having worked as a registered, general and paediatric nurse in public and private sector hospitals, and trained at the Adelaide Children's Hospital.

Susy is a member of the Police Credit Union Board Risk Committee and Board Audit Committee.

Other Director and Memberships:

- Deputy Chair, Women's and Children's Health Network
- Director, Anglicare SA
- Board Member, St Andrew's Hospital
- Board Member, St Andrew's Hospital Foundation
- Member, University of Adelaide Council Risk Committee
- Graduate, Australian Institute of Company Directors
- Fellow, Governor's Leadership Foundation
- Authorised Marriage Celebrant
- Member, Australian Federation of Civil Celebrants

DIRECTORS' REPORT



KEVIN RICHARD LAWTON ELECTED DIRECTOR

FAICD, B. Mgt, Grad Cert App. Mgt, Assoc Dip Bus,
Assoc Dip Justice Admin.

Kevin was elected as a Director on the Board in 2023.

Kevin brings over three decades of policing experience to his role as Director. As a career police officer, Kevin originally joined SA Police (SAPOL) in 1985 and worked predominantly on patrols in the city, north and western suburbs, being promoted through to the rank of Senior Sergeant. He has also served as a police prosecutor. These roles have helped Kevin hone his communication and negotiation skills.

He currently holds the senior rank of Inspector and has served as the Operations Manager for State Crime Prevention Branch, Community Relations Section, State Intelligence Branch and Forensic Services Branch. He also has regional policing experience, having been the Operations Manager for the Eyre Western Local Service Area. Prior to his current role as Communications Shift Manager within Police Communications, Kevin was SAPOL's Police Liaison Officer within SA Health's State Control Centre as part of the statewide pandemic response. His achievements in all of these roles exemplify Kevin's extensive leadership experience, managerial skills and crisis management abilities.

Kevin has significant experience as a Director within the broader emergency services environment, having served as a Director on the not-for-profit Boards of Emergency Services Ltd and Police Health Ltd, including a period as Deputy Chairman from 2009 to 2022. He has served as Chair of the Finance & Audit, Governance Committees and Nominations Committees, and was a member of the Human Resources and Remuneration Committees. He served as Chairman of the registered not-for-profit, Blue Light (SA) for more than four years and was the Police Association of South Australia Branch President for Metro North.

His commitment to ongoing professional development includes successful completion of the Australian Institute of Company Directors' (AICD) course and the AICD update course, resulting in the esteemed designation of a Fellow of the AICD. Kevin's service has been recognised with a National Medal, National Police Service Medal, SAPOL Service Medal and, most recently, the Emergency Response Active Service Medal. As a member of the Police Credit Union Board Risk Committee and Board Audit Committee, Kevin brings an intensive and practical understanding of organisational change, board stewardship and current issues that face police and the local community.

Other Directorships and Memberships:

- Fellow, Australian Institute of Company Directors
- Ambassador, White Ribbon Foundation



KATHRYN ANNE PRESSER AM APPOINTED DIRECTOR

BA (Acc), Grad. Dip. CSP, MBA, FCPA, FAICD, FCIS, FGIA

Kathryn was appointed as a Director on the Board in 2015.

Kathryn has extensive experience in financial, accountancy, risk and strategic planning aspects of private, public, not-for-profit and government agencies. She has over 35 years' experience working in senior management roles, including as CFO/Company Secretary at ASX Top 100 listed Oil and Gas Exploration and Production company, Beach Energy Limited.

Her strong leadership and communication skills have been further refined by serving nearly 42 years part-time in the Australian Army, where she currently holds the commissioned rank of Major. Kathryn has previously served as a Member of Council at the University of Adelaide and was Chair of the Finance Committee, where she oversaw significant change to their Financial Reporting and Governance oversight to incorporate more transparency. She has recently stepped down from a role as a Non-Executive Director with Funds SA.

In Kathryn's Director role at Police Credit Union, she brings a sound understanding of the challenges faced in the Financial Sector from skills she brings to the Board as a Non-Executive Director on the Board of the National Reconstruction Fund Corporation (NRFC). She was awarded a Member of the Order of Australia (AM) in the 2022 Queen's Birthday Honours and awards in recognition of her services to Accountancy and her extensive community work. In 2024, Kathryn was appointed as a member of the Board of ASX Limited Company, Renascor Resources Limited. Kathryn is Chair of the Police Credit Union Board Audit Committee and a member of the Board Remuneration and Governance Advisory Committee.

Other Directorships and Memberships:

- Non-Executive Director, Australian Energy Market Operator (AEMO)
- Member, Audit and Risk Committee, (AEMO)
- Non-Executive Director, National Reconstruction Fund Corporation (NRFC)
- Non-Executive Director, Renascor Resources Limited
- Independent Chair, Risk and Performance Committee, South Australian Department of Energy and Resources
- Chair, Walford Anglican School for Girls Foundation
- Director, KP Advisory Pty Ltd
- Director, Rowing SA
- Fellow, Australian Institute of Company Directors
- Fellow, Australian Society of CPAs
- Fellow, Chartered Institute of Company Secretaries
- Fellow, Governance Institute of Australia



THOMAS MARK SCHEFFLER **ELECTED DIRECTOR**

MAICD, Dip. Local Govt., Cert. Police Studies

Tom was elected as a Director on the Board in 2016.

Tom joined the Board of Police Credit Union to advocate on behalf of Members, staff and their families. As a career police officer with South Australia Police, Tom brings extensive law enforcement experience, well-honed leadership skills and aptitudes that are perfectly suited to his position on the Board. He regularly draws upon these skills to help enhance the Credit Union's annual performance outcomes for Members.

During his 45 years as a police officer on patrols, Tom spent more than 20 years as a Detective in regional and metropolitan locations, where he developed a comprehensive understanding of the challenges facing different communities. He went on to win a contested position on the Police Association of South Australia's committee and later became membership liaison officer. In 2002, he was appointed Assistant Secretary and elected Secretary in 2013 until his retirement in 2018 at the rank of Senior Sergeant First Class.

As a Police Credit Union Director, Tom brings first-hand understanding and confident communication expertise when it comes to how our organisation can best support police officers, nurses and other emergency services personnel through tailored products and services. Tom has extensive People and Culture experience, which includes the fields of training, industrial relations, disciplinary matters, and Enterprise Agreement Bargaining. During his tenure at the Police Association of South Australia, he developed a comprehensive training package for delegates. In addition to attending to criminal matters involving members, he also liaised with the highest levels of SA Police regarding disciplinary, worker's compensation, and industrial grievances, as well as negotiating with the State Government of the day in support of Enterprise Bargaining negotiations.

Tom has an extensive history of supporting and giving back to the local community and our Members, which has extended his leadership experience while serving as Deputy Mayor and Councillor within the City of Charles Sturt for over 20 years. Tom is a member of the Police Credit Union Board Audit Committee and Board Risk Committee.

Other Director and Memberships:

- Past Member, Police Superannuation Board and Police Dependants Fund
- Member, Australian Institute of Company Directors
- Life Member, Police Association of SA
- Councillor, City of Charles Sturt
- Former Deputy Mayor, City of Charles Sturt
- Member, Asset Management Committee, City of Charles Sturt
- Past Member, Audit Committee, City of Charles Sturt

DIRECTORS' REPORT

Directors and Directors' Meetings

The Board of the Police Credit Union Limited met 12 times during the year ended 30 June 2024. In addition, Directors attended Board Strategy sessions during the year. The below table includes:

- names of Directors holding office at any time during, or since the end of, the financial year; and
- the number of scheduled meetings held during the financial year for which each Director was a member of the Board or relevant Board Committee and eligible to attend, and the number of meetings attended by each Director.

Director	Board		Board Audit Committee		Board Risk Committee		Board Remuneration and Governance Advisory Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
A Zimmermann	12	12	-	-	-	-	4	4
M Fisher	12	9	-	-	4	4	4	4
P Alexander	12	11	-	-	3	3	2	2
AM Chamberlain	12	10	4	3	-	-	2	1
S Daw	12	10	4	3	4	3	-	-
K Lawton*	8	7	3	2	3	2	-	-
K Presser	12	11	4	4	-	-	4	3
P Schar^	4	4	1	1	1	1	-	-
T Scheffler	12	12	4	4	3	3	2	2

*Commenced on 17 November 2023
^Retired 17 November 2023

Company Secretary

Costa Anastasiou B.Ec (Acc), FCPA, FAICD, SA Fin, joined the Credit Union in 2002 and was appointed as Chief Executive Officer and Company Secretary on 20 July 2007.

Principal Activities

The principal activities of the Group during the year included the operation as an Authorised Deposit Taking Institution ("ADI") and the provision of insurance services as an agent.

Review of Operations

A review of operations of the Company and its subsidiaries ("the Group") during the financial year is contained within the Chairman's and CEO's Report.

Changes in State of Affairs

Changes were made to the composition of the Board and the Executive team during the financial year. Specifically:

- Peter Schar resigned from the position of Elected Director, effective from 17 November 2023.
- Kevin Lawton commenced as Elected Director on 17 November 2023.
- James Came ceased as Executive Manager Finance effective from 8 August 2024.
- Anne Battilana commenced as Chief Financial Officer effective from 9 August 2024.

There have been no other significant changes in the state of affairs of the Group during the financial year other than those referred to in the Chairman's and CEO's Report and the Financial Statements.

Subsequent Events

There has not been any matter or circumstance occurring since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Dividends

No dividend has been paid or declared by the Credit Union since the start of the financial year, and the Directors do not recommend the payment of a dividend in respect of the financial year.

Indemnification of Officers and Auditors

Under its constitution the Credit Union must, to the extent permitted by the Corporations Act 2001, indemnify its officers and agents against any liability incurred in conducting the Credit Union's business or exercising the Credit Union's powers. The Credit Union may also indemnify or agree to indemnify any other person. The Credit Union has not, during the financial year or since the end of the financial year, indemnified or agreed to indemnify any other person against liabilities incurred.

The Credit Union has entered into and paid premiums to insure against losses that it may sustain arising out of indemnities to officers and agents to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Auditor's Independence Declaration

The Auditor's independence declaration appears on the following page.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and the Financial Statements are rounded to the nearest thousand dollars, unless otherwise indicated.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Alexander Paul Zimmermann

Chairman - Adelaide, 25 September 2024



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

To the Directors of Police Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Police Credit Union Limited for the financial year ended 30 June 2024 there have been:

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


KPMG



Neil Ediriweera
Partner

Adelaide

25 September 2024

EXECUTIVE TEAM



COSTA ANASTASIOU CHIEF EXECUTIVE OFFICER

Bachelor of Economics (Accounting), FAICD,
FCPA, SA Fin

Costa commenced employment at Police Credit Union in 2002 in a senior management capacity and was appointed Chief Executive Officer and Company Secretary in July 2007.

Reporting to the Board, Costa is responsible and accountable for the effective and efficient management of all operational aspects of the organisation, including the successful implementation of strategic, risk, governance and culture frameworks.

Costa is a qualified accountant, having started his career with a Top 4 accounting firm before moving into the banking and finance industry in 1987.

With over 36 years of experience working in the financial services sector, he has successfully undertaken diverse senior management responsibilities throughout his career, including financial management, treasury, sales and distribution, marketing and brand management, and strategic and governance positions.

Under Costa's leadership and direction, Police Credit Union has achieved consistent industry-leading outcomes across the five key pillars of its strategic scorecard, including long-term successes in Financial Performance, People, Culture, Risk and Governance, Innovation and Improvement, Customer Experience, and Community and Environment.

Since his appointment, guided by a clear set of core values based on superior service, honesty, integrity, and financial prudence, his values-based approach has seen Police Credit Union grow to serving more than 40,000 Members, total assets exceeding \$1.4 billion, and a growing workforce and branch network across South Australia and Northern Territory.

Other Directorships and Memberships:

- Director, PCU Services Pty Ltd
- Director, Ian Berry Insurance Services Pty Ltd
- Director and Life Member, SA Policy Legacy Inc.



PAUL MODRA EXECUTIVE MANAGER, MEMBER VALUE AND DISTRIBUTION, DEPUTY CEO

MBA, MAICD

Paul joined the Police Credit Union team in 2001.

Paul is an experienced senior manager and committed people leader. With over 30 years' experience in the broader sector and more than two decades with Police Credit Union, Paul has extensive and valued insight when it comes to the needs and wants of our Members.

A key member of our Executive Management team and Deputy CEO, Paul first started at Police Credit Union as a Branch Manager before being promoted to Executive Manager, Product and Marketing, providing him with diverse experience he continues to draw on in his current role as Executive Manager, Member Value and Distribution. Paul is responsible for developing and implementing our customer relationship strategy, as well as the smooth operation of our Branch Network, Direct Lending Unit, Contact Centre, Retail Operations, Product Management and Relationship Management.

During his tenure at Police Credit Union, Paul has implemented our member life cycle strategy, ensuring all segments of our membership are retained and enhanced. He is also responsible for the development and management of income and expense budgets relevant to different portfolios, including interest revenue, non-interest income and salary.

His innovative approach, strong leadership skills and commitment to delivering customer excellence at every opportunity has delivered a Member Satisfaction score consistently above 90% and an average of 4.92 products per member.

Prior to joining Police Credit Union, Paul held a range of roles in the banking sector, including Product Analyst, Assistant Branch Manager, Senior Loans Officer and Member Service Consultant.

He has a Master's Degree in Business Administration from the Australian Institute of Business. Paul is Chair of the Product and Pricing Committee, which monitors and sets competitive interest rates across all lending and deposit products. He is also a member of the Asset and Liability, Credit Risk, and Compliance and Operational Risk Committees.

Other Directorships and Memberships:

- Member, Finance, Audit and Risk Management Committee, St Michael's College Adelaide
- Member, Australian Institute of Company Directors



ANNE BATTILANA
CHIEF FINANCIAL OFFICER

B.Comm, Chartered Accountant, GAICD

Anne joined the Police Credit Union team in 2024.

Anne is a Chartered Accountant with over 20 years of experience in financial reporting, compliance, business process, and audit and regulatory reporting. She has proven skills that span people management, leadership, strategic planning, risk assessment and management, governance and project delivery.

As a member of the Executive Management team at Police Credit Union, Anne oversees all financial resources of the business, including Treasury, and provides strategic financial management leadership, ensuring the continued financial success of the organisation. She is responsible for developing and executing solutions for accounting policies and internal controls whilst managing capital, liquidity and funding.

Before joining Police Credit Union, Anne held senior management roles in a leading national bank for over 17 years, including more than five years as Financial Controller. Prior to that, she was part of the management team for a well-known local wine company and spent over three years with a global Big 4 professional services and accounting firm.

These roles have provided Anne with extensive experience in regulatory and statutory reporting, economic reporting, accounting, external and internal audits and resolutions of audit findings.

Working across multiple teams with other senior leaders, Anne has honed her risk identification skills and key leadership skills, with a focus on building high-performing finance teams and fostering a culture of collaboration across the workforce.

Anne holds a Bachelor of Commerce (Accounting) from the University of Adelaide, a Graduate Diploma from Chartered Accountants Australia and New Zealand, and is a Graduate of the Company Directors Course from the Australian Institute of Company Directors.

Anne is a member of the Product and Pricing Committee and Credit Risk Committee. As Chairperson of the Asset and Liability Committee, she oversees the monitoring of liquidity, interest rate and capital risks.

Other Directorships and Memberships:

- Director (Treasurer), Board of the YMCA Ballarat
- Director (Secretary), Henley and Grange Swimming Club
- Graduate, Australian Institute of Company Directors



CHRISTIE CROUCH
**EXECUTIVE MANAGER, BRAND,
MARKETING AND COMMUNICATIONS**

B.Psych, M.MKT, Graduate Disney Institute, GAICD

Christie joined the Police Credit Union team in 2010.

With more than a decade of experience gained at Police Credit Union, Christie has played a key role in the organisation remaining the most recognised Credit Union in South Australia.

Originally appointed in 2010 as Marketing Manager, Christie progressed to Executive Management positions for Marketing, Product and People and Culture from 2011. These roles focussed on employee engagement, training and development, recruitment and retention, and product development.

In September 2019 Christie started her current role as Executive Manager, Brand, Marketing and Communications, where she is responsible for brand strategy and development, delivery of compelling customer value propositions, and management of publicity and promotion.

She leads the Marketing team in strategies to attract new customers, with a focus on Member retention as well as supporting our community through a range of community-based sponsorships and events. Since 2006, Police Credit Union has exceeded targets for community investment spend, contributing over \$7.3 million to community initiatives.

In addition to being a Member of the Product and Pricing Committee and Innovation Committee, Christie chairs the Community, Environment and Employee Engagement and Diversity Committee.

Prior to joining Police Credit Union, Christie held senior Marketing roles in the real estate sector, where she was recognised for her strong leadership ability through numerous industry awards. Christie has a Master's Degree in Marketing and a Bachelor of Psychology from the University of South Australia. She also completed a financial management course through the Melbourne Business School and a Customer Experience Business Development program through the globally acclaimed Disney Institute.

Other Directorships and Memberships:

- Australian Marketing Institute
- Carbon Neutral Adelaide
- Graduate, Australian Institute of Company Directors

EXECUTIVE TEAM



Laura Fountain
HEAD OF PEOPLE AND CULTURE

Diploma, Human Resources Management

Laura joined the Police Credit Union team in 2018.

Laura is an accomplished Human Resources (HR) professional with an impressive track record of over 15 years of experience in the HR industry, including more than 5 years as an integral part of the Police Credit Union team.

Laura first joined Police Credit Union in 2018 as a People and Culture Generalist, before being elevated to People and Culture Manager in 2022 and appointed to her current role in April 2023.

As Head of People and Culture, Laura has responsibility for delivering our People and Culture Strategy. Her primary goal is to attract, nurture, and retain top-tier talent, fostering a workforce dedicated to delivering an unparalleled customer experience. At the helm of her team, Laura spearheads initiatives that include promoting our Employee Value Proposition, handling recruitment, onboarding of new staff, managing employment relations, overseeing performance management, and driving learning and development efforts. She also ensures the alignment of remuneration and benefits, champions workplace health and safety, fosters employee well-being, and orchestrates efforts to enhance employee engagement and retention.

Laura's influence extends beyond her core responsibilities. She is Chair of the Work, Health, Safety and Wellbeing Committee, underscoring her commitment to fostering a safe work environment. She is an active member of the Compliance and Operational Risk, Staff Superannuation, and Community, Environment, Employee Engagement and Diversity (CEEED) committees. Laura is Police Credit Union's Return-to-Work Coordinator, First Aid Officer, and Equal Employment Opportunity Officer, reaffirming her dedication to the holistic well-being of our workforce.

Before joining the Police Credit Union team, Laura spent more than 7 years working in the health and not-for-profit sectors, where she honed her strategic and operational expertise across various HR capacities, from generalist roles to managerial positions. Laura's background also includes a 6-year tenure in recruitment and candidate placement, prior to her transition into HR. Laura holds a Diploma in Human Resources Management and is accredited in Saville Wave Personality Assessment.

Other Director and Memberships:

- Professional Member, Australian Human Resources Institute



James O'Loughlin
EXECUTIVE MANAGER, LENDING AND
CREDIT MANAGEMENT

BEC, Grad. Dip. AppFin, MBA

James joined the Police Credit Union team in 2012.

James has an extensive work history that spans more than 30 years in the banking and finance sector, with a proven track record in credit risk management. His advanced analytical skills and strong business and commercial acumen makes him an important part of the Police Credit Union Executive Management team.

As Executive Manager, Lending and Credit Management, James is accountable for leading the responsible credit culture and successfully developing, implementing and monitoring credit policy. He manages the Lending and Credit Management teams who play an important role in assessing personal and home loan applications against strict lending criteria, with a focus on achieving sustainable growth in the loan portfolios. James also leads the Business Banking department, which maintains a strong focus on residential property development.

James is a chartered accountant who started his career with a Big 4 accounting firm before moving to the banking and finance industry. He has held various roles with international and Australian financial institutions, ranging from private banking, business development to senior management positions, as well as experience across accounting, finance, debt restructure, cash management and self-managed superannuation funds.

James has a Masters in Business Administration, a Graduate Diploma in Applied Finance and a Bachelor of Economics from the University of Adelaide. He is Chairman of the Police Credit Union Credit Risk Committee and a member of the Asset and Liability (ALCO) Committee.

Other Director and Memberships:

- Independent Board Member, Law Society, Litigation Assistance Fund



ANGELA SCARFO
HEAD OF RISK AND COMPLIANCE

BA (Legal Studies), LLB, GradDip (Legal Practice), MAICD, CPRM

Angela joined the Police Credit Union team in 2023.

Angela is an accomplished risk leader with a deep passion for effective risk and compliance management. With a wealth of experience spanning nearly two decades, Angela has demonstrated her ability to drive positive change and foster a strong risk culture within a range of organisations.

In her role as Head of Risk and Compliance at Police Credit Union, Angela ensures our risk management framework is robust and aligned with industry best practice. Her area of responsibility includes business continuity management, fraud management, AML/CTF Compliance and the oversight of corporate insurances and governance. As a member of the Executive Management team, Angela ensures risk and compliance management is integrated into our strategic direction and across our business operations to ensure we appropriately address risks, impending issues and meet all legal and regulatory requirements. In addition to leading a team that maintains the physical security of our branch network and head office, Angela is responsible for managing/assisting with regulator interaction and reporting, and implementation of new and amended legislation and associated staff training across our organisation. This involves overseeing the delivery of extensive fraud and scam awareness training, along with risk management and compliance education. Angela is also Chair of the Compliance and Operational Risk Committee, Police Credit Union's AML/CTF Compliance Officer, and Chief Risk Officer.

Prior to joining Police Credit Union, Angela worked in senior Risk Management roles in the commercial sector and with leading superannuation funds, as well as in private practice as a lawyer in Real Estate and Risk Management. She has a Bachelor of Arts (Legal Studies) from Flinders University, a Bachelor of Laws from the University of Adelaide and a Graduate Diploma in Legal Practice through the Law Society of South Australia. She has undertaken professional development through the Australian Institute of Company Directors and the Governance Institute of Australia and is a Certified Practising Risk Manager through the Risk Management Institute of Australasia.

Other Director and Memberships:

- Director, Company Secretary and Chair of the Governance, Risk and Nominations Committee, Australasian Legal Practice Management Association
- Executive Member (and Secretary), Risk Management Institute of Australasia
- Member, Australian Institute of Company Directors



BEN STEPHENSON
EXECUTIVE MANAGER, TECHNOLOGY AND DATA

MInfoSysSec, MACS

Ben joined the Police Credit Union team in 2014.

As a critical part of the Executive Management team, Ben brings over 20 years' experience in IT within the mutual banking sector. As Executive Manager, Technology and Data, he heads a team responsible for the security, availability, and integrity of our IT systems and banking platforms, as well as innovation projects.

Ben offers a solid technical background in IT, having worked in frontline support positions earlier in his career before progressing into senior management roles. This diverse range of experience has provided him with a strong background in business processes as well as IT technical skills. Ben continues to champion the need for safe, secure, convenient and reliable IT infrastructure, efficient banking systems and convenient Member access channels across Police Credit Union. This includes various ongoing upgrades across the Credit Union's core technology platform as well as various iterations of our Banking App and Internet banking technologies. In addition to a range of back-end technology enhancements to protect personal information, Ben has managed various online back-end security initiatives which have further minimised losses for our Members, despite increased online fraud activity.

Prior to Ben's position with Police Credit Union, he was Network Administrator for a major commercial brand and spent nearly 13 years as Network and IT Systems Manager for a Tasmanian-based leading financial institution. Adding to an impressive skill set, Ben's experience as a chartered accountant for over five years gives him a solid grounding in accounting principles and practices. He has a Master's Degree in Information Systems Security at Charles Sturt University and is completing a Graduate Certificate in Cyber Security Governance at RMIT. His professional development efforts include completion of the Police Credit Union Good to Great Leadership program, graduating from the Tasmanian Chamber of Commerce and Industry Management Training, and recognition as a Microsoft Certified Systems Engineer.

Ben is Chair of our Innovation Committee and a member of the Compliance and Operational Risk Committee.

Other Directorships and Memberships:

- Member, Australian Information Security Association

CORPORATE GOVERNANCE STATEMENT

Police Credit Union is committed to high standards of corporate governance. We believe this is a cornerstone to our ability to deliver on our purpose and strategy. We recognise that reliability and trust is at the core of everything we do and that our purpose, values, and culture set the foundations for good conduct. Notwithstanding that the requirement to table a Corporate Governance Statement is an ASX Listing Rule for listed companies, for the purposes of transparency, better-practice, and ongoing member-shareholder engagement, Police Credit Union is pleased to table an overview of its governance framework, as it has done for many years.

Our core values of superior service, honesty, integrity, and financial prudence reflect the essential beliefs and culture of the business. Our purpose is to improve our Members' lives by providing outstanding value and service that enables them to achieve their financial aspirations. Our strategy is centred around a high-performance framework in areas which are critical to our long-term success:

- Customer experience
- Financial Performance
- Community and Environment
- People, Culture, Risk and Governance
- Innovation and Improvement.

This statement is accurate and up to date as at 25 September 2024 and has been approved by the Board. Further information relating to the Police Credit Union's corporate governance practices and key governance documents can be found on the Corporate Governance section of our website at: www.policecu.com.au/corporate-governance/.

Police Credit Union is an Authorised Deposit-taking Institution (ADI) authorised and regulated by the Australian Prudential Regulation Authority (APRA). As the holder of an Australian Financial Services Licence and an Australian Credit Licence, the Credit Union is also supervised by the Australian Securities and Investments Commission (ASIC).

Each Director has a statutory requirement under Chapter 2D of the Corporations Act 2001 and other regulatory provisions and these obligations under law are set out as per this Corporate Governance Statement.

Police Credit Union Limited and its Controlled Entities for the Year to 30 June 2024

The Board of Directors has overall responsibility on behalf of the shareholders (Members) for the business of the Police Credit Union Group.

To fulfil this role, the Board develops, approves, and undertakes the setting of organisational strategic direction, the setting of financial and non-financial objectives and metrics, and the monitoring of Management's progress against these plans and objectives, together with operational oversight.

This approach ensures that the Board can apply strong ongoing oversight of compliance with its legal, regulatory and environmental obligations, culture and conduct expectations, together with established Member/customer product and service performance standards and ongoing operational integrity.

The Police Credit Union Board acknowledges its responsibilities under the Financial Accountability Regime Act 2023. Specifically, each Director is an Accountable Person, as defined under section 10 of the Act, and has particular responsibilities under the Act for the oversight of Police Credit Union as a member of the Board. In accordance with the Board Charter, the responsibilities of each Director include:

Providing oversight and approvals and responsibility for:

- Setting the strategic direction of Police Credit Union, and annually reviewing and approving a 3-year strategic business plan which sets out the organisation's core ideology (including core values), envisioned future, major goal(s), and strategic initiatives and tactics
- Overseeing, approving and monitoring financial performance and other management reporting
- Monitoring the effective operation of the Board
- Evaluating the performance of the Board and individual Directors
- Allocating responsibilities to appropriate employees, including in relation to compliance with the Financial Accountability Regime (FAR)
- Ensuring senior management monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and Board approved policies.
- Approval of risk appetite and risk management framework, including responsibility for:
 - Developing and approving Police Credit Union's risk appetite statement and communicating this clearly to the CEO
 - Approving the Risk Management Framework
 - Ensuring the operation's structure facilitates effective risk management and sufficient resources are dedicated to risk management
 - Identifying uncertainties, limitations and assumptions attached to the measurement of each material risk

- Ensuring senior management develop and implement appropriate arrangements, systems and controls to enable Police Credit Union to appropriately manage risk
- Ensuring the organisation's assets and operations are not exposed to undue risks through appropriate risk management.

Approval of Internal Capital Adequacy Assessment Process (ICAAP), including responsibility for establishing a policy framework:

- Regarding capital management for maintaining sufficient capital
- On organisational frameworks and risk limits in relation to capital
- For assessing, monitoring and controlling internal capital adequacy, and the calculation of the capital adequacy ratio.

Approval and application of the Remuneration Policy, including responsibility for:

- Reviewing and approving the Remuneration Policy
- Developing policies and procedures for the recruitment and retention of Directors and executive-level employees
- Monitoring the effectiveness and implementation of the Remuneration Policy.

Oversight of audit, including responsibility for:

- Ensuring that Police Credit Union's audit functions are carried out by appropriately skilled and qualified persons (whether internal or external)
- Establishing a Board Audit Committee for the review and oversight of matters associated with the ability of Police Credit Union to carry out its regulatory strategy
- Monitoring the effective operation of the Board Audit Committee.

Oversight of compliance, including responsibility for:

- Approving the Compliance Management Framework and Compliance Policy
- Ensuring Police Credit Union develops and implements arrangements, systems and controls to enable it to comply with its legal, regulatory and industry obligations (complying with the law and adhering to accounting and other industry standards)
- Ensuring the organisation's assets and operations are not exposed to undue regulatory or compliance risks through appropriate compliance management
- Ensuring resources are allocated to establishing, developing, implementing, evaluating, maintaining and improving a robust compliance culture and Compliance Management Framework
- Periodically reviewing the effectiveness of the Compliance Management Framework and forming a view on the compliance culture.

Oversight on risk culture, including responsibility for:

- Leading the development of Police Credit Union's culture by the governing body as a whole, including risk culture
- Assessing and forming a view on the risk culture and the extent to which the culture supports the ability of Police Credit Union to operate within its risk appetite
- Identifying any desirable changes to the risk culture and communicating to senior management steps which need to be taken to address those changes.

The Board has adopted the following statement of functions reserved to it, with the day-to-day management delegated to the Chief Executive Officer (CEO) and the Credit Union's Management Team. The Board is also responsible for:

- Monitoring the implementation and performance of the Credit Union through agreed goals and strategy
- Assessing performance against Board-approved budgets, targets and key performance indicators
- Overseeing the management of the Credit Union's business
- Overseeing appropriate policies, controls, systems and procedures within the Credit Union to set the risk appetite, manage the risks of its businesses, and compliance with all regulatory and prudential requirements including, without limitation, work, health, safety, wellbeing, and environmental issues
- Reviewing matters of general Corporate Governance, including the established and annual review of a Corporate Governance Plan and Framework document
- Appointing and removing the Chief Executive Officer
- Ensuring appropriate succession planning is in place
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Overseeing, approving and monitoring of financial performance and other management reporting
- Setting delegated expenditure limits
- Ensuring that it strives to continuously improve Corporate Governance performance, standards and practices and in doing so maximising the effectiveness of the Board.

The agreed goals and strategy as outlined above requires the Board on at least an annual basis to engage in strategic planning. This necessitates on an ongoing basis, a review of developments in the economic environment and finance industry, monitoring key business risks, evaluating emerging opportunities, assessing management of all these elements and considering modifications in strategic direction.

The Board acknowledges that it has specific responsibilities and duties in regard to and as it relates to the preparation, approval and presentation of Financial Statements and Reports with reference to the Corporations Act 2001, as follows:

- Financial Statements shall be prepared and tabled in accordance with Chapter 2M of the Corporations Act 2001, Accounting Standards and Interpretations, and in compliance with other requirements of the law. It is the duty and responsibility of each Director to act diligently in considering the accuracy and completeness of the financial statements and, when satisfied, provide approval in the tabling of a Directors' Declaration accordingly
- The Board Audit Committee shall meet regularly and discharge its duties in accordance with its Charter. The Committee will provide a written update to the Board after each meeting outlining matters considered and identifying any specific issues that require Board attention. Board Audit Committee papers and approved minutes will be made available to Directors via the Directors' website

CORPORATE GOVERNANCE STATEMENT

- It is expected that Directors will undertake and attend ongoing professional development and learning to ensure that they are properly and adequately equipped in terms of financial statements knowledge to discharge their responsibilities. The CEO shall be responsible for the coordination of such training
- The CEO shall table an annual financial statements declaration to the Board as an attestation and representation as to the process, detail, content and integrity in the preparation and presentation of the financial statements.

Board Independence, Renewal and Selection

All Board members are independent non-executive Directors. The Board assesses the independence of Directors on an annual basis. A Director will be regarded as independent if that Director:

- Is a non-Executive Director
- Has not been an officer of the Credit Union
- Has within the last three years not been employed in an executive capacity by the Credit Union or any of its subsidiaries
- Has within the last three years not been a principal of a material professional adviser or a material consultant to the Credit Union or any of its subsidiaries, or an employee materially associated with the service provided
- Has not been a material supplier or customer of the Credit Union or any of its subsidiaries, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has no material contractual relationship with the Credit Union or any of its subsidiaries other than as a Director of the Credit Union
- Has been free from any interest and any other business relationship which could, or could reasonably be perceived to, interfere materially with the Director's ability to act in the best interests of the Credit Union.

For the financial period to 30 June 2024, the Board has assessed that all Directors are independent, and that they continue to test and challenge Senior Management constructively and exercise independent judgement on matters presented for Board decision.

The Board comprises five Elected Directors who are elected on rotation, and three Appointed Directors. In accordance with the Credit Union's Constitution, the Board has the power to appoint by resolution at any time up to three persons as an Appointed Director.

In the event the Board, in its determination, does not have an ideal inventory of skilled Directors and is unlikely to develop the necessary competency and/or diversity, it has the power to source and appoint a Director, thereby giving the Board the appropriate and enhanced renewal.

The Board requires Directors to have skills, knowledge, and experience which are complementary to the Credit Union's activities and strategy, or have appropriate professional qualifications, and who can bring value and judgement to the Board's deliberations. The Board strives to achieve a balance of skills, knowledge, experience and renewal among its Directors, with the process being formally overseen by the Board Remuneration and Governance Advisory Committee.

It is the Board's view that, collectively, the Directors need to have appropriate skills, tenure, and experience to provide leadership and contribute to the effectiveness of the Board and the success of Police

Credit Union. The Board reviews its mix of skills, knowledge, and experience annually, using a skills matrix. These reviews include consideration of future succession plans for Board members and any additional areas of expertise that may be needed or desired by the Board.

The Board, as part of its renewal process, considers the length of service of each Director in conjunction with a skills, knowledge, and experience review, in determining whether Directors have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Credit Union. For the financial period to 30 June 2024, the Board has assessed and concluded that no Director has served on the Board for such a period that their independence has been compromised.

The Board has, in accordance with Police Credit Union's Constitution, established a Nominations Panel for the purpose of assessing Director candidates, including those Directors whose term expires at the Annual General Meeting and who are offering themselves for re-election.

The assessment is undertaken with reference to Board-approved Police Credit Union Model Criteria, to determine whether that person has demonstrated an ability to be a Director and is 'fit and proper'. The Nominations Panel consists of four members, being two current Directors and two independent and external persons who possess an overall suitable mix of character, skills, knowledge, and experience to enable an effective assessment of candidates.

Following a thorough assessment, the Nominations Panel must be satisfied that each candidate has demonstrated an ability to be a Director as assessed against the Board-approved Model Criteria and is fit and proper to be, and act, as a Director by reference to the Credit Union's Fit and Proper Policy. During the reporting period, the Nominations Panel met to review and assess three Director candidates (including one current Director who has offered themselves for re-election) in respect of two Elected Director positions to be filled at the 2024 Annual General Meeting, and to report to the Board the Panel's assessment of whether the candidates satisfied the Model Criteria.

Each Director (both Appointed and Elected) enters into a Deed of Director's Terms of Appointment agreement that covers the Director's role, duties and responsibilities, terms of appointment, ongoing education, remuneration, disclosure of outside interests, independence, privacy, and confidentiality obligations. Arrangements for access to information, insurance, indemnity, and access to independent professional advice arrangements are also contained in the Deed.

Following appointment, each Director participates in an extensive induction program to familiarise themselves with the Credit Union's business and strategy and to develop industry knowledge. The information provided includes information about the Credit Union's corporate governance and risk frameworks, policies, organisational structures, and business activities. The induction program also involves one-on-one meetings with Executives, and the Internal Auditor. There is also an induction program for each Board Committee of which a Director becomes a member.

Diversity and Inclusion

Police Credit Union is committed to promoting an organisational culture and workplace that fosters diversity and inclusion across all levels of the business. We achieve this through eliminating stigmas and creating a culture of inclusion through the promotion of education, awareness, and mutual understanding in line with our values and ethics. It is expected that all employees, including Directors, take personal responsibility for fostering a culture of diversity and inclusion, and demonstrate behaviours consistent with our strategy, vision, values, and ethics.

The Board has established a diversity and inclusion policy framework. Police Credit Union will not tolerate unlawful discrimination, harassment, workplace bullying or victimisation, or any behaviour that is inconsistent with our values or ethics.

It is our policy to treat all Members, employees, prospective employees, agents, contractors, customers, suppliers, and members of the community fairly and equally regardless of their race, colour, gender, sexual orientation, age, physical or mental impairment or disability, marital status, parental or carer's status, pregnancy, religious beliefs, socio-economic background, or ethnic, national, or social origin in accordance with the organisation's Fair Treatment and Code of Ethics Policies.

The Police Credit Union Group has consistently maintained full compliance with the Workplace Gender Equality Act 2012 since its inception and with the most recent notice of compliance for the period 2023-2024.

Skills, Knowledge and Experience and Continuing Education

To ensure that Directors of Police Credit Union collectively have the full range of skills needed for the effective and prudent operation of the institution, and that each Director has skills that allow them to make an effective contribution to Board deliberations and processes, each year an analysis is undertaken to monitor a strategic skills map for effective Board renewal, optimum Board composition, and appropriately targeted professional development and governance learning programs. This includes the requirement for Directors to have the necessary skills, knowledge, and experience to understand the risks of the institution, including its legal and prudential obligations, and to ensure that the institution is managed in an appropriate way taking into account these risks.

The Board Remuneration and Governance Advisory Committee is responsible for overseeing the annual audit of Director knowledge, skills, and experience. **For the financial period to 30 June 2024**, the most recent results of this assessment indicate that the Board's aggregate knowledge, skills and experience reflects overall performance in the upper quartile of assessment. In addition, **during the financial period to 30 June 2024**, the Board also commissioned the engagement of an independent external firm to conduct a Board Skills Competency Matrix. This was completed in August 2024 and, whilst identifying some areas for consideration and opportunities for improvement, revealed no adverse or material findings.

The Board Remuneration and Governance Advisory Committee is responsible for the regular review of Director Professional Development and Learning and must ensure that the continuing education program of learning is appropriate and adequate in

enhancing the skills, knowledge, and experience of Directors. In accordance with POL 3010.3 – Responsible Person Learning Policy, all Police Credit Union Directors are expected to actively participate in ongoing professional education programs that includes minimum levels of required structured and unstructured learning, a formal induction program (where relevant) and the provision of regular scheduled training by internal and external experts across various banking and finance disciplines. All Directors must undertake extensive and continuing professional development programs to optimise and enhance their current skills and knowledge. Police Credit Union's policy on Responsible Person Learning, requires all Directors to each complete a minimum of 90 hours of professional development over a triennium period consisting of 35 hours of approved structured learning and 55 hours of approved unstructured learning. **For the financial period to 30 June 2024**, all Directors have completed the mandatory minimum requirement as set out in Board policy.

Board Assessment, Evaluation and Remuneration

In accordance with Board Policy, Directors undertake an extensive evaluation of Performances and Practices covering areas such as accountability to Members, the setting of strategic direction, the establishment and review of Policies, the monitoring of organisational performance, Board composition and operation, attendance and contribution to meetings, Board Processes, Code of Conduct and Compliance and Control. Police Credit Union also undertakes external and independent reviews of its governance arrangements, and comparisons to standards of accepted good practice.

Performance evaluations incorporating the Board and its Committees are conducted annually with results assessed by the Board Remuneration and Governance Advisory Committee and reported to the full Board. The objective of this analysis is to assess and monitor the effectiveness of Director and Board governance practices and measure the ability of the Board to properly function and meet its obligations and identifying and mitigating areas of underperformance.

To ensure ongoing good corporate governance practices, and for the purposes of maintaining an external independent process for regularly assessing and evaluating the performance of the Board and individual Directors, including comparison to standards of accepted good practice, the Board Remuneration and Governance Advisory Committee engage the use of a suitably qualified, credentialed and reputable firm to undertake an independent external assessment of Board capability, to ensure that it is fit for purpose having regard to the expectations outlined in paragraph 19 of APRA Consolidated Prudential Standard CPS 510 Governance, for individual Directors, and the Board as a collective, at least every two years.

The Board Remuneration and Governance Advisory Committee is responsible for the implementation of the Independent Director and Board Assessment, including the review and consideration of findings and recommendations and the remediation of any issues that may emerge from that review, subject to approval by the Board.

The Independent Director and Board Assessment includes and is not limited to the following areas of review; Duties, Responsibilities and Accountabilities, Decision Making, Risk Management and Compliance, Legal, Prudential, and Regulatory Obligations, Strategy, Board Dynamics, Conflict of Interest, Board Meetings and Information, Committees, Chair Performance, and Succession Planning.

CORPORATE GOVERNANCE STATEMENT

During the financial period to 30 June 2024, the Board commissioned the engagement of an independent external firm to conduct a Board Performance Evaluation.

This was completed in June 2024, considered by the Board, and revealed no adverse or material findings. The report did however identify a number of better practice opportunities for improvement which have been considered by the Board for implementation. The review is next scheduled for June 2026.

In accordance with Board Policy, the Board Remuneration and Governance Advisory Committee, and ultimately the full Board, undertake extensive annual performance and remuneration reviews of the Chief Executive Officer, Executive-level direct reports of the CEO, and other persons whose activities may in the Committee's opinion, affect the financial soundness of the Credit Union.

Board policy requires that performance development reviews must be undertaken annually and after the conclusion of the financial period, using respective Accountability Statement and Position Performance Profiles, which incorporate Key Performance Indicators (KPIs), both financial and non-financial, that are directly aligned to the Police Credit Union Strategic Plan balanced scorecard.

The Responsible Person Remuneration Policy linked to performance reviews, is structured in a manner that:

- Aligns with the Credit Union's business plan, strategic objectives and risk management framework;
- Promotes the effective management of both financial and non-financial risks, sustainable performance and the Credit Union's long-term soundness;
- Supports the prevention and mitigation of conduct risk;
- Motivates executive and other managers captured by this policy to manage and lead the business successfully and to drive strong long-term organisational growth and performance in line with the strategy and business objectives;
- Encourages conduct and behaviour that supports the desired organisational and risk management culture of the Credit Union;
- Ensures that there is transparency and fairness in remuneration policy and practices;
- Delivers a balanced solution addressing all elements of total pay – base pay and benefits including appropriate superannuation arrangements and attraction and retention strategies; and
- Ensures that the Credit Union will meet its obligations under the Financial Accountability Regime and, in particular, its obligations with respect to deferred remuneration, where applicable. Detailed obligations are set out in POL 3005.19 Financial Accountability Regime Policy.

In accordance with Board Policy, and for the financial period to 30 June 2024, the Board Remuneration and Governance Advisory Committee and Board have satisfactorily undertaken and completed extensive annual performance and remuneration reviews of the Chief Executive Officer, Executive-level direct reports of the CEO and other persons whose activities may affect the financial soundness of the Credit Union.

Fit and Proper

Police Credit Union maintains a robust framework to ensure that individuals appointed to senior positions within the Credit Union have the appropriate fitness and propriety to fulfil their prudential responsibilities.

The framework set out in the Credit Union's Fit and Proper Policy addresses the requirements of APRA Consolidated Prudential Standard CPS 520 Fit and Proper. Under the policy, all Directors and senior managers need to have, and must continue to demonstrate, the required competencies, character, diligence, honesty, integrity and judgement needed for the effective and prudent operation of the Credit Union.

The policy requires the annual completion of a number of competency, background, and probity checks as part of the assessment process to confirm the person's character, experience and qualifications. The policy also requires annual notification of any relevant directorships, other interests, positions or associations as well as appropriate criminal and bankruptcy checks.

Directors, senior managers and the external auditor are assessed before appointment and then annually. All Directors, senior managers and the external auditor have been assessed as fit and proper.

For the financial period to 30 June 2024, and in accordance with Board policy, all Directors and senior managers have been assessed as meeting the requirements of the Fit and Proper Policy, without exception.

Accountability

In addition to and separate from the above Fit and Proper requirements, Police Credit Union's Directors, Chief Executive Officer, Executive Managers and Internal Auditor are registered as Accountable Persons with APRA, as required by the Financial Accountability Regime Act 2023 (FAR).

Police Credit Union and its Accountable Persons will ensure it meets the accountability obligations imposed by this legislation including to, at all times:

- Act with honesty, integrity and with due skill, care and diligence;
- Deal with Regulators in a way which is open, constructive and cooperative;
- Take reasonable steps in conducting its responsibilities to prevent matters from arising which would adversely impact the prudential standing or prudential reputation of Police Credit Union; and
- Take reasonable steps in conducting its responsibilities to prevent matters from arising that would (or would be likely to) result in a material contravention by Police Credit Union of the Financial Accountability Regime Act 2023, the Banking Act 1959, the credit legislation (within the meaning of the National Consumer Credit Protection Act 2009), and regulations, instruments, directions or orders made under any of those laws.

For the financial period to 30 June 2024, and in accordance with Board policy, all Directors and senior managers have been assessed as meeting the requirements of the fit and proper, and FAR policy, without exception.

Board Processes

The Board has established a comprehensive framework of Board and Management Committees to assist with management of the Police Credit Union Group, with particular emphasis on compliance, internal controls and business risk management, both financial and non-financial. All Committees have written mandates (Charters) and operating procedures. The role and responsibilities of the Board is set out in the Board Charter which is reviewed annually.

Committee Structure

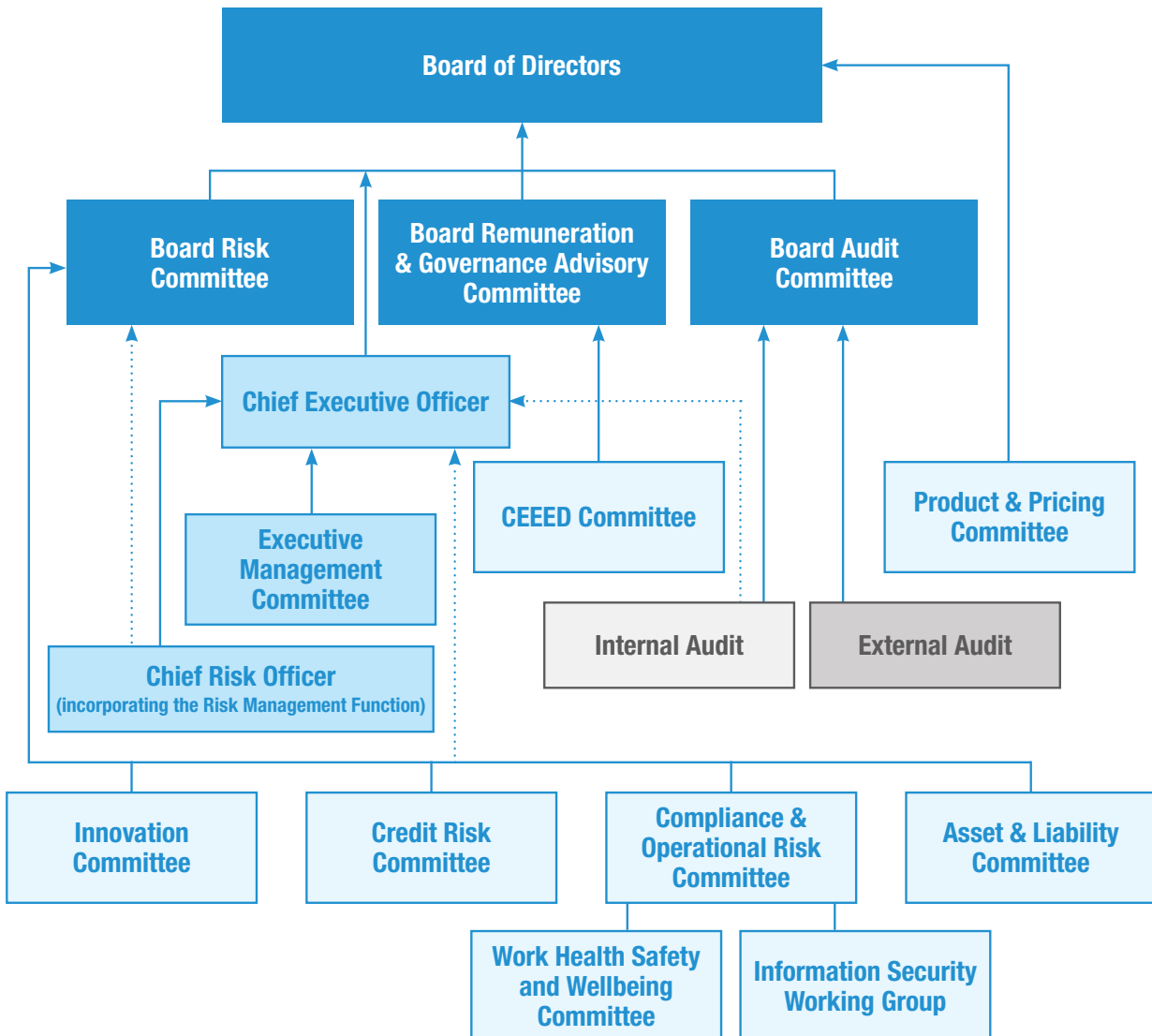
The diagram below details the Credit Union’s committee structure as well as the established risk governance structure.

The detailed role of each committee and the Credit Union’s internal control and Risk Management Framework is provided in the following sections.

Board Remuneration and Governance Advisory Committee

The Board Remuneration and Governance Advisory Committee is a Committee of the Board established in accordance with the Credit Union’s Constitution and as required by APRA Consolidated Prudential Standard CPS 510 Governance. The Committee comprises the Chairman and Deputy Chairman of the Board and three other Directors which include the Chairman of the Board Risk Committee and the Chairman of the Board Audit Committee.

The role of the Board Remuneration and Governance Advisory Committee is set out in a Charter which has been approved by the Board and is reviewed on an annual basis. The Committee is responsible for the review of Governance policies and practices; Board evaluation; CEO and senior management performance, remuneration reviews and succession planning; Director remuneration; Director screening, nomination and induction.



CORPORATE GOVERNANCE STATEMENT

The Committee is responsible for initiating and overseeing the process of annual CEO performance evaluation, remuneration review and succession planning, making recommendations to the Board in accordance with the Responsible Person Remuneration Policy, and has undertaken this process without exception.

The Committee is also responsible for overseeing the process of annual remuneration reviews and performance evaluations of direct reports to the CEO, and other persons whose activities may in the Board Remuneration and Governance Advisory Committee's opinion affect the financial soundness of the Credit Union, and any other person specified by APRA, in accordance with the Policy, and has undertaken this process without exception.

Board Audit Committee

The Board Audit Committee is a Committee of the Board established in accordance with the Credit Union's Constitution and as required by APRA Consolidated Prudential Standard CPS 510 Governance. The Board Audit Committee comprises at least four Directors. The Chairperson of the Board of Directors cannot be a member of the Committee.

The role of the Board Audit Committee is set out in a Charter which has been approved by the Board and is reviewed on an annual basis. Its objectives are to enhance the credibility and objectivity of financial reporting and to review the effectiveness of the external and internal audit functions. It aims to provide a link between the Board of Directors and External and Internal Auditors, and reviews and monitors the internal control environment operating within the Credit Union.

As part of its work, the Committee reviews the scope, quality and independence of internal and external audit, and recommends to the Board any change in the appointment of the External Auditor.

Board Risk Committee

The Board Risk Committee is a Committee of the Board established in accordance with the Credit Union's Constitution and is required by APRA Consolidated Prudential Standard CPS 510 Governance. The Board Risk Committee comprises at least four Directors. The Chairperson of the Board of Directors is not a member of the Committee.

The role of the Board Risk Committee is set out in a Charter which has been approved by the Board and is reviewed on an annual basis. Its objectives are to assess, monitor and review the management and effectiveness of the Credit Union's Risk Management Strategy, Risk Management Framework and Compliance Framework including the oversight of the Compliance and Operational Risk Committee, Credit Risk Committee, Asset and Liability Committee and Innovation Committee.

In addition to overseeing the establishment and implementation of risk management and control frameworks, the Committee is responsible for the oversight and management of risks within the Board's risk appetite as well as approval and recommendation to the Board of risk-based policies and procedures and the implementation of the Business Continuity Plan. The Board Risk Committee meets four times per year and, as part of its responsibilities, reviews Police Credit Union's Risk Management Framework annually.

Internal Control and Risk Management Framework

The Board acknowledges its responsibilities for the oversight of internal controls and the overall Risk Management Framework, including the Three Lines of Defence risk management and assurance model.

The Risk Management Framework, which satisfies the requirements of APRA Consolidated Prudential Standard CPS 220 Risk Management, is designed to achieve outcomes consistent with the Credit Union's risk-reward expectations and includes the Risk Appetite Statement, incorporating risk triggers and risk tolerances to manage exposures and risk concentrations, and Board approved policies for each of the key risk areas it is responsible for overseeing.

Police Credit Union has a clearly defined policy framework that sets out how areas of material risk are managed. The framework is centred around the Risk Management Framework with supporting policies directly linked to its key risk categories of credit risk, asset and liability risk, operational risk, and strategic risk. In managing its policy framework, direct reference is made to relevant regulation and legislation to ensure that policy correctly reflects the Credit Union's obligations and ensures ongoing compliance with those obligations. During the period, policy requirements have been met and no material exceptions were reported.

During the period, Police Credit Union completed a policy review project, which involved a comprehensive review of all policy documents, including style and format, template guidance, storage, confidentiality, communication and access. The project resulted in a significant uplift of the policy framework and associated procedures and working documents, which continue to be reviewed annually via the respective management committees and managed by the Risk and Compliance function.

Police Credit Union is a values-driven organisation that advocates the principles of adherence to policies and the application of sound governance practices and operates its business in a conservative manner within its risk appetite set by the Board and integrated with Police Credit Union's strategic objectives.

In assessing strategic initiatives, Police Credit Union employs a balanced and well considered approach and ensures that any associated risks are commensurate with the risk-reward equation and Police Credit Union's appetite for risk. The Risk Appetite Statement and the Risk Management Framework which it supports, underpins fundamental principles of strong capitalisation, robust balance sheet and sound earnings, which protect Police Credit Union. This in turn supports the implementation of a robust and effective organisational wide risk culture which encourages taking appropriate and relevant risks that are adequately rewarded and that support Police Credit Union's strategic direction.

In the delivery and implementation of its strategic objectives, Police Credit Union employs a balanced approach which does not jeopardise the underlying principles of maintaining a strong buffer and stable capital base, and a positive and well-respected reputation that underpins customer and market confidence.

Police Credit Union adopts the position that whether expressed in quantitative or qualitative terms, risk appetite needs to be measurable, and the methodology employed to set, determine and monitor performance against material risks, is premised on that principle.

In managing risk and implementing its strategic objectives, Police Credit Union will:

- Consistently operate in a responsible and financially prudent manner;
- Apply a conservative and prudent approach in setting strategy and pursuing strategic objectives;
- Avoid a speculative or aggressive approach in implementing strategy;
- Maintain and proactively monitor an effective control environment, that together with practical constraints, minimises risks that might impact on the continuity of its business;
- Make business decisions only after careful consideration of risk, including consideration of the risk-reward equation, and fit with the Credit Union's organisational culture;
- Understand the risks that it takes on in undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Not conduct trading book activity and not have any foreign exchange or commodity positions;
- Diligently strive to protect and enhance its reputation; and
- Act with integrity, ethics, strong professional standards, and within the legal and regulatory frameworks applying to its business.

Police Credit Union undertakes a detailed review of its overall Risk Management Framework on an annual basis. During the period, the risk methodology set out within the Risk Management Framework was reviewed and includes a refreshed approach to levels of risk, the assessment of the likelihood of risk, and the assessment of key controls to reflect alignment to APRA Consolidated Prudential Standard CPS 230 Operational Risk Management. Identified risks, and the controls in place to mitigate against these risks, are reviewed on a monthly basis by the Executive Management Committee and Board, and then further assessed by Board and Management Committees on a quarterly basis.

During the period, this review did not identify any material exposures for which Police Credit Union does not have effective controls in place. As part of the review of the Risk Management Framework, and specifically the key risks to which Police Credit Union is exposed, an ongoing assessment is also undertaken at each Board and Committee meeting as to whether there are any emerging risks for which new or additional controls must now be implemented.

Previous 'horizon scanning' considered whether Police Credit Union may be exposed to any environmental or social risks that may be present or emerging. Accordingly, during the period, Police Credit Union engaged KPMG to undertake a detailed assessment as to key acute physical risks which may impact the business in the future. Findings from the assessment were assessed as not presenting a material risk to Police Credit Union. Future assessments will be undertaken to consider any changes to such impact.

During the period, horizon scanning undertaken included consideration as to the potential impact to Police Credit Union as a result of an impending mandatory industry code in relation to scam activity, and the Scam Safe Accord jointly launched by the Australian Banking Association and Customer Owned Banking Association. An evaluation was undertaken to determine Police Credit Union's readiness to mandatory regulation and the measures outlined in the Scam Safe Accord. The evaluation undertaken during the period included a gap analysis assessment and identified that Police Credit

Union have already adopted control measures as recommended in the Scam Safe Accord and in advance of proposed mandatory regulation. No material concerns were identified. Police Credit Union is committed to continually reviewing and uplifting its policies and processes, where required, to ensure alignment to the proposed mandatory regulation when it comes into force, and the existing principles and measures within the Scam Safe Accord.

Horizon scanning has also considered Police Credit Union's approach to Artificial Intelligence (AI) and the potential impact of AI applications and use on the Credit Union from an ethical, legal and regulatory, privacy, operating system and usage perspective. Police Credit Union is actively engaged in considering additional necessary controls and continuously monitoring potential risks and regulatory requirements in this regard to ensure a best practice approach.

To assist in discharging these responsibilities, the Board has instigated a control framework through the formation of risk management committees, each chaired by an Executive Manager with this responsibility included in their accountability obligations.

Asset and Liability Committee

The Asset and Liability Committee reports to the Board Risk Committee, and monitors and manages the balance sheet, liquidity, interest rate, market and capital adequacy risks, controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for the monitoring and management of the liquidity portfolio, treasury management and capital adequacy requirements of the Credit Union and ensures that strategies undertaken are consistent with the strategic direction set by the Board.

Credit Risk Committee

The Credit Risk Committee reports to the Board Risk Committee, and monitors and manages the credit risk controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for undertaking ongoing reviews of the risk management systems and controls that deal with the adequacy and effectiveness of credit risk management and internal control practices. It ensures that the reporting of credit risk and lending performance is accurate, and maintains a prompt, independent lending review and reporting process.

Compliance and Operational Risk Committee

The Compliance and Operational Risk Committee reports to the Board Risk Committee and monitors and manages the compliance and operational risk controls, policies, frameworks, procedures and limits as set by the Board and in accordance with regulatory requirements.

The Committee is responsible for incorporating changes into the Police Credit Union Group's compliance culture and ensures that staff are skilled to the appropriate level of compliance and monitors systems and policies that deal with the adequacy and effectiveness of the compliance system.

The Committee is also responsible for the ongoing identification, management and monitoring of operational risks, including but not limited to regulation and compliance, culture and conduct, information security, corporate insurance, work health and safety, fraud management, and the implementation of an effective Business Continuity Plan.

CORPORATE GOVERNANCE STATEMENT

Innovation Committee

The Innovation Committee reports to the Board Risk Committee and is responsible for the monitoring, identification, analysis and implementation of innovation-driven ideas or concepts, and efficiency improvements that support the strategic direction of the Credit Union.

Without limiting its scope, the Committee is mandated to embrace disciplined and agile structure to enable it to engage throughout the business and externally in staying abreast of industry and technology trends and ensuring that the Credit Union adopts emerging ideas and concepts to remain relevant.

The Committee ensures that initiatives undertaken are consistent with Police Credit Union's strategic direction and risk appetite.

Product and Pricing Committee

The Product and Pricing Committee reports to the Executive Management Committee and Board and is responsible for the effective and strategic management of products including the monitoring and setting of interest rates and fees and charges, enhancement of products and services, and the management of transactional risk controls. The Committee actively considers the impact of its decisions across access channels, ensuring that product and marketing strategies are aligned with the customer experience, strategic and asset and liability risk, and sales, distribution and lending strategies.

Community, Environment and Employee Engagement and Diversity (CEEED) Committee

The CEEED Committee reports to the Board Remuneration and Governance Advisory Committee and is responsible for overseeing the implementation of ongoing initiatives which reflect Police Credit Union's commitment to community, social responsibility and the environment.

Notwithstanding Police Credit Union's long-standing commitment to Community and Environment, having implemented strategic level metrics since 2006 to transparently monitor and measure progress around sustainability, it has further enhanced this position through the development of a Board-level Environmental and Social Sustainability Policy.

The policy framework further formalises Police Credit Union's commitment to expanding the scope of its environmental impact initiatives, including enhancements centred around greenhouse gas emissions, waste, and pollution.

In addition, this policy commitment provides guidance in the implementation of social sustainability initiatives incorporating relevant key entity factors including workforce and diversity, safety management, and community involvement, both of which strengthen Police Credit Union's strategic effectiveness in achieving positive environmental and corporate social responsibility outcomes.

The CEEED Committee is also mandated to develop and implement initiatives to enhance employee engagement and diversity, specifically to attract and retain talent, drive high performance team outcomes and engage a proactive culture in the achievement of sustainable and superior customer experience outcomes.

Work Health Safety and Wellbeing Committee

The Work Health Safety and Wellbeing Committee reports to the Board Risk Committee via the Compliance and Operational Risk Committee, and monitors and manages measures designed to ensure the health, safety and wellbeing of employees as set by the Board Risk Committee and in accordance with legislative and regulatory requirements.

The Committee is responsible for monitoring and reporting on Police Credit Union's compliance with the duties of persons conducting businesses or undertakings under Work Health and Safety Legislation.

The Committee is also responsible for facilitating cooperation between management and employees, formulation and implementation of related policies, practices and procedures, assisting in resolving health, safety and wellbeing issues, consulting with staff on related matters and supporting the development of a strong health, safety and wellbeing culture.

Each Committee undertakes an annual self-evaluation of the Committee's performance against its agreed objectives and mandate, as set out in the relevant Committee Charter.

Information Security Working Group

The Information Security Working Group is established by the Board and reports to the Board Risk Committee via the Compliance and Operational Risk Committee.

To ensure a collaborative approach to Information Security, the Group is comprised of various representatives across the business, including the Head of Risk & Compliance and Head of People & Culture, IT administrators, a member of the Member Value & Distribution team, and is chaired by the Executive Manager Technology & Data.

The Working Group is responsible for ensuring that the day-to-day operational functions of Police Credit Union's Information Security Management System are operating effectively and in accordance with the Credit Union's overall Information Security Governance Framework.

Three Lines of Defence

The Board employs the Three Lines of Defence risk management and assurance model to facilitate effective risk governance. The Three Lines of Defence model reflects the Board's position that risk is everyone's responsibility, and all employees are responsible for identifying and managing risk and operating within the Credit Union's appetite for risk. This approach requires each business line and business unit to manage the outcome of its risk-taking activities and allows it to benefit from the resulting risk adjusted returns.

Internal Audit

Internal Audit is an independent and objective review function with the responsibility of evaluating, testing and reporting on the adequacy and effectiveness of Management's control of operational risk and compliance with regulatory and legislative requirements. Internal Audit reports directly to the Board Audit Committee and has access to all areas within Police Credit Union. Audits are planned and conducted following a risk-based approach with reports provided to the Board Audit Committee and Management.

Strategic Planning and Development

The Board and Executive Management Team undertake a comprehensive review of the Credit Union's strategic direction on an annual basis, including the development of a Balanced Scorecard

and key performance indicators and ensure that the Credit Union's strategic direction is in accordance with the Board's risk appetite.

The Board receives regular updates from the Chief Executive Officer on strategic planning progress, emerging issues, and other strategic matters at monthly Board Meetings.

Ethical Standards

The Directors acknowledge the need for, and continued maintenance of, the highest standards of ethical conduct by all Directors and employees of the Police Credit Union Group.

A Code of Ethics handbook, which is part of Board policy, contains a comprehensive overview of expected values, behaviours and conduct, and is issued to all staff as part of induction and as part of the annual ongoing training calendar.

The Code of Ethics policy statement provides a framework to guide interactions within the Group, with Members, suppliers, stakeholders, and the community.

Our commitment to maintaining a positive and ethical culture is directly aligned with our core values of superior service, honesty, integrity, and financial prudence. These core values, as well as our strategic direction, have been incorporated into the Code of Ethics that has been endorsed by the Executive Management Committee and adopted by the Board.

The Code of Ethics is a policy statement of the Group's corporate values and philosophy and underpins business decisions, actions, conduct and behaviour. It aims to make sure that the high standards of corporate and individual behaviour are observed in conducting the business and provides support for those behaviours.

The Code of Ethics policy statement provides guidelines for Directors, Senior Management and Employees, so that there is a common understanding of the values and expected standards of behaviour, including the following:

- At all times act with honesty, integrity and impartiality and do not knowingly mislead anyone, including Colleagues, Clients, Members and Regulators
- Comply with the letter and spirit of all Commonwealth, State and Territory laws, and relevant industry Codes
- Report all corrupt, illegal and unethical conduct to an Executive Manager, CEO or, where necessary to the Protected Disclosure Officer in accordance with POL 3005.16 Whistleblowing Policy
- Protect the confidentiality of information made available to you, subject to any legal obligations such as disclosure
- Be alert to conflicts of interest and take appropriate steps to declare and deal with them
- Provide a high standard of service to all you deal with in performing your duties and obligations
- Maintain a level of fitness and propriety and develop the necessary level of professional skills and current knowledge to excel in your duties
- Do not harass or abuse a member of the public or employees either inside or outside of the workplace
- Do not take, or seek to take, improper advantage of your position in order to obtain a benefit for yourself or another person
- Seek innovative solutions to problems or challenges and work to achieve continuous improvement to help Police Credit Union meet or exceed all relevant legal, industry, safety, environment and other community expectations.

Conflict of Interest

In accordance with APRA Prudential Standards, ASIC licensee requirements, the Corporations Act 2001 and the Credit Union's Constitution, Directors and Senior Management keep the Board advised of any interest that could potentially conflict with those of the company.

Directors do not vote on any issue where a conflict of interest may arise, and can seek external professional advice, at the Group's expense, with the approval of the Board. Prior to the commencement of each Board meeting, Directors are asked to consider an independence declaration, attesting that they are free from any conflict of interest.

Directors, Management and Staff are required to provide written disclosure of actual or potential conflicts of interest on appointment and to update the disclosures annually. In addition, all Directors, Managers and staff are required to disclose any actual or potential conflicts of interest as soon as they become aware of such a conflict.

Whistleblowing

As part of its commitment to a high standard of integrity, ethical conduct and transparency in all of its activities and interactions, Police Credit Union has implemented an effective Whistleblowing Policy that supports these principles, whilst adhering to its obligations as a regulated entity under the Corporations Act 2001 and the whistleblower provisions thereunder.

This policy establishes a mechanism whereby Police Credit Union's officers and employees, suppliers, associates, and relatives or dependents of these individuals can safely raise concerns and challenge any misconduct and improper practices, including the ability to do so anonymously.

To ensure the integrity and anonymity of the raising of any concerns, the Credit Union has appointed independent, and suitably qualified individuals as Whistleblower Protection Officers. All employees are trained in Police Credit Union's Whistleblowing Policy, which can be found on our website.

Communications to Shareholders (Members)

The Board aims to ensure that the shareholders (Members) are informed of all major developments arising out of the business of the Police Credit Union Group. Information is communicated to shareholders (Members) in the following manner:

- An Annual Report is sent to all recipient registered shareholders (Members) which includes relevant information about the operations of the Police Credit Union Group during the year
- Changes in the state of affairs of the Group and other disclosures required by the Corporations Act 2001
- The Chairman's and CEO's address to the Annual General Meeting and a review of trading results for the 12 months to 30 June
- Notices of all meetings of shareholders
- A newsletter is made available to all shareholders on an annual basis
- Regular updates in the 'News & Media' section of the Police Credit Union website
- Communication and interaction via Police Credit Union's social media channels

A copy of the current Annual Report and Constitution and information on the Credit Union's products and services are made available on the Police Credit Union Group's website at www.policecu.com.au.

FINANCIAL STATEMENTS



	Page
Statements of Comprehensive Income	32
Statements of Financial Position	33
Statements of Changes in Equity	34
Statements of Cash Flows	35
Consolidated Entity Disclosure Statement	36
Note 1	General information 38
Note 2	Summary of accounting policies 38
Note 3	Material accounting policies 38
Note 4	Critical accounting judgements and key sources of estimation uncertainty 40
Note 5	Changes in material accounting policies 41
Note 6	Net interest income 41
Note 7	Fee and commission income 42
Note 8	Other operating income 42
Note 9	Operating expenses 43
Note 10	Remuneration of auditors 43
Note 11	Income tax 44
Note 12	Cash and bank balances 45
Note 13	Receivables other 46
Note 14	Investment instruments 46
Note 15	Loans and advances 46
Note 16	Allowance for impairment 48
Note 17	Property, plant and equipment 51
Note 18	Deposits 53
Note 19	Payables due to other financial institutions 53
Note 20	Payables other and provisions 53
Note 21	Reserves 54
Note 22	Related party transactions 56
Note 23	Financial instruments 58
Note 24	Capital management 63
Note 25	Significant alliances 64
Directors' Declaration	65
Independent Auditor's Report	66

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2024

	Note	Consolidated		Credit Union	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Interest income	6	69,860	49,709	81,874	58,585
Interest expense	6	(38,163)	(19,601)	(53,444)	(31,678)
Net interest income	6	31,697	30,108	28,430	26,907
Fee and commission income	7	4,237	4,245	4,482	4,489
Other operating income	8	637	561	3,406	3,285
Net (impairment charge)/release on loans and advances	16	(235)	498	(235)	498
Operating expenses	9	(27,643)	(26,198)	(27,390)	(25,965)
Profit before tax		8,693	9,214	8,693	9,214
Income tax expense	11(a)	(2,570)	(2,344)	(2,570)	(2,344)
Profit for the year from continuing operations		6,123	6,870	6,123	6,870
Other comprehensive income, net of income tax					
<i>Items that will not subsequently be reclassified to profit and loss:</i>					
Loss on valuation of freehold land and buildings	21	(277)	-	(277)	-
Gain/(Loss) from change in fair value of equity investments	21	58	(299)	58	(299)
Effect of change in corporate tax rate	21	-	(344)	-	(344)
<i>Items that may subsequently be reclassified to profit and loss:</i>					
Effective portion of change in fair value of cash flow hedges	21	(757)	(105)	(757)	(105)
Total Comprehensive Income for the Year		5,147	6,122	5,147	6,122

Notes to the Financial Statements are included on pages 38 to 64.

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2024

	Note	Consolidated		Credit Union	
		2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Assets					
Cash and bank balances	12	48,527	47,191	32,454	20,724
Receivables other	13	1,222	3,239	1,222	3,239
Investment instruments	14	167,248	167,570	167,248	167,570
Loans and advances	15,16	1,114,641	1,056,014	1,114,641	1,056,014
Investment securities	23(g)	2,461	2,378	260,693	261,505
Property, plant and equipment	17	15,647	14,097	15,647	14,097
Intangible assets		987	831	987	831
Derivative assets	23(d)	764	1,881	764	1,881
Current tax assets	11(b)	351	1,770	351	1,770
Deferred tax assets	11(c)	791	267	791	267
Total Assets		1,352,639	1,295,238	1,594,798	1,527,898
Liabilities					
Deposits	18	1,224,212	1,152,837	1,224,212	1,152,837
Payables due to other financial institutions	19	-	19,029	-	19,029
Borrowings	15	-	-	242,159	232,660
Payables other	20	7,217	7,296	7,217	7,296
Provisions	20	4,075	4,088	4,075	4,088
Total Liabilities		1,235,504	1,183,250	1,477,663	1,415,910
Net Assets		117,135	111,988	117,135	111,988
Equity					
Reserves	21	9,114	21,888	9,114	21,888
Retained earnings		108,021	90,100	108,021	90,100
Total Equity		117,135	111,988	117,135	111,988

Notes to the Financial Statements are included on pages 38 to 64.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2024

	Reserves	Retained Earnings	Total
Consolidated	\$'000	\$'000	\$'000
Balance at 30 June 2022	22,506	83,360	105,866
Profit for the year	-	6,870	6,870
Other comprehensive (loss)/income for the year	(748)	-	(748)
Total comprehensive (loss)/income for the year	(748)	6,870	6,122
Transfers to/(from) retained earnings	130	(130)	-
Balance at 30 June 2023	21,888	90,100	111,988
Profit for the year	-	6,123	6,123
Other comprehensive (loss)/income for the year	(976)	-	(976)
Total comprehensive (loss)/income for the year	(976)	6,123	5,147
Transfers to/(from) retained earnings	(11,798)	11,798	-
Balance at 30 June 2024	9,114	108,021	117,135

	Reserves	Retained Earnings	Total
Credit Union	\$'000	\$'000	\$'000
Balance at 30 June 2022	22,506	83,360	105,866
Profit for the year	-	6,870	6,870
Other comprehensive (loss)/income for the year	(748)	-	(748)
Total comprehensive (loss)/income for the year	(748)	6,870	6,122
Transfers to/(from) retained earnings	130	(130)	-
Balance at 30 June 2023	21,888	90,100	111,988
Profit for the year	-	6,123	6,123
Other comprehensive (loss)/income for the year	(976)	-	(976)
Total comprehensive (loss)/income for the year	(976)	6,123	5,147
Transfers to/(from) retained earnings	(11,798)	11,798	-
Balance at 30 June 2024	9,114	108,021	117,135

Notes to the Financial Statements are included on pages 38 to 64.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2024

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Profit before tax	8,693	9,214	8,693	9,214
Adjustment for non-cash items:				
Allowance for credit impairment	274	(516)	274	(516)
Depreciation and amortisation charges	1,872	1,571	1,872	1,571
(Gain)/loss on sale of plant and equipment	(132)	120	(132)	120
Interest on lease liabilities	79	22	79	22
Amortisation of loan fee income	98	(142)	98	(142)
Changes in operating assets and liabilities:				
Loans and advances	(59,000)	(86,599)	(59,000)	(86,599)
Investment instruments with maturity greater than three months	9,376	(24,665)	9,376	(24,665)
Deposits	71,376	126,704	71,376	126,704
Payables and other liabilities	546	1,807	546	1,807
Provisions	(13)	53	(13)	53
Receivables and other assets	2,052	(1,918)	2,052	(1,918)
Income tax paid	(1,255)	(3,615)	(1,255)	(3,615)
Net cash from/(used in) operating activities	33,966	22,036	33,966	22,036
Purchase of property, plant and equipment and intangibles	(3,947)	(2,600)	(3,947)	(2,600)
Proceeds from sale of property, plant and equipment	106	19	106	19
Net cash used in investing activities	(3,841)	(2,581)	(3,841)	(2,581)
Payables due to other financial institutions	(19,029)	(28,971)	(19,029)	(28,971)
Borrowings	-	-	10,392	(4,849)
Lease liability payments	(704)	(668)	(704)	(668)
Net cash used in financing activities	(19,733)	(29,639)	(9,341)	(34,488)
Net increase/(decrease) in cash held	10,390	(10,184)	20,784	(15,033)
Cash at the beginning of the financial year	47,191	57,375	20,724	35,757
Cash and cash equivalents at the end of the year	57,581	47,191	41,508	20,724
Cash and cash equivalents comprise:				
Cash and balances with banks	48,527	47,191	32,454	20,724
Investment instruments	167,248	167,570	167,248	167,570
Less: amounts with maturity greater than three months	(158,194)	(167,570)	(158,194)	(167,570)
	57,581	47,191	41,508	20,724

Notes to the Financial Statements are included on pages 38 to 64.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

as at 30 June 2024

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of financial year as required by the Corporations Act 2001 (s.295(3A(a))).

For the year ended 30 June 2024

Entity Name	Body corporate, partnership or trust	Place incorporated/formed	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident	Jurisdiction for Foreign tax resident
Police Credit Union Ltd	Body corporate	Australia	N/A	Australian	N/A
PCU Services Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Ian Berry Insurance Services Pty Ltd	Body corporate	Australia	100%	Australian	N/A
MTG PCU Trust Repo Series No. 1	Trust	Australia	100%	Australian	N/A

Notes to the Financial Statements are included on pages 38 to 64.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

1. General information

Police Credit Union Limited (the "Credit Union" or the "Company") is a public company, incorporated and operating in Australia. Its registered office and its principal place of business is as follows:

17 – 23 Carrington Street
Adelaide SA 5000
Tel: 1300 131 844

2. Summary of accounting policies

Statement of compliance

These financial statements are general purpose financial statements and have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements include the separate financial statements of the Company and the consolidated financial statements of the Credit Union and its subsidiaries ("the Group"). For the purpose of preparing the consolidated financial statements, the Credit Union is a for profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 25 September 2024.

Basis of preparation

The financial statements have been prepared based on historical cost, except for Freehold Land & Buildings, investment in equity instruments and derivatives, which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars representing the Group's functional currency, unless otherwise noted.

ASIC Corporations (Parent Entity Financial Statements) Instrument 2021/195 commencing 11 May 2021 has been adopted allowing the financial statements of Police Credit Union Limited (PCU) to be included in these financial statements in full under Chapter 2M of the Corporations Act 2001 rather than only presenting summary parent entity information otherwise required by regulation.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 commencing 1 April 2016, and in accordance with that Corporations Instrument, amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) relevant to its operations and effective for the current annual reporting period.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Refer to Note 4 for details of critical judgements made in applying the Group's accounting policies, and key sources of estimation uncertainty.

3. Material accounting policies

The following material accounting policies and those presented in the subsequent notes have been adopted in the preparation and presentation of the financial statements and are consistent with the prior year:

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and entities controlled by the Credit Union (its subsidiaries) (referred to as "the Group" in these financial statements). Control is achieved when the Credit Union, has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Credit Union operates a securitisation vehicle (MTG PCU Trust Repo Series No. 1) under its self-securitisation program. The Credit Union has concluded that it controls the securitisation vehicle.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

b) Financial assets

The Group initially recognises loans and advances, on the date on which they are originated. All other financial instruments are recognised on a trade date, which is the date on which the Group becomes a party to the contractual provisions of the instruments. A financial asset is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Financial assets are classified into one of the three specified categories: “measured at amortised cost”, “fair value through other comprehensive income (FVOCI)”, and “fair value through profit and loss (FVTPL)”.

Financial assets measured at amortised cost

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

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

The Group's investment instruments, loans and advances to members, other receivables and the Credit Union's investment in notes issued by the self-securitisation trust are measured at amortised cost. Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial assets measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

Gains or losses arising from changes in the fair value of financial instruments measured at fair value through other comprehensive income are recognised in a separate component of equity.

The Group's investment in Cuscal Ltd, an equity instrument, is designated to be measured at FVOCI. The FVOCI designation was made because the investment is expected to be held for long-term strategic purposes, rather than for trading. The investment is measured at fair value. Fair value is determined in the manner described in Note 23(g). All fair value changes are recognised in the investment revaluation reserve and are never reclassified to profit or loss, even on disposal. Dividends are recognised in profit or loss. The investment in Cuscal Ltd is not quoted on an active market, but there is a market for the shares and prices on trades are disclosed to the members of Cuscal Ltd.

All other financial assets that do not fall in the above categories are classified as measured at FVTPL.

Investments in subsidiaries

Investments in subsidiaries continue to be measured at cost after initial recognition by the Company.

c) Financial liabilities

Financial liabilities, including deposits, are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest yield.

Member shares

Each member holds one redeemable preference share that entitles the member to vote at meetings of members. No dividends are payable in respect of any member share. On a winding-up of the Credit Union each member is entitled to participate in any surplus equally and without regard to the number of member shares held by each member. When a person ceases to be a member, the share is repurchased by the Credit Union by a charge to the Capital Redemption Reserve. In accordance with the substance of the contractual arrangement, the redeemable shares are classified as liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

d) Hedge Accounting

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated based on an agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of a change in the BBSW component of interest rates on deposits and its impact on the interest cash flows.

The interest rate swaps are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. All the interest rate swaps are designated as hedging instruments in cash flow hedge relationships of highly probable forecast transactions.

e) Leases

As a lessee, the Group leases branch premises. The Group recognises right-of-use assets and lease liabilities for leases of branches on-balance sheet.

The Group has not entered into any new leases during the year ended 30 June 2024.

Lease liabilities are measured at the present value of the remaining lease payment discounted at the Group's incremental borrowing rate on the date of recognition.

Right-of-use assets are measured at an amount equal to the lease liability (adjusted for the prepaid or accrued lease payments).

As a lessee, at inception of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) recoverable from the taxation authority. Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis.

g) Securitisation

The Credit Union has established a securitisation trust, the MTG PCU Trust Repo Series No. 1 ("MTG PCU Trust" or "Trust"), for the purpose of issuing notes that are eligible for borrowing funds via Repurchase Agreements with the Reserve Bank of Australia (RBA) for emergency liquidity. The Credit Union has sold an equitable interest in mortgages to the MTG PCU Trust and holds all notes issued by the MTG PCU Trust Repo Series No. 1, manages the loans, and retains all residual benefits and credit risk of the loan portfolio.

As there has not been a transfer of all risks and rewards of these loans to the MTG PCU Trust, such loans are not derecognised in the Credit Union's financial statements. Sale consideration is treated as a borrowing. The Group presents a set of financial statements representing the financial performance and financial position of the parent and the securitisation trust that meets the definition of the controlled entity. Details of the balances of securitisation trust are disclosed in Notes 15 and 23(g).

h) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2024 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Investment Securities and Freehold Land and Buildings are measured at fair value for financial reporting purposes. The Board of Directors considers the impact of market movements on the carrying amount of these assets, and where a material difference is likely, a formal valuation is undertaken. The Board of Directors either uses market observable data, to the extent it is available, or engages independent valuers who use appropriate valuation techniques and unobservable inputs to arrive at fair value.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in Notes 17 and 23(g).

Useful lives of property, plant and equipment and intangible assets

The Group reviews the estimated useful lives of property, plant, equipment and intangible assets at the end of each annual reporting period. During the financial year, there was no significant change in the useful lives compared to the prior years.

Credit impairment losses on loans and advances

Non-performing loans

Estimates of Loss given default are determined based on the Group's actual losses or industry loss experience. For loans that have experienced a significant increase in credit risk, management makes a specific estimate of the cash flows from the future recovery of the collateral and the timing thereof. These estimates are based on historical loss experience and judgement relating to the specific circumstances and current conditions.

Management have also considered the impact of future economic conditions by applying a range of possible outcomes that could impact on the recovery rates on collateral in downturn or upturn conditions.

5. Changes in material accounting policies

Material accounting policy information

The Group has adopted Disclosure of Accounting policies (Amendments to IAS 1 and IFRS practice Statement 2) from 1 July 2023. Although amendments do not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management has reviewed the accounting policies and updated the information disclosed in Note 3 Material accounting policies (2023: Significant accounting policies) in certain instances in line with amendments.

	Consolidated		Credit Union	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
6. Net interest income				
Interest income				
Investment instruments	10,312	6,706	9,409	6,201
Loans and advances	59,548	43,003	59,548	43,003
Notes receivable – MTG PCU Trust	-	-	12,917	9,381
	69,860	49,709	81,874	58,585
Interest expense				
Deposits	38,048	19,496	38,048	19,496
Payables due to other financial institutions	115	105	115	105
Payable to MTG PCU Trust	-	-	15,281	12,077
	38,163	19,601	53,444	31,678
Net interest income	31,697	30,108	28,430	26,907

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Material fees received on origination of loans are treated as interest income using a method that approximates the effective interest method based on the life of the loan portfolio. The life of the loan portfolio is determined based on the immediate past experience within the portfolio. Other transaction related fees are recognised at the point of rendering the service and included in fee and commission income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
7. Fee and commission income				
Fee income	1,736	1,802	1,981	2,046
Insurance commissions	1,900	1,815	1,900	1,815
Other commissions	601	628	601	628
	4,237	4,245	4,482	4,489

Fee and commission income is measured based on the consideration specified in contracts with members and customers, net of applicable GST. Revenue is recognised when control over a service is transferred to a customer. The Group has used a combination of new business volumes and references to differential commissions to determine the portion of commission that relate to new and renewing business.

The nature and timing of satisfaction of performance obligations including significant payment terms and revenue recognition policies are provided in the table below.

Service	Nature and timing of satisfaction of performance obligations including significant payment terms	Revenue Recognition under AASB15
Transactional Banking Fees	Fee income comprises fixed transaction-based fees that are specified based on the nature and cost of the transaction. The obligation to pay the fee arises at the time of the service, when the transaction takes place, and these are billed to members' accounts monthly.	Revenue relating to transaction fees is recognised at a point in time when the transaction takes place.
Insurance Commissions	Commission is earned as a percentage of premiums for motor and household insurance policies arranged by the Group. The service obligations encompass all administration from inception, for the term of the policy, including renewal. The commissions are paid monthly provided the premiums have been received by the insurer.	An apportionment of commission is made to recognise that applying to the administration related component over time. The remaining component of commission, that relates to the underwriting of the policy at inception is recognised for a period of up to three years for which the Group is expected to receive commission.
Other Commissions	Commission is earned on transactions on Visa cards issued by the Group to its members.	Revenue relating to other commission is recognised at a point in time when the transaction takes place.

8. Other operating income

Dividend income	134	116	134	116
Property rental income	40	41	40	41
Cost recoveries, contributions and loan/guarantee fees	463	404	463	404
Distribution from MTG PCU Trust	-	-	2,769	2,724
	637	561	3,406	3,285

Dividend income is recognised on the date of entitlement to the dividend. Rental income is recognised on a straight-line basis over the lease period.

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
9. Operating expenses				
Affiliation fees	225	209	225	209
Board committee and meetings	888	698	888	698
Commissions paid	323	373	323	373
Data processing & telecommunications	1,949	1,712	1,949	1,712
Debt collection costs	41	42	41	42
Depreciation & amortisation	1,872	1,571	1,872	1,571
Insurance	428	390	428	390
Legal and professional fees	964	1,075	711	842
(Gain)/Loss on disposal of property, plant and equipment	(132)	145	(132)	145
Marketing, advertising and printing	2,351	2,377	2,351	2,377
Office administration	466	471	466	471
Office occupancy	639	710	639	710
Salaries and on-costs	14,584	13,564	14,584	13,564
Training, travel and accommodation	673	634	673	634
Transaction costs	2,372	2,227	2,372	2,227
	27,643	26,198	27,390	25,965

The amount recognised as an expense for defined contribution plans is \$1,604 thousand (2023: \$1,457 thousand). The expense item is included within salaries and on-costs and Board committee and meetings.

10. Remuneration of auditors

	\$	\$	\$	\$
Audit financial statements - Group	133,447	125,908	133,447	125,908
Other Regulatory audit services - Group	44,042	41,552	44,042	41,552
Other non-audit services - Group	-	41,800	-	41,800
Audit financial statements - MTG PCU Trust	11,000	9,523	-	-
	188,489	218,783	177,489	209,260

The auditor of the Group and Credit Union is KPMG. The auditor of the MTG PCU Trust is Moore Australia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
11. Income tax				
(a) Income tax recognised in profit				
Current tax expense				
- in respect of the current year	2,677	2,500	2,677	2,500
- in relation to the current tax of prior year	(2)	10	(2)	10
Deferred tax expense				
- in respect of the current year	(105)	234	(105)	234
- change in tax rates	-	(400)	-	(400)
Total income tax expense	2,570	2,344	2,570	2,344
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit before tax	8,693	9,214	8,693	9,214
Income tax expense calculated at 30% (2023: 30%)	2,608	2,764	2,608	2,764
Permanent differences:				
Non-deductible expenses	-	5	-	5
Franked dividend received	(36)	(35)	(36)	(35)
	2,572	2,734	2,572	2,734
Change in tax rate	-	(400)	-	(400)
(Over)/under provision of tax in previous years	(2)	10	(2)	10
	2,570	2,344	2,570	2,344
(b) Current tax assets				
Income tax refundable	351	1,770	351	1,770
(c) Deferred tax assets				
Taxable and deductible temporary differences arise from the following:				
Depreciation on property, plant and equipment	257	293	257	293
Derivative assets	(188)	(512)	(188)	(512)
Employee entitlements	1,039	970	1,039	970
Gains on investments in equity instrument	(418)	(392)	(418)	(392)
Impairment allowances on loans	471	388	471	388
Land and buildings	(969)	(1,127)	(969)	(1,127)
Other deferred deductibles	(137)	(139)	(137)	(139)
Payables	526	609	526	609
Provisions for decommissioning	99	96	99	96
Unearned fees	111	81	111	81
	791	267	791	267
(d) Movement in deferred tax asset				
Deferred tax credited/(charged) to profit or loss	105	(234)	105	(234)
Change in tax rate	-	400	-	400
Deferred tax recognised in other comprehensive income	419	(172)	419	(172)
Increase/(decrease) in deferred tax asset	524	(6)	524	(6)

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
(e) Franking account				
Adjusted Franking account balance as at the end of financial year	44,228	39,016	44,228	39,016

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted, at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The Credit Union and all its wholly owned entities are part of a tax-consolidated group under Australian Taxation Law. The Credit Union is the head entity in the tax-consolidated group. The tax expense or income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Credit Union (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Credit Union and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
12. Cash and bank balances				
Held at amortised cost:				
Notes and coins	980	860	980	860
Bank balances	15,272	4,615	15,272	4,615
Bank balances – at call	32,275	41,716	16,202	15,249
	48,527	47,191	32,454	20,724

For the purposes of the Statement of Financial Position, cash and cash equivalents comprise cash on hand and cash in banks exclusive of bank overdrafts which are shown within borrowings under liabilities. For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents also includes investments in money market instruments with a maturity date within 90 days from acquisition and is net of bank overdrafts.

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

- Member deposits and withdrawals from savings and investment accounts;
- Loan advances and repayments to members and to other ADIs;
- Borrowings; and
- Payables due to other financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
13. Receivables other				
Accrued income	171	231	171	231
Contract receivable	560	537	560	537
Prepayments	60	379	60	379
Settlement and clearing accounts	323	2,088	323	2,088
Trade receivables	108	4	108	4
	1,222	3,239	1,222	3,239

The contract receivables relate to the acquisition component of insurance commission that is expected to be receivable over more than one financial year. The insurance contracts are for one year but may be cancelled at any time at the discretion of the policyholder or through non-payment, the expectation being that these will be renewed for up to three years.

14. Investment instruments

Held at amortised cost:

Other ADIs	160,249	167,570	160,249	167,570
Semi-government bonds	6,999	-	6,999	-
	167,248	167,570	167,248	167,570

Investment instruments with other ADIs are fixed rate notes issued by other Australian Prudential Regulatory Authority (APRA) regulated Authorised Deposit-Taking Institutions. Semi-government bonds are securities that are issued by state or local government authority with defined maturity and at a fixed interest rate. The interest rates on all instruments are fixed for a period not exceeding 3 months and reference to the 3 months bank bill swap rate.

Analysis by maturity:

1–3 months	9,054	-	9,054	-
3–12 months	37,133	54,956	37,133	54,956
1–5 years	121,061	112,614	121,061	112,614
	167,248	167,570	167,248	167,570

15. Loans and advances

Held at amortised cost:

Loans outstanding	1,116,581	1,057,581	1,116,581	1,057,581
Unearned fee income	(371)	(272)	(371)	(272)
Allowance for impairment (Note 16)	(1,569)	(1,295)	(1,569)	(1,295)
	1,114,641	1,056,014	1,114,641	1,056,014

Analysis of loans and advances (gross)

By purpose:

Residential loans	864,796	844,357	864,796	844,357
Personal loans	98,025	89,219	98,025	89,219
Credit card advances	4,208	4,193	4,208	4,193
Commercial loans	149,552	119,812	149,552	119,812
	1,116,581	1,057,581	1,116,581	1,057,581

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
By security:				
Secured by mortgage	1,005,732	960,193	1,005,732	960,193
Secured other	100,610	91,428	100,610	91,428
Unsecured	10,239	5,960	10,239	5,960
	1,116,581	1,057,581	1,116,581	1,057,581
By maturity:				
Overdraft	18,586	12,448	18,586	12,448
0–3 months	31,267	31,267	31,267	31,267
3–12 months	63,522	63,522	63,522	63,522
1–5 years	159,212	159,212	159,212	159,212
Over 5 years	843,994	791,132	843,994	791,132
	1,116,581	1,057,581	1,116,581	1,057,581

Credit risk exposure and concentration of risk

The exposure to credit risk in relation to each class of recognised financial asset, is the carrying amount of the loan or advance. Within the portfolio, loans and advances totalling \$109.5 million (2023: \$136.3 million) are covered by Lenders Mortgage Insurance (LMI) that reduces the Group's exposure to credit risk. Loans secured by mortgages within South Australia comprise 84.90% (2023: 84.69%) of outstanding balances.

Concentration of loans and advances to groups of members having similar characteristics are:

Police	311,242	308,463	311,242	308,463
Nurses	134,426	123,724	134,426	123,724
Others	670,913	625,394	670,913	625,394
	1,116,581	1,057,581	1,116,581	1,057,581

In addition to the on-balance sheet credit exposure above there are approved but undrawn loans and credit limits. These comprise mortgage re-draws and credit lines, credit card and overdraft facilities.

Loans approved not yet advanced	44,925	37,413	44,925	37,413
Undrawn credit limits and re-draw	108,385	105,302	108,385	105,302
	153,310	142,715	153,310	142,715

Financial Guarantees have been issued on behalf of members totalling \$889 thousand (2023: \$516 thousand). These guarantees require the Credit Union to make payment to the holder thereof, should the member fail to make payment to the holder.

Securitised Loans

The MTG PCU Trust has been established by the Credit Union as a mechanism to quickly obtain funds from the Reserve Bank of Australia in order to support the liquidity. A maximum of 20% of the loans in the MTG PCU Trust at any time are fixed rate mortgages, and the loans have a maximum term of 40 years.

	2024 \$'000	2023 \$'000
Securitized loans	241,227	232,165
Unremitted collections and other receivables at the end of the year	932	495
Borrowings	242,159	232,660

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

16. Allowance for impairment

Impairment losses on loans and advances

The expenses incurred in the Statements of Comprehensive Income relating to impairment losses on loans and advances are presented in the table below.

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Impairment loss recognised in the profit or loss:				
Recoveries on loans previously written off	46	37	46	37
Allowances for loan impairment - net movement	(274)	516	(274)	516
Loans written off during the year as uncollectible	(7)	(55)	(7)	(55)
Net (impairment charge)/release on loans and advances	(235)	498	(235)	498

The Group will write-off loans in full when there is no reasonable expectation of recovering the loan. This is generally the case where the collateral, if any, is considered worthless and the borrower does not have assets or sources income that could generate cash flows to repay the amounts due. The movement on allowances for loan impairment are derived from the application of an Expected Credit Loss (ECL) model that is applied under Australian Accounting Standard, AASB 9 Financial Instruments, described below.

Allowance for impairment on loans and advances

Outstanding and possible future credit exposures at year-end are summarised in the following table together with the relevant allowances for ECL.

Overdue status of loans and advances at 30 June 2024	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Economic Overlay \$'000	Total \$'000
Current	1,101,035	-	-	-	1,101,035
Overdue 0–30 days	7,677	667	313	-	8,657
Overdue 31–59 days	697	510	21	-	1,228
Overdue 60–89 days	-	823	140	-	963
Overdue more than 90 days, defaulted	-	2,609	2,089	-	4,698
Loans and advances outstanding	1,109,409	4,609	2,563	-	1,116,581
Undrawn facilities	46,348	-	-	-	46,348
Allowance for impairment	(646)	(3)	(598)	-	(1,247)
Economic overlay	-	-	-	(322)	(322)
Total allowance for impairment	(646)	(3)	(598)	(322)	(1,569)

Overdue status of loans and advances at 30 June 2023	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Economic Overlay \$'000	Total \$'000
Current	1,050,267	-	-	-	1,050,267
Overdue 0–30 days	1,611	768	663	-	3,042
Overdue 31–59 days	645	425	56	-	1,126
Overdue 60–89 days	1,214	312	-	-	1,526
Overdue more than 90 days, defaulted	-	-	1,620	-	1,620
Loans and advances outstanding	1,053,737	1,505	2,339	-	1,057,581
Undrawn facilities	46,918	-	-	-	46,918
Allowance for impairment	(623)	(2)	(393)	-	(1,018)
Economic overlay	-	-	-	(277)	(277)
Total allowance for impairment	(623)	(2)	(393)	(277)	(1,295)

Impact of movements in gross carrying amount on allowance for expected credit losses

The following explains how changes in the gross carrying amounts of financial assets during the year have contributed to the changes in the allowance for credit losses for the Group under ECL. Movement on loan balances that have experienced a Significant Increase in Credit Risk (SICR) (Stage 2 and credit impaired Stage 3) is presented in the table below:

	2024 Loan Balances \$'000	2023 Loan Balances \$'000
Balances at 1 July	3,844	1,580
Increase in credit risk and/or credit impaired	5,118	2,466
Repaid in full	(669)	(84)
Transferred to performing (Stage 1)	(986)	(107)
Decrease in balances	(134)	(11)
Loan and advances in Stage 2 and 3 at 30 June	7,173	3,844

Loans in Stage 2 and 3 above are highly collateralised by mortgages and Lenders Mortgage Insurance (LMI).

	2024 Loan Balances \$'000	2023 Loan Balances \$'000
Mortgage secured	7,048	3,313
Mortgage secured with LMI	125	531
	7,173	3,844

During 2024 and 2023 no properties were taken in possession, no properties were in possession, and none were sold. The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity totals zero (2023: \$47 thousand).

Expected Credit Loss Model

The ECL model applies to all financial assets measured at amortised cost, loan commitments and financial guarantees contracts not measured at FVTPL.

The Group's Credit Management Practices identify members who are experiencing difficulty in meeting their loan repayment commitments at an early stage, either as a result of missed or erratic repayments or as a result of an application for restructuring. On identifying such loans or where such loans become more than 30 days past due these are regarded as having a SICR. The Group's credit portfolios are of a manageable size that allows for early credit management to be undertaken on an individual basis and, therefore, where a SICR has occurred the exposures are managed individually. The three-stage methodology is applied using the criteria below.

Stage	Criteria	Determination of allowance
Performing Loans Stage 1 12-month ECL	Loan repayments are current or less than 30 days past due.	On origination of financial assets, a collective allowance for ECL from defaults occurring over the next 12 months is recognised.
Performing Loans Stage 2 Lifetime ECL	Exposures that have experienced a Significant Increase in Credit Risk (SICR) since origination or loan repayments are more than 30 days past due.	Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer significant, the exposure is reclassified to Stage 1 and the allowance reverts to 12 months ECL.
Non-performing Loans Stage 3 Lifetime ECL	The Group has elected that default will occur on the earlier of when an obligor is made bankrupt, or loan repayments are 90 days past due. This position is taken to ensure consistency for Financial and Regulatory Reporting purposes.	Financial assets in default recognise an allowance equivalent to lifetime ECL. On default an assessment of the collateral in place and the time for realisation thereof is undertaken to assess impairment allowance required if any.

Other receivables which are measured at amortised cost and financial guarantees are considered to have low credit risk and, therefore, no allowance for impairment has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

ECL measurement

The ECL is a probability weighted estimate calculated by evaluating a range of possible outcomes considering the time value of money, past events, current and future economic conditions. For each significant portfolio of financial assets ECL is calculated as a product of the following risk factors:

- Probability of default (PD) – the likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising a security so that the debtor will become 90 days overdue on the obligation or contractual commitment.
- Exposure at default (EAD) – the Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit card portfolio, for which the EAD calculation also considers the probability of an unused limit being drawn down.
- Loss given default (LGD) – the amount that is not expected to be recovered following default.

Credit risk factors of PD and LGD used in the ECL calculation are point-in-time estimates based on current conditions and are adjusted to include the impact of multiple probability-weighted future forecast economic scenarios. The impact of future economic conditions is also factored into the recovery from collateral and is based on outcomes from economic upturns or downturns.

The credit risk factors referred to above that have been applied are presented below:

	2024	2024	2023	2023
	Probability of Default (PD)	Loss Given Default (LGD)	Probability of Default (PD)	Loss Given Default (LGD)
Bank deposits	0.00%	0%	0.00%	0%
Debt securities	0.05%	45%	0.05%	45%
Residential home loans and undrawn loan commitments	0.40%	4%	0.39%	4%
Personal loans and undrawn loan commitments	0.43%	81%	0.44%	81%
Business banking loans and undrawn loan commitments	0.97%	4%	1.03%	4%

Bank Deposits – there is no recent experience of any bank failure in Australia and thus no probability-based information readily available to the Group for determining its expected credit losses on these categories of financial instruments.

Debt Securities – the Group has adopted a Probability of Default (PD) and the Loss Given Default (LGD) for claims on banks at the minimum prescribed by the Basel Committee for bank exposures being 0.05% and 45%, respectively.

Residential Home Loans – all residential loans are mortgage secured and those with loan-to-valuation ratios over 80% have Lenders Mortgage Insurance. The absence of statistical relevant loss data on the Group's portfolio makes it difficult to arrive at LGD, therefore, the Group has used data sourced from Major Australian Banks.

Personal Loans – the Group has undertaken an extensive review of credit losses incurred over the period from 2008-2022 in order to determine PD and LGD and noted no significant change in losses in the current year.

Business Banking Loans – these loans are predominantly secured against Residential Mortgages with the quality of collateral consistent with that of the Group's Residential Home Loans. More conservative loan-to-valuation ratios are applied to compensate for the prospect of repayment and recovery being dependent primarily on the cash flows generated by the asset, rather than the livelihood and, therefore, income of borrowers.

The table on the next page represents the movement during the year on ECL.

	Stage 1 Collective Allowance	Stage 2 Collective Allowance	Stage 3 Specific Allowance	Stage 3 Collective Allowance	Economic Overlay	Total
	\$'000	\$'000	\$'000		\$'000	\$'000
30 June 2022	626	-	277	33	875	1,811
Transfers to/(from)						
Stage 1	70	-	(70)	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
New Provisions	209	2	132	23	-	366
Write-back of provisions no longer required	-	-	(24)	(3)	-	(27)
Change in balance	(282)	-	30	(5)	-	(257)
Bad debts written off previously provided	-	-	-	-	-	-
Economic overlay	-	-	-	-	(598)	(598)
30 June 2023	623	2	345	48	277	1,295
Transfers to/(from)						
Stage 1	14	(1)	(13)	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
New Provisions	225	2	189	33	-	449
Write-back of provisions no longer required	-	-	(134)	(9)	-	(143)
Change in balance	(216)	-	139	1	-	(76)
Bad debts written off previously provided	-	-	(1)	-	-	(1)
Economic overlay	-	-	-	-	45	45
30 June 2024	646	3	525	73	322	1,569

Economic overlay

An economic overlay has been recognised for credit losses that could possibly arise from uncertainty in general economic conditions such as interest rates, unemployment and global economic conditions.

17. Property, plant and equipment

	Consolidated and Credit Union			Total
	Freehold land and buildings- fair value	Right of use land and buildings and leasehold improvements- cost	Plant and equipment-cost	
	\$'000	\$'000	\$'000	\$'000
Cost/fair value	10,940	5,949	4,619	21,508
Accumulated depreciation	(194)	(3,786)	(3,431)	(7,411)
Balance at 30 June 2023	10,746	2,163	1,188	14,097
Cost/fair value	11,150	7,703	4,648	23,501
Accumulated depreciation	-	(4,513)	(3,341)	(7,854)
Balance at 30 June 2024	11,150	3,190	1,307	15,647

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

Carrying values. Freehold land and buildings

Freehold land and buildings held for supply of services, and administrative purposes, are stated in the consolidated Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of freehold land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount on the revaluation of freehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve.

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the commencement of a lease. 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, less any incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to leased properties.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Other plant, equipment and leasehold improvements

Other plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Valuation of freehold land and buildings

Michael Schwarz, Certified Practising Valuer of M3 Property Strategists performed an independent valuation of the Group's freehold land and buildings on 30 June 2024 to determine its fair value at 30 June 2024 at \$11.15 million. The valuation adopted a capitalisation of net income approach. The carrying value is within Level 2 of the fair value hierarchy in Note 23(f). Had the Group's freehold land and buildings been measured on a historical cost basis, their carrying amount would have been \$3.972 million (2023: \$3.220 million).

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation on revalued buildings is recognised in profit or loss. On sale or retirement of a revalued property, the surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Depreciation is calculated on a straight-line basis so as to write off the net cost or revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated using the straight-line method over the shorter of, the lease period or its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation and were applied consistently over the current and prior years:

- Buildings 40 years
- Leasehold improvements 5–10 years
- Plant and equipment 2–10 years.

18. Deposits

Measured at amortised cost:

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Members' deposits	1,223,805	1,152,431	1,223,805	1,152,431
Redeemable preference shares	407	406	407	406
	1,224,212	1,152,837	1,224,212	1,152,837
Concentration of deposits				
Police	236,560	207,625	236,560	207,625
Nurses	107,223	92,371	107,223	92,371
Others	880,429	852,841	880,429	852,841
	1,224,212	1,152,837	1,224,212	1,152,837

Interest on deposits is calculated in accordance with the terms of each deposit and brought to account on an effective yield basis. Unpaid interest is accrued and reflected as a component of deposit balances. Deposits within South Australia comprise 87.6% (2023: 86.1%) of all deposits.

19. Payables due to other financial institutions

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Measured at amortised cost:				
RBA Term Funding Facility	-	19,029	-	19,029
	-	19,029	-	19,029

The Reserve Bank of Australia (RBA) Term Funding Facility represented the balance, including accrued interest, on funding provided by the Reserve Bank of Australia in response to the COVID-19 Pandemic. As of 30 June 2024, the RBA Term Funding Facility has been repaid in full, including interest.

20. Payables other and provisions

Measured at amortised cost:

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Trade payables and accruals	2,608	2,341	2,608	2,341
Lease liabilities	2,964	1,821	2,964	1,821
Settlement and clearing accounts	1,645	3,134	1,645	3,134
Total Payables other	7,217	7,296	7,217	7,296
Employee entitlements	3,456	3,232	3,456	3,232
Decommissioning commitments	331	323	331	323
Compliance and regulation	60	145	60	145
Provision for loss on off balance sheet exposures	228	388	228	388
Total Provisions	4,075	4,088	4,075	4,088

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables generally have credit terms of up to 30 days.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise only fixed lease payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Provisions are recognised when the Group has a present obligation, where the prepayment to settle the obligation is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled wholly within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

The provision for decommissioning commitments makes allowance for the estimated costs anticipated to remove plant and equipment from leasehold property occupied by the Group. These obligations will occur at the time of vacating the premises and/or termination of the lease.

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the Group has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

Compliance and regulation provisions relate to project and consulting costs in respect of the Credit Union's ongoing compliance programs and regulatory changes that are underway.

Off-balance sheet exposure provisions comprise an allowance for exposures under guarantees issued by the Credit Union on behalf of customers and an estimate of expected losses incurred but not reported arising from disputed transactions on customer accounts and related claims.

21. Reserves

The nature and purpose of each reserve within equity is described below. Movements on reserves are presented in the table on the following page.

a) Capital Redemption Reserve

The Capital Redemption Reserve is used to redeem redeemable preference shares out of profit upon a member ceasing membership with the Credit Union. The current year movement represents an amount transferred from Retained Earnings equal to redemptions made in the financial year.

b) General Reserve

The General Reserve was used from time to time to transfer profits from Retained Earnings and to recognise the gains or losses that may arise on mergers with other mutual entities and from changes in ownership interests in subsidiaries that do not result in loss of control. As there is no ongoing purpose or requirement for this reserve it has been transferred to retained earnings.

c) Reserve for Credit Losses

The Reserve for Credit Losses, being an appropriation of Retained Earnings, was initially established to ensure the Credit Union's compliance with APS 220 Credit Quality, an APRA Prudential Standard requiring a reserve to be held for estimate future credit losses that are expected to arise over the lifetime of the Credit Union loans. While this requirement was removed from 1 January 2022, the Credit Union has prudently maintained this reserve.

d) Revaluation Reserve

Gains arising on revaluation of assets to their fair value net of related income tax are held in this reserve until disposal of the asset, whereby the accumulated gain is transferred to Retained Earnings.

e) Cash flow Hedging Reserve

This reserve represents cumulative hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit and loss consistent with the applicable accounting policy.

At the inception of the hedge the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions is documented. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the Statement of Comprehensive Income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

	Capital Redemption Reserve	General Reserve	General Reserve for Credit Losses	Revaluation Reserve	Cash Flow Hedging Reserve	Total Reserves
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2022	635	11,748	1,440	7,289	1,394	22,506
Transfer from retained earnings	20	-	110	-	-	130
Loss arising from revaluation of Cuscal Ltd shares	-	-	-	(427)	-	(427)
Income tax relating to revaluation of Cuscal Ltd shares	-	-	-	128	-	128
Loss arising from changes in fair value of interest rate swaps	-	-	-	-	(150)	(150)
Deferred tax asset arising on interest rate swaps	-	-	-	-	45	45
Changes in corporate tax rate	-	-	-	(251)	(93)	(344)
Balance at 30 June 2023	655	11,748	1,550	6,739	1,196	21,888
Transfer from/(to) retained earnings	30	(11,748)	(80)	-	-	(11,798)
Loss arising from property revaluation	-	-	-	(396)	-	(396)
Deferred tax arising on property revaluation	-	-	-	119	-	119
Gain arising from revaluation of Cuscal Ltd shares	-	-	-	83	-	83
Income tax relating to revaluation of Cuscal Ltd shares	-	-	-	(25)	-	(25)
Loss arising from changes in fair value of interest rate swaps	-	-	-	-	(1,082)	(1,082)
Deferred tax asset arising on interest rate swaps	-	-	-	-	325	325
Balance at 30 June 2024	685	-	1,470	6,520	439	9,114

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

	Capital Redemption Reserve	General Reserve	General Reserve for Credit Losses	Revaluation Reserve	Cash Flow Hedging Reserve	Total Reserves
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Credit Union						
Balance at 30 June 2022	635	11,748	1,440	7,289	1,394	22,506
Transfer from retained earnings	20	-	110	-	-	130
Loss arising from revaluation of Cuscal Ltd shares	-	-	-	(427)	-	(427)
Income tax relating to revaluation of Cuscal Ltd shares	-	-	-	128	-	128
Loss arising from changes in fair value of interest rate swaps	-	-	-	-	(150)	(150)
Deferred tax asset arising on interest rate swaps	-	-	-	-	45	45
Changes in corporate tax rate	-	-	-	(251)	(93)	(344)
Balance at 30 June 2023	655	11,748	1,550	6,739	1,196	21,888
Transfer from/(to) retained earnings	30	(11,748)	(80)	-	-	(11,798)
Loss arising from property revaluation	-	-	-	(396)	-	(396)
Deferred tax arising on property revaluation	-	-	-	119	-	119
Gain arising from revaluation of Cuscal Ltd shares	-	-	-	83	-	83
Income tax relating to revaluation of Cuscal Ltd shares	-	-	-	(25)	-	(25)
Loss arising from changes in fair value of interest rate swaps	-	-	-	-	(1,082)	(1,082)
Deferred tax asset arising on interest rate swaps	-	-	-	-	325	325
Balance at 30 June 2024	685	-	1,470	6,520	439	9,114

22. Related party transactions

a) Parent Entity

Police Credit Union Ltd is the parent entity and ultimate holding company of the Police Credit Union Group of companies.

b) The Group

Details of the ownership interests in, and amounts owed to/by the Group are disclosed below:

	Ownership Interest		Entity Type	Tax Residency	Credit Union	
	2024 %	2023 %			2024 \$	2023 \$
Parent Entity						
Police Credit Union Ltd			Body corporate	Australia		
Controlled Entity						
PCU Services Pty Ltd	100	100	Body corporate	Australia	1	1
Ian Berry Insurance Services Pty Ltd	100	100	Body corporate	Australia	1	1
MTG PCU Trust Repo Series No. 1	100	100	Trust	Australia	20	20
					22	22

c) Key Management Personnel

Key Management Personnel have been defined as: Police Credit Union Ltd Board of eight directors and seven executive managers. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner. All loans to key management personnel were subject to normal terms and conditions and there were no breaches of these terms and conditions during the year. All loans are in accordance with standard lending policies.

No guarantees were given to or received from key management personnel during the period. No impairment losses have been recorded against loan balances outstanding during the period and no specific allowance was made for impairment of these loans.

	Consolidated	
	2024	2023
	\$	\$
Key management personnel compensation		
Short-term employee benefits - including superannuation guarantee levy	3,016,570	2,842,990
Other long-term benefits - accruals for long service leave	80,851	40,969
	3,097,421	2,883,959

	Transaction Accounts	Investment Accounts	Loans Accounts
	\$	\$	\$
Transactions conducted on accounts of key management personnel 2024			
Balance at beginning of year *	(1,148,417)	(320,000)	6,561,823
Loans advanced	-	-	1,643,330
Deposits/repayments	(7,262,746)	(2,000)	(1,134,325)
Withdrawals	7,244,598	14,610	-
Interest paid	(38,518)	(14,610)	-
Interest charged/(received)	4,562	-	374,902
Net balance at end of year	(1,200,521)	(322,000)	7,445,732
Year end balances represented by:			
Deposit balances	(1,242,232)	(322,000)	-
Overdraft/loan balances	41,711	-	7,445,732
Net balance at end of year	(1,200,521)	(322,000)	7,445,732

Transactions conducted on accounts of key management personnel 2023			
Balance at beginning of year*	(1,257,128)	(5,000)	5,054,129
Loans advanced	-	-	2,348,398
Deposits/repayments	(5,489,502)	(315,000)	(491,919)
Withdrawals	5,487,223	3,484	-
Interest paid	(17,085)	(3,484)	-
Interest charged/(received)	2,674	-	199,538
Net balance at end of year	(1,273,818)	(320,000)	7,110,146
Year end balances represented by:			
Deposit balances	(1,285,131)	(320,000)	-
Overdraft/loan balances	11,313	-	7,110,146
Net balance at end of year	(1,273,818)	(320,000)	7,110,146

*The opening balances may not be consistent with the closing balances reported in the prior year due to changes in the composition of accounts over which Key Management Personnel have control or influence.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

	2024 \$'000	2023 \$'000
Transactions within the wholly owned group:		
The equitable right to loans originated by the Credit Union were sold to the MTG PCU Trust during the year giving rise to the following intra-group transactions to which Credit Union is a party:		
Sale of loans	73,736	71,633
Receipt of custodian and service fee	252	251
Payment of collections or loans	78,511	85,897
Payment for interest offset benefit	1,996	1,410
Receipt of note interest	12,917	9,381
Receipt of distributions from MTG PCU Trust	2,769	2,724

23. Financial instruments

a) Financial risk management objectives

The nature of banking results in an exposure to liquidity, credit and market risk. The Group controls these risks by establishing policies and limits within which business is conducted. To manage these risks, two committees have been established to ensure that the policies and limits are observed. The Asset and Liability Committee (ALCO) is primarily responsible for monitoring the Group's exposures to liquidity and market risk. Credit is advanced with specific or general approval of the Credit Risk Committee who ensures that credit is advanced to credit worthy members and, where appropriate, against security.

b) Credit risk

Loans and receivables disclosed in Notes 13, 14 and 15 are subject to the risk of default on member or counterparty non-performance. The Credit Risk Committee sets approval limits within which officers may approve loans and their terms, while the Board sets limits for exposures to ADIs and Australian government organisations. All loan advances are reported to the Credit Risk Committee and hindsight reviews are conducted to ensure that lending is conducted within defined approval limits. Allowances for credit losses are disclosed in Note 16.

c) Market risk

Primarily the Credit Union faces interest rate risk. This risk arises from the differing repricing characteristics of banking assets and liabilities.

This risk and changes to the structural profile of banking assets and liabilities are monitored by ALCO. On a monthly basis, the net interest sensitive position is analysed using earnings and valuation-based techniques and reported to Key Management Personnel. In doing so, cognisance is taken of embedded optionality, such as loan prepayments and accounts where the behaviour differs from the contractual position. Interest rate risk limits are set in terms of both changes in forecast net interest income and economic value of equity. Strategies to mitigate interest rate risk are implemented through the use of interest rate swaps structured around the net gap position that is deemed unfavourable.

The repricing gaps for the Group's banking portfolios are shown on the following page. All assets, liabilities and derivative instruments are allocated in gap intervals based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist are placed in gap intervals based on management's judgement and statistical analysis, as determined by the most likely repricing behaviour.

Forecasted net interest income, and thus net profit before tax, is susceptible to movements in market interest rates. Based on a 100 basis point parallel increase in the year-end yield curve, the Credit Union expects to gain approximately \$2.882 million (2023: \$2.298 million) of forecast interest margin without management intervention. The Credit Union's portfolio of loans and deposits are exposed to falling interest rates.

The repricing analysis below identifies the net interest sensitive position within the banking book.

Repricing gap	0–3 months	>3–6 months	>6 months– 1 year	>1–3 years	Over 3 years
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
Assets					
Cash and bank balances	47,415	-	-	-	-
Investment Instruments	165,707	-	-	-	-
Loans and advances	833,442	49,340	104,679	124,849	4,271
Total interest sensitive assets	1,046,564	49,340	104,679	124,849	4,271
Liabilities					
Deposits	654,964	201,509	244,026	106,920	4,185
Total interest sensitive liabilities	654,964	201,509	244,026	106,920	4,185
Net Assets	391,600	(152,169)	(139,346)	17,929	86
Interest rate swaps	31,500	(12,000)	(6,000)	(9,500)	(4,000)
Interest rate sensitivity gap: asset/(liability)	423,100	(164,169)	(145,346)	8,429	(3,914)
Cumulative interest rate sensitivity gap	423,100	258,931	113,584	122,013	118,099
% of assets	31.3%	19.1%	8.4%	9.0%	8.7%

2023

Assets

Cash and bank balances	46,151	-	-	-	-
Investment Instruments	165,905	-	-	-	-
Loans and advances	691,034	83,008	143,623	127,243	12,672
Total interest sensitive assets	903,091	83,008	143,623	127,243	12,672

Liabilities

Deposits	635,636	175,922	204,548	118,200	9,653
Payables due to other financial institutions	-	-	18,988	-	-
Total interest sensitive liabilities	635,636	175,922	223,536	118,200	9,653

Net Assets	267,454	(92,914)	(79,913)	9,043	3,020
-------------------	----------------	-----------------	-----------------	--------------	--------------

Interest rate swaps	45,500	-	(14,000)	(21,000)	(10,500)
---------------------	--------	---	----------	----------	----------

Interest rate sensitivity gap: asset/(liability)	312,954	(92,914)	(93,913)	(11,957)	(7,479)
---	----------------	-----------------	-----------------	-----------------	----------------

Cumulative interest rate sensitivity gap	312,954	220,040	126,127	114,170	106,691
--	---------	---------	---------	---------	---------

% of assets	24.2%	17.0%	9.7%	8.8%	8.2%
-------------	-------	-------	------	------	------

d) Interest rate swaps

The estimate of the undiscounted net cash flow arising from the swap portfolio at the prevailing interest rates is reflected in the table below.

Cash inflow/(outflow) on interest rate swaps	Less than 1 month	>1–3 months	>3 months– 1 year	>1–3 years	Over 3 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2024	154	24	358	248	6	790
2023	149	90	988	643	94	1,964

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

The fair values, the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date are disclosed in the table below.

Consolidated and Credit Union	Weighted average fixed payment rate		Notional principal		Fair value	
	2024 %	2023 %	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Expiry date of contracts						
Less than 1 year	1.81%	0.91%	18,000	14,000	259	462
1 to 2 years	1.18%	1.81%	3,000	18,000	139	706
2 to 3 years	2.57%	1.18%	6,500	3,000	276	229
3 years and over	3.57%	2.92%	4,000	10,500	90	484
Total			31,500	45,500	764	1,881

The fair value of derivatives (interest rate swaps) is calculated using a discounted cash flow model. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates are discounted at a rate that reflects the credit risk of various counterparties. Thus, the basis of determining fair value of derivatives (interest rate swaps) liabilities is classified as Level 2.

e) Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient resources to meet its obligations as they fall due or will have to do so at excessive cost. This risk arises from the nature of the Group's business where it makes loans available for terms up to 40 years funded from deposits that are at-call or repayable over terms of up to five years. The management of liquidity is overseen by ALCO who have implemented processes and procedures ensuring that all foreseeable commitments, including deposit withdrawals, can be met when due.

These include:

- Management of both daily and forecasted cash flows;
- Maintaining a diversified and stable funding base comprising retail deposits;
- Ensuring exposures to large deposits are maintained within manageable limits and tenors and monitored to anticipate mismatches between anticipated inflows and outflows within different time periods;
- Maintaining a portfolio of cash at-call, negotiable certificates of deposit and debt securities issued by other ADIs and Australian government organisations over and above the prudential requirements. The Credit Union is a non-transactional member of the Reserve Bank Information Transfer System allowing it to access its certificates of deposits and debt securities immediately through repos with the Reserve Bank; and
- The Credit Union has established a self-securitisation program that allows it to access up to \$200 million (2023: \$200 million) from the RBA security during liquidity crisis.

The table on the following page details the maturity amounts of the Group's financial liabilities presented on the earliest date on which the Group will be required to pay the amount due together with interest. Interest that will accrue from year-end until the maturity of the term deposit is reflected in the column headed "Future interest".

Maturity analysis of non-derivative financial liabilities:

Cash flows payable in	Less than 1 month \$'000	1–3 months \$'000	>3 months– 1 year \$'000	>1–3 years \$'000	Over 3 years \$'000	Future interest \$'000	Total \$'000
Credit Union 2024							
Deposits	656,658	130,066	429,331	17,855	4,861	(14,559)	1,224,212
Borrowings	-	-	-	-	242,159	-	242,159
Lease liabilities	60	121	529	1,418	1,041	(205)	2,964
Payables (other)	4,253	-	-	-	-	-	4,253
Total Credit Union	660,971	130,187	429,860	19,273	248,061	(14,764)	1,473,588
Consolidated 2024							
Deposits	656,658	130,066	429,331	17,855	4,861	(14,559)	1,224,212
Lease liabilities	60	121	529	1,418	1,041	(205)	2,964
Payables (other)	4,253	-	-	-	-	-	4,253
Total Consolidated	660,971	130,187	429,860	19,273	5,902	(14,764)	1,231,429
Credit Union 2023							
Deposits	638,134	131,761	357,981	25,242	11,306	(11,587)	1,152,837
RBA Term Funding Facility	-	-	19,046	-	-	(17)	19,029
Borrowings	-	-	-	-	232,660	-	232,660
Lease liabilities	57	99	280	788	707	(110)	1,821
Payables (other)	5,475	-	-	-	-	-	5,475
Total Credit Union	643,666	131,860	377,307	26,030	244,673	(11,714)	1,411,822
Consolidated 2023							
Deposits	638,134	131,761	357,981	25,242	11,306	(11,587)	1,152,837
RBA Term Funding Facility	-	-	19,046	-	-	(17)	19,029
Lease liabilities	57	99	280	788	707	(110)	1,821
Payables (other)	5,475	-	-	-	-	-	5,475
Total Consolidated	643,666	131,860	377,307	26,030	12,013	(11,714)	1,179,162

Deposits include substantial member savings and investment accounts that are contractually at-call. Experience shows this funding provides a source of long-term funding for the Group that has been stable over time.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

f) Fair values of financial instruments

Financial assets: carried at fair value

Based on the extent that quoted prices are used in the calculation of fair value these assets are classified into a hierarchy using levels where fair value is defined as follows:

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

Financial assets and liabilities: not carried at fair value

Financial assets and liabilities that are not carried at fair value are presented in the table below. The categories not at fair value are:

- Loans and advances, carried at amortised cost, net of individually and collectively assessed allowances for impairment. Their fair value is estimated using discounted cash flow models. The discount rate used is the current effective variable rate for variable rate loans and for fixed rate loans the current market estimated rate for the same term to maturity of the loans.
- Deposits are carried at their original amount plus accumulated interest since the date of deposit. The fair value is estimated using discounted cash flow models. The discount rate used is the original deposit rate, adjusted for changes in deposit interest rates and margins.

The following assets and liabilities have not been included in the tables below as their carrying amount is a reasonable approximation of fair value due to their short-term nature:

- Cash and bank balances
- Receivables other: and
- Payables other.

Balance sheet items reflecting carrying amounts and related fair values are presented in the table below together with the level in the fair value hierarchy:

	Consolidated		Credit Union		Fair value hierarchy
	2024		2024		
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	
Financial Assets					
Investment instruments	167,248	167,633	167,248	167,633	Level 2
Loans and advances	1,114,641	1,102,180	1,114,641	1,102,180	Level 3
Cuscal Ltd shares	2,461	2,461	2,461	2,461	Level 3
Notes MTG PCU Trust Repo Series No. 1	-	-	258,232	257,059	Level 2
Derivative assets	764	764	764	764	Level 2
Total Financial Assets	1,285,114	1,273,038	1,543,346	1,530,097	
Financial Liabilities					
Deposits	1,224,212	1,279,871	1,224,212	1,279,871	Level 2
Borrowings	-	-	242,159	242,159	Level 3
Total Financial Liabilities Consolidated	1,224,212	1,279,871	1,466,371	1,522,030	

	Consolidated		Credit Union		Fair value hierarchy
	2023		2023		
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	
Financial Assets					
Investment instruments	167,570	167,417	167,570	167,417	Level 2
Loans and advances	1,056,014	1,039,430	1,056,014	1,039,430	Level 3
Cuscal Ltd shares	2,378	2,378	2,378	2,378	Level 3
Notes MTG PCU Trust Repo Series No. 1	-	-	259,127	256,397	Level 2
Derivative assets	1,881	1,881	1,881	1,881	Level 2
Total Financial Assets	1,227,843	1,211,106	1,486,970	1,467,503	
Financial Liabilities					
Deposits	1,152,837	1,154,558	1,152,837	1,154,558	Level 2
Payables due to other financial institutions	19,029	18,095	19,029	18,095	Level 2
Borrowings	-	-	232,661	232,661	Level 3
Total Financial Liabilities Consolidated	1,171,866	1,172,653	1,404,527	1,405,314	

g) Investment securities

	Consolidated		Credit Union	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Cuscal Ltd shares	2,461	2,378	2,461	2,378
Notes MTG PCU Trust Repo Series No. 1	-	-	258,232	259,127
	2,461	2,378	260,693	261,505

The Group's investment in Cuscal Ltd shares is an unquoted equity investment, is stated at fair value, and is classified as Level 3 in the fair value hierarchy. The Group holds 1,780,032 shares representing a minority holding in the only class of equity shares in the capital structure of Cuscal Ltd. The change in the net fair value of the Cuscal Ltd shares in the current year represents a fair value gain of \$83 thousand (2023: loss of \$427 thousand) and is reflected in other comprehensive income. The fair value is measured by reference to recent market transaction prices, where available, and where not available a range of valuation methods is used based on the underlying cash flows of the entity.

The composition of MTG PCU Trust Repo Series No. 1 is represented by \$239.4 million of Class A notes and \$17.6 million of Class B notes together with accrued interest and distributions receivable. The Class A notes are Repo-eligible.

24. Capital management

Capital is managed at a Group level to achieve a prudent balance between maintaining capital ratios in support of its business growth while delivering value services to members. The Group comprises of the entities that are listed in Note 22. The capital level is subject to externally imposed requirements at a Credit Union and Group level. The accounting and the regulatory scope of consolidation are consistent.

The Group has an Internal Capital Adequacy Assessment Process (ICAAP) complying with the Basel requirements for a risk-based assessment of capital levels having regard to the impact of risk concentration, residual risk, diversification and the results of stress tests. In setting the capital level, the Group has regard to sound governance, appropriate business practices, protecting depositors and maintaining adequate liquidity. The internally assessed capital level is determined based on the risks as assessed by management rather than a prescribed regulatory formula, and as such is more widely encompassing. The Group's governance process includes an assessment of capital forecasts, allowing for asset growth within capital constraints to ensure that targeted capital ratios are maintained. The objective of this process is to ensure that appropriate capital is maintained, and minimums imposed by APRA are met. The guidelines developed by the Basel committee form the basis for determining the capital requirements of the Group.

Risk-weighted assets are determined by applying prescribed risk weightings to on-and off-balance sheet exposures according to the relative credit risk of the counterparty and including a notional risk weighting for operational related risks in overall risk-weighted assets.

The capital adequacy ratio reflects the capital strength of the Credit Union and is determined by dividing approved capital by risk-weighted assets held. The Group's capital adequacy ratio at year-end amounted to 15.84% (2023: 15.95%). The Credit Union's capital adequacy at year-end amounted to 15.84% (2023: 15.95%).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2024

Details of the components of Total Capital and risk-weighted assets are set out in the table below.

	Consolidated		Credit Union	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Common Equity Tier 1 Capital (CET1)				
Retained Earnings	108,021	90,100	108,021	90,100
Accumulated other comprehensive income (OCI) and reserves:				
Total Accumulated OCI and reserves (*)	685	12,403	685	12,403
Revaluation reserves	6,959	7,935	6,959	7,935
Deferred fee income	371	272	371	272
Common Equity Tier 1 Capital before adjustments	116,036	110,710	116,036	110,710
Less Regulatory Adjustments:				
Other Intangibles	1,040	894	1,040	894
Cash-flow hedge reserve	627	1,710	627	1,710
Investments in other ADIs - Cuscal Ltd	2,461	2,378	2,461	2,378
DTA arising from temporary differences	791	267	791	267
Common Equity Tier 1 Capital	111,117	105,461	111,117	105,461
Additional Tier 1 Capital	-	-	-	-
Tier 1 Capital	111,117	105,461	111,117	105,461
Reserve for credit losses	1,470	1,550	1,470	1,550
Tier 2 Capital	1,470	1,550	1,470	1,550
Total Capital	112,587	107,011	112,587	107,011
Total Risk-Weighted Assets based on APRA standards	710,829	671,087	710,829	671,087
Capital Ratios and Buffers				
Common Equity Tier 1 (as a % of risk-weighted assets)	15.63%	15.72%	15.63%	15.72%
Tier 1 (as a % of risk-weighted assets)	15.63%	15.72%	15.63%	15.72%
Total Capital (as a % of risk-weighted assets)	15.84%	15.95%	15.84%	15.95%
Buffer Requirement:	7.00%	7.00%	7.00%	7.00%
Of which: APRA prescribed minimum CET1	4.50%	4.50%	4.50%	4.50%
Of which: capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
Of which: ADI Specific countercyclical buffer requirement	0.00%	0.00%	0.00%	0.00%
Common Equity Tier 1 available to meet buffers	8.63%	8.72%	8.63%	8.72%

(*) The table below represents the reconciliation of the Total accumulated OCI and reserves:

Total Accumulated OCI and reserves	9,114	21,888	9,114	21,888
Revaluation reserves	(6,959)	(7,935)	(6,959)	(7,935)
Reserve for credit losses	(1,470)	(1,550)	(1,470)	(1,550)
Total Accumulated OCI and reserves for capital	685	12,403	685	12,403

25. Significant Alliances

The Group has a significant alliance with Cuscal Ltd. Cuscal Ltd operates a financial switching service allowing access to payment and settlement services such as eftpos, direct entry, BPAY® and Visa services. Police Credit Union also holds shares in Cuscal Ltd.

DIRECTORS' DECLARATION

for the financial year ended 30 June 2024

Directors' Declaration

The Directors declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the Group and the Credit Union will be able to pay its debts as and when they become due and payable,
2. the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements.
3. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and the Credit Union.
4. in the Directors' opinion, the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act.

On behalf of the Directors



Alexander Paul Zimmermann
Chairman

Adelaide, 25 September 2024



Independent Auditor's Report

To the members of Police Credit Union Limited

Opinion

We have audited the consolidated **Financial Report** of Police Credit Union Limited (the Group Financial Report). We have also audited the **Financial Report** of Police Credit Union Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report gives a true and fair view, including of the Company and Group's financial position as at 30 June 2024 and of their financial performance for the year then ended, in accordance with the Corporations Act 2001, in compliance with Australian Accounting Standards and the Corporations Regulations 2001.

The respective **Financial Reports** of the Group and the Company comprise:

- Statements of Financial Position as at 30 June 2024;
- Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows for the year then ended;
- Consolidated Entity Disclosure Statement and accompanying basis of preparation as at 30 June 2024;
- Notes including material accounting policies; and
- Directors' Declaration.

The **Group** consists of Police Credit Union Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Police Credit Union Limited's annual report which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Reports does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports, or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and Company, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- implementing necessary internal control to enable the preparation of a Financial Reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and Company, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Group's and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Reports as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf This description forms part of our Auditor's Report.



Neil Ediriweera
Partner

Adelaide

25 September 2024

Police Credit Union Ltd

BSB 805 005

ABN 30 087 651 205

AFSL/Australian Credit Licence 238991

17–23 Carrington Street, Adelaide SA, 5000

PO Box 6074 HALIFAX STREET, ADELAIDE SA, 5000

1300 131 844 | policecu.com.au | pcu@policecu.com.au