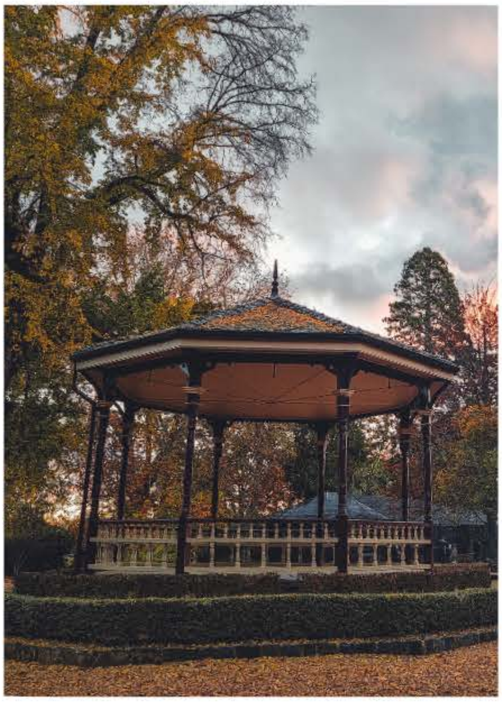
Bank Orange

Welcome to Bank Orange



The 2023/24 financial year saw progress for our members across a wide range of opportunities. The many successes were due to strong support from our member base, sustained staff effort and director support. It is also appropriate to acknowledge the debt to past members, staff and directors who established the organization sixty years ago this December.

Over the year there has been a close focus on supporting member demand for loans to assist individuals and families to purchase homes, investment properties and a wide range of goods and services. In total Orange funded $51,241,571. After regular and one off repayments the loan portfolio grew by $10,075,257 and total assets to $298,853,955. This growth is a remarkable testament to the directors and staff sent to the 'credit union school' in Sydney in the early 1960s and who reported assets of $20,376 to the first annual general meeting in 1965.

Similarly there has been continuous improvement in providing safe and accessible payment facilities and strong returns for savers. Over the year deposits rose substantially and continued Orange's long tradition of maximising the value of banking locally. As well as holding money on deposit in a range of savings and investment accounts, members undertook over a billion dollars worth of payments transactions through cards, BPAY, Direct Entry and OSKO fast payments as well as cash. In providing these services we are proud that when a member has a query or a transaction that requires investigation, they can speak directly to a local based in Orange. This continues the long tradition articulated by Roy Bergengren, a credit union pioneer, and printed on the 1967-68 annual report, that money in a credit union is "used for the benefit of those to whom it belongs".

As a financial institution changing risks are not new. From old fashioned cheque fraud to the risks related to the credit union's first accounting machine purchased in 1967 we continue to be alert and regularly review and improve defences.

In today's environment we are especially conscious of information security and the risk of cyber hacks. Therefore over the period, enhancements were regularly made to online security and processes to ensure the best possible protections and controls are in place. While we work hard to ensure Orange has strong systems protections it is important for people to be ready to respond quickly and effectively in a fast changing environment.

To ensure preparedness staff, management and directors undertook cyber resilience and disaster recovery training and testing. Whether the threat is a scam or fraud on an individual member or an attack on the banking system the key to protection is having well prepared response routines. As well as system controls, this preparation stretches from front office staff to our finance, fraud, risk and compliance teams. Without being complacent it is positive that work at banking institutions and the industry scam safe accord are contributing to disrupting scammers and delivering a 13% fall in scam/fraud activity.

In keeping with the strategy to modernise and grow, we comprehensively rebuilt the member facing infrastructure. As members are aware, extensive renovations were required to the branch environment itself. We took the opportunity to bring a fresh look and feel to this important local service and remain committed to maintaining a face to face branch. As well as updated and more secure telling areas there are also more and better spaces for confidential conversations where it is so important to respect the need for privacy.

To compliment the branch we rebuilt the electronic face to the world with significant investment in digital transformation. Members are now using the new enhanced online banking and market leading App, with more features being released regularly. These are complimented by ongoing enhancements to back end systems and processes to provide the best possible member experience. While these are strong and secure services, it is important that members can still contact a person in connection with any aspect of their banking.

Turning to the income statement, profit for the year was $2,524,693 reflecting a good result in changing financial conditions. While sufficient to continue to invest for growth and sustainability the profit allowed us to maximise value provided to members through competitive interest rates for borrowers and savers. An important focus which is close to us is providing benefits that support for local activities through buying locally wherever possible, sponsorships and the annual community grants.

As a consequence of profit and careful prudential management, capital continued to strengthen with profit, and as at 30 June stood at 23.86%. Along with deposits, it remains the bedrock of a strong business.

The year also saw commencement of the trading name Bank Orange, a decision taken after significant reflection and investigation. Over many years there have been name changes to keep abreast of current trends. For instance in 1972 the word 'mutual' was added to reflect mutual agreements between employers and employees. That was discontinued in 1995 as organisation expanded to the wider community.

We understand that many individuals including investors and older members actively seek the comfort of the word 'bank' to cement association with the government guarantee on deposits. While the guarantee has always applied to Orange as an Authorised Deposit Institution, we appreciate that the change reinforces the message of maximum comfort in times of stress.

Similarly while we are very committed to the words 'credit union' and all they continue to stand for, in a crowded financial market of borrowers, especially younger ones, do not understand that we are a full service bank. Demonstrating respect and the commitment to being member owned we have retained the legal name Orange Credit Union Limited, but going forward will promote the trading name Bank Orange. We are very fortunate to have such a strong local name and will always be focused on the Orange community and Orange linked members living away.

In closing we thank each and every member, all staff, directors and our many vendors for supporting Bank Orange over the year.

Lewis von Stieglitz

Chief Executive Officer

Team Bank Orange

We acknowledge the continued commitment and passion that drives our people in delivering a high level of service to our customers and our community. We're proud of our ability to maintain strong relationships with our customers, suppliers and community members. Our focus continues to build capability, experience and knowledge of our team as we strive to deliver brilliance.

Board of Directors

Michelle Catlin (Chair)
Michael Kemp (Vice-Chair)
Andrew Kent
Amanda Mooney
Gary Bargwanna
Tim Edmondstone
Sarah Ryan

Our Team

Lewis von Stieglitz (CEO)
Kylie Barber
Kristine Barraclough
Kirsty Burton
Elizabeth Clements
Mathew Crichton
Quintyn Fisher
Breanna Fisk
Kasey George
Jake Gillette
Amanda Harvey
Tayla Harvey
Sonia Healey
Wendy Herbert
Michelle Johnson
Crystal Mackay
Allan Marlin
Tiffany McCormick
Laura Monzett
Paige Moore
Katrina Nicholls
Sandra Paniz
Anish Patel
Tashfeen Riaz
Stacey Roberts
Kerry Rodwell
Helen Sharman
Gavin Shute
Divesh Thakur
Michelle Thomas
Holly Tindall
Jessica Visman
Anthony Winter
Thomas Wolsey

Snapshot

OUR FINANCIAL PERFORMANCE

$298.9M
TOTAL ASSETS
Increase of 1.04% from $295.8M in 2023

$208.4M
LENDING GROWTH
Increase of 5.08% from $198.3M in 2023

$265.1M
DEPOSITS GROWTH
Decrease of 0.3% from $264.3M in 2023

$1,887,755
NET PROFIT AFTER TAX
Increase from $1,087,599 in 2023

1.28%
LOANS 30 DAYS OR MORE IN ARREARS
AS % TO TOTAL LOAN PORTFOLIO
Increase of 0.6% from 0.68% in 2023

23.86%
CAPITAL ADEQUACY RATIO
Increase from 21.98% in 2023

OUR MEMBERS, CUSTOMERS AND COMMUNITY

12,476
NUMBER OF MEMBERS
Decrease from 13,669 in 2022-23

$51.24M
NEW LOANS GROWTH (NEW FUNDING)

$43,113
AMOUNT OF DIRECT DONATIONS TO OUR COMMUNITY
Including Community Support Grants Program, financial education forums and information nights.

1,715
FACEBOOK FOLLOWERS
Increase from 1703 in 2022-2023

668
INSTAGRAM FOLLOWERS
Increase from 626 in 2022-2023

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2024

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

Registered Office:
288-292 Summer Street
Orange NSW 2800

Postal Address:
PO Box 992
Orange NSW 2800

Email: ocu@orangecu.com.au
Website: www.orangecu.com.au

Company Secretary:
Lewis von Stieglitz

Management:
Mr Lewis von Stieglitz – Chief Executive Officer
Mr Anish Patel – Chief Financial Officer
Mrs Kerry Rodwell – Head of Risk

Auditor:
Intentus Chartered Accountants

Internal Auditor:
Step Ahead Business Solutions

Solicitors:
Baldock, Stacy & Niven, Orange
Daniels Bengtsson Pty Limited, Sydney

Bankers:
CUSCAL Limited

Australian Financial Services Licence Number: 240768

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ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

DIRECTORS' REPORT

Your Directors submit the financial report of the Credit Union for the year ended 30 June 2024.

DIRECTORS

The names of the Directors in office at the date of this report, or who held office during the course of the financial year, are:

Mr Gary Bargwanna
Ms Michelle Catlin
Mr Tim Edmonstone
Mr Michael Kemp
Mr Andrew Kent
Mrs Amanda Mooney
Mrs Sarah Ryan

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

COMPANY SECRETARY

The following person held the position of company secretary at the date of this report:
Mr Lewis von Stieglitz – Master of Business Administration majoring in management, marketing and strategy (University of New England). Mr von Stieglitz has worked in the financial services industry across a range of management and executive roles for over 35 years and is a Member of the Australian Institute of Company Directors. Mr. von Stieglitz was appointed Company Secretary on 2 August 2023.

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. There were no significant changes in the nature of the Credit Union's activities during the year.

OPERATING RESULTS

The amount of profit of the Credit Union for the financial year after providing for income tax was $1,887,755 (2023: $1,087,599).

DIRECTORS' REPORT
(continued)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Credit Union remained competitive in its lending proposition, supporting the continued lending growth in 2023-24. The previous increases in the RBA cash rate, and then the subsequent change during the year have contributed to the Credit Union's interest margins, including pressure from the cost of deposit retention. The focus on cost control, compliance related information technology expenses and a start to modernising the information technology infrastructure have contributed to the increased spend.

Orange Credit Union will continue to support local businesses by promoting them wherever possible.

There were no other significant changes in the state of the affairs of the Credit Union for the year.

REVIEW OF OPERATIONS

Profit for the year totalled $1,887,755 compared to $1,087,599 in 2022-23. Interest revenue increased by $3,484,535 to $13,760,665.

Operating expenses decreased by $585,660 to $7,650,639, Employee compensation and benefits increased by $18,903 to $2,901,824. Other significant areas of expenditure are administration expenses of $3,017,231 and information technology expenses of $1,289,313.

Gross loans to members increased by $9,970,096 to $208,589,363. The principal area of increase was for residential / investment loans.

Members' savings and deposits increased by $785,172 to $265,070,955.

DIRECTORS' REPORT
(continued)

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

The Credit Union will continue to pursue its strategic plan (business plan) of increasing the profitability and market share of its business during the next financial year.

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Credit Union.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICE HOLDERS

During the year, a premium was paid in respect of a contract insuring directors and officers of the company against liability. The officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary, and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract and the nature of liabilities covered is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditors of the Credit Union.

ENVIRONMENTAL ISSUES

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

PROCEEDINGS ON BEHALF OF CREDIT UNION

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

The Credit Union was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE

The auditors have provided a declaration of independence to the Board of Directors (the Board) prescribed by the *Corporations Act 2001* (Cwlth) as set out on page 8.

INFORMATION ON DIRECTORS

The Directors in office at the date of this report, or who held office during the course of the financial year, are:

Michelle Catlin

Current Occupation	Senior Executive Officer, Infrastructure and Assets NSW Department of Communities and Justice
Credit Union Experience	Director of Orange Credit Union for 8 years Associate Director from 28.01.15 to 29.11.16 Member of the Australian Institute of Company Directors
Current Board Position	Chair of Board of Directors Member of Corporate Governance Committee
Interest in Shares	1 Member Share

Gary Bargwanna

Current Occupation	Franchise Owner
Credit Union Experience	Director of Orange Credit Union for 24 years Former Member Representative of the Electrolux Superannuation Board Former Trustee of the Email Superannuation Board
Current Board Positions	Member of Audit Committee Chair of Risk Committee
Interest in Shares	1 Member Share

Tim Edmonstone

Current Occupation	Manager, Industry Analysis, NSW Department of Primary Industries
Credit Union Experience	Director of Orange Credit Union for 5 years. Associate Director from 26.7.17 to 30.07.19
Current Board Position	Chair of Audit Committee Member of Risk Committee
Interest in Shares	1 Member Share

Michael Kemp

Current Occupation	Farmer Director, Rural Financial Counselling Service NSW Member of the Australian Institute of Company Directors
Credit Union Experience	Director of Orange Credit Union for 10 years Associate Director from 31.07.13 to 25.11.14
Current Board Positions	Vice Chair of Board of Directors Member of Risk Committee Member of Audit Committee
Interest in Shares	1 Member Share

DIRECTORS' REPORT
(continued)

INFORMATION ON DIRECTORS cont'd

Andrew Kent

Current Occupation	Business Manager, Trinity Christian School
Credit Union Experience	Director of Orange Credit Union for 13 years Associate Director from 01.07.10 to 22.03.11 Member of the Australian Institute of Company Directors
Current Board Positions	Chair of Corporate Governance Committee
Interest in Shares	1 Member Share

Amanda Mooney

Current Occupation	Business Manager, James Sheahan Catholic High School
Credit Union Experience	Director of Orange Credit Union for 11 years Associate Director from 10.11.11 to 31.07.13
Current Board Positions	Member of Audit Committee Member of Risk Committee
Interest in Shares	1 Member Share

Sarah Ryan

Current Occupation	Solicitor
Credit Union Experience	Director of Orange Credit Union for 11 years Associate Director from 10.11.11 to 31.07.13 Member of the Australian Institute of Company Directors
Current Board Positions	Member of Corporate Governance Committee
Interest in Shares	1 Member Share

DIRECTORS' MEETINGS

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

	Board	Audit Committee	Risk Committee	Corporate Governance	Director Only Meeting
No. of meetings held:	6	8	8	7	2
No. of meetings attended:					
G Bargwanna	6	6	6	-	2
M Catlin	6	-	-	7	2
M Kemp	5	7	7	-	1
A Kent	5	-	-	7	2
A Mooney	5	8	8	-	2
S Ryan	6	-	-	7	2
T Edmonstone	6	8	8	-	2

All Directors were eligible to attend all meetings for the Committees which they were a member of. The Board positions are not elected at the commencement of each financial year. Consequently, Directors may not be eligible to attend all of the Committee meetings held during the financial year, despite being Committee members at year end.

Attendance details marked (-) denotes non-membership of the Committee.

DIRECTORS' BENEFITS

All Directors of the Credit Union have received or become entitled to receive a benefit for their duties and responsibilities as Directors. These benefits are detailed in the notes attached to these financial reports.

Signed in accordance with a resolution of the Board of Directors and is signed at Orange on the 2nd day of October 2024.

Michelle Catlin	Michael Kemp
Michelle Catlin	Michael Kemp
Director	Director
Chair of Board of Directors	Deputy Chair of Board of Directors

intentus
CHARTERED ACCOUNTANTS

Thorough, Attentive, Earnest

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ORANGE CREDIT UNION LIMITED

I declare that to the best of my knowledge and belief, during the year ended 30 June 2024, there have been no contraventions of:

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

(ii) any applicable code of professional conduct in relation to the audit.

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Intentus

JThomas

Jodie Thomas
Principal

23 Sale Street
Orange NSW 2800

Dated: 2 October 2024

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $	2023 $
Interest revenue	4.1	13,760,665	10,276,130
Interest expense	4.2	(4,702,154)	(1,632,205)
Net interest income		**9,058,511**	**8,643,925**
Fees, commissions and other income	5	1,116,821	981,038
Total interest and fee income		**10,175,332**	**9,624,963**
Non-interest expenses:			
Impairment gains (losses) on loans receivable from members	12.1	(43,759)	35,731
General administration:			
- Employees compensation and benefit	6	(2,901,824)	(2,920,727)
- Depreciation and amortisation	6	(224,128)	(204,470)
- Information technology	6	(1,289,313)	(1,626,508)
- Occupancy expenses	6	(174,384)	(249,949)
- Other administration	6	(3,017,231)	(3,270,376)
Total non-interest expenses		(7,650,639)	(8,236,299)
Profit for the year before income tax		2,524,693	1,388,664
Income tax benefit (expense)	8	(636,938)	(301,065)
Profit for the year after income tax		**1,887,755**	**1,087,599**
Other comprehensive income, net of income tax			
Total other comprehensive income for the period		-	-
Total comprehensive income for the year		**1,887,755**	**1,087,599**

This statement should be read in conjunction with the notes to the financial statements.

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Retained Earnings $	Reserve for Credit Losses $	Total $
Balance at 1 July 2022	24,437,536	3,072,916	27,510,452
Profit for the year after income tax	1,087,599	-	1,087,599
Total Comprehensive Income	**1,087,599**	-	**1,087,599**
As at 30 June 2023	25,525,135	3,072,916	28,598,051
Profit for the year after income tax	1,887,755	-	1,887,755
Transfers to / from reserves [1]	3,072,916	(3,072,916)	
Total Comprehensive Income	**4,960,671**	**(3,072,916)**	**1,887,755**
As at 30 June 2024	30,485,806	-	30,485,806

[1] Effective 01 January 2022, in accordance with APRA requirements, the Credit Union is no longer required to maintain a General reserve for credit losses. The amount which was previously captured under this calculation is inherently included in the calculation of Expected Credit Losses. Therefore, in accordance with accounting standards, this reserve has been transferred to retained earnings

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	2024 $	2023 $
Assets:			
Cash and liquid assets	9	15,029,988	25,346,782
Receivables	10	1,565,628	1,558,151
Loans and advances to members	11	208,394,168	198,318,911
Investment securities	13	72,129,654	69,529,654
Property, plant and equipment	14	1,044,561	353,621
Deferred tax assets	8.3	261,720	348,114
Intangibles	15	428,236	324,639
Total Assets		**298,853,955**	**295,779,872**
Liabilities:			
Deposits from members	16	265,070,955	264,285,783
Payables and other liabilities	17	2,774,657	2,470,548
Provisions	18	194,661	156,330
Current tax liabilities	8.4	311,886	267,502
Deferred tax liabilities	8.4	15,990	1,658
Total Liabilities		268,368,149	267,181,821
Net Assets		**30,485,806**	**28,598,051**
Members' Equity:			
General reserve for credit losses		-	3,072,916
Retained earnings		30,485,806	25,525,135
Total Members' Equity		**30,485,806**	**28,598,051**

This statement should be read in conjunction with the notes to the financial statements.

ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $	2023 $
Cash flows from operating activities:			
Revenue inflows:			
Interest received on loans		9,762,228	7,319,431
Interest received on investments		4,023,199	2,727,903
Dividends received		10,450	1,050
Fees and commissions received		1,008,507	890,362
Other income		75,864	89,626
Revenue outflows:			
Interest paid on members' savings		(4,344,276)	(1,098,289)
Interest paid on borrowings		(1,155)	-
Payments to suppliers and employees		(7,793,083)	(7,771,956)
Income taxes received / (paid)		(491,828)	13,607
Net cash flows from revenue activities	31.3	2,249,906	2,171,734
Members' loan repayments		41,122,556	32,214,764
Members' loan fundings		(51,241,571)	(57,710,300)
Net increase in member deposits and shares		785,172	(1,208,883)
Net increase / (decrease) in members' clearing accounts		363,808	169,309
Net decrease / (increase) in deposits to other financial institutions		(2,600,000)	17,734,616
Net cash provided by/ (used in) operating activities		(9,320,129)	(6,628,760)
Cash flows from investing activities:			
Consideration for disposal of property, plant and equipment		22,000	-
Payment for property, plant and equipment		(742,572)	(63,613)
Payment for intangibles		(276,093)	(21,924)
Net cash used in investing activities		(996,665)	(85,537)
Net increase / (decrease) in cash held		(10,316,794)	(6,714,297)
Cash held at the beginning of the year		25,346,782	32,061,079
Cash held at the end of the year	31.2	**15,029,988**	**25,346,782**

This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2024

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Reporting Entity

These financial statements are prepared for Orange Credit Union Limited (the Credit Union) as an individual entity, for the year ended 30 June 2024. The Credit Union is a company, limited by shares, incorporated and domiciled in Australia. The statements were authorised for issue on 2 October 2024 in accordance with a resolution of the Board.

Orange Credit Union Limited is a company limited by shares and is registered under the *Corporations Act 2001* (Cwlth).

The address of the registered office is:	Orange Credit Union Limited 288-292 Summer Street Orange NSW 2800
The address the principal place of business is:	288-292 Summer Street Orange NSW 2800

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

1.2 Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cwlth). The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

1.3 Basis of Accounting

(a) Basis of preparation

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars.

Comparatives are consistent with prior years.

1. BASIS OF PREPARATION (CONTINUED)

1.3 Basis of Accounting (Continued)

(b) Goods and services tax

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

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- Note 11 - Impairment of loans and advances with regards to the Expected Credit Loss (ECL) modelling and judgements, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information.
  - Choosing appropriate models and assumptions for the measurement of ECL; and
  - Establishing groups of similar financial assets for the purposes of measuring ECL: When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

- Note 13 and Note 21 - Investment securities are initially recognised at Fair value, and subsequently measured at Amortised cost.

- Note 21.2, Note 14 and Note 15 – impairment and estimated useful lives of property, plant and equipment (depreciation) and intangible assets (amortisation).

3 CHANGES IN ACCOUNTING POLICIES

3.1 New standards applicable for the current year

There were no new accounting standards which became effective for the first time during the year ended 30 June 2024 which impacted on the Credit Union.

3.2 New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Credit Union has decided not to early adopt these Standards. The Credit Union's assessment of the impact of these new standards and new interpretation is that these are not significant and not likely to impact the financial report of the Credit Union and as such have not been reported on.

4. INTEREST REVENUE AND INTEREST EXPENSE

4.1 Interest revenue

	2024 $	2023 $
Interest revenue on assets carried at amortised cost:		
Receivables from financial institutions	3,998,437	2,956,700
Loans to members	9,762,228	7,319,430
Total interest revenue	13,760,665	10,276,130

4.2 Interest expense

	2024 $	2023 $
Interest expense on liabilities carried at amortised cost:		
Members savings deposits	1,634,472	531,880
Term deposits	3,066,527	1,100,325
External Borrowings	1,155	-
Total interest expense	4,702,154	1,632,205

Material Accounting Policy Information

Interest revenue and interest expense are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL. Interest income for financial assets that have become credit impaired subsequent to initial recognition is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

5 FEES, COMMISSIONS AND OTHER INCOME

	2024 $	2023 $
Fees and commissions revenue		
Fee income on loans	62,735	67,353
Other fee income	875,695	742,410
Insurance commissions	68,757	79,254
Other commissions	1,320	1,345
Total fee and commission revenue	1,008,507	890,362
Other income		
Dividends received	10,450	1,050
Bad debts recovered	9,181	32,956
Gain on sale of assets	22,000	-
Miscellaneous revenue	66,683	56,670
Total other income	108,314	90,676
Total fees, commissions and other income	1,116,821	981,038

Material Accounting Policy Information

Fees and commissions

Fees and commission income include fees other than those that are an integral part of EIR.

Fee income relating to deposit or loan accounts is either:

- transaction based and therefore recognised at a point in time when the transaction takes place, or
- related to performance obligations carried out over a period of time and therefore recognised on a systematic basis over the life of the agreement as the services are provided.

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

Insurance commission

Upfront commission – revenue in the form of a commission generated on successful placement of an insurance application is recognised at a point in time on inception of the policy.

Renewal commission – Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period.

Dividend income

Dividends are brought to account in profit or loss when the right to receive income is established.

6 NON-INTEREST EXPENSES

The following items of expense are shown as part of General Administration expenses in the Statement of Profit and Loss and Other Comprehensive Income and are considered to be significant to the understanding of the financial performance:

	2024 $	2023 $
Depreciation and amortisation		
Depreciation	51,632	25,597
Amortisation of intangible assets	172,496	178,873
Total depreciation and amortisation	224,128	204,470
Information technology	1,289,313	1,626,508
Occupancy expenses	174,384	249,949
Employee compensation and benefits expenses		
Salaries	2,201,312	2,194,121
Superannuation contributions	273,706	252,519
Annual leave	38,107	6,781
Long service leave	8,788	(24,803)
Fringe benefits expense	10,909	18,042
Other	369,002	474,067
Total employee compensation and benefits expenses	2,901,824	2,920,727
Other administration expenses		
Card and payment costs	1,281,442	1,431,064
Board costs	330,390	285,448
Consultancy	164,671	238,426
Loans administration	45,051	56,092
Marketing and promotion	257,413	360,368
Member chequing	11,261	15,194
Member protection	603,661	565,602
Office administration	323,342	318,182
Total other administration expenses	3,017,231	3,270,376

7. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors of the Credit Union for:

Audit of the financial statements	66,165	62,486
Other assurance services	12,210	11,523
	78,375	74,009

8. INCOME TAX

8.1 Current tax expense

	2024 $	2023 $
The components of tax expense (benefit) comprise:		
Current income tax payable	536,212	299,100
Decrease / (Increase) in deferred tax asset	14,332	1,965
(Decrease) / Increase in deferred tax liability	86,394	-
Total tax expense	636,938	301,065

8.2 Reconciliation of current year tax payable to income tax expense

Prima facie tax on profit before income tax at 25% (2023: 25.0%)	631,173	347,166
Plus / (Less) tax effect of:		
Non-deductible entertainment expenses	1,198	1,244
Dividend rebate	(3,359)	(338)
Difference in Tax and Accounting Depreciation	3,099	(54,491)
Movement in deferred tax	100,726	1,965
Other movements	(95,899)	5,519
	636,938	301,065

8.3 Tax assets

Income Tax receivable	-	-
Current Tax Assets	-	-
Property, plant and equipment	131,079	134,956
Employee leave entitlements	48,665	39,082
Provision for Impaired loans	48,799	75,089
Other	33,177	111,555
Intangibles	-	(12,568)
Deferred Tax Assets	261,720	34,8,114,

8.4 Tax Liabilities

Income tax payable	311,886	267,502
Current Tax Liabilities	311,886	267,502
Property, plant and equipment, intangibles and financial assets	15,990	1,658
Deferred Tax Liabilities	15,990	1,658

8.5 Franking Credits

Franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	8,272,271	7,775,965
	8,272,271	7,775,965

8. INCOME TAX (CONTINUED)

Accounting Policy

Income tax

The income tax expense shown in the Statement of Profit and Loss and Other Comprehensive Income is based on the operating profit before income tax adjusted for any non-tax-deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 25%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

9 CASH AND LIQUID ASSETS

	2024 $	2023 $
Cash on hand	266,133	356,784
Imprest and bank accounts	4,116,961	3,955,787
Short term deposits and deposits at call	10,646,894	21,034,211
	15,029,988	25,346,782

Material Accounting Policy Information

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three (3) months or less, and bank overdrafts.

10 RECEIVABLES

Sundry debtors and clearing accounts	665,742	633,503
Interest receivable on receivables from other financial institutions	753,529	613,772
Capitalisation Costs – FRN's	146,357	310,876
	1,565,628	1,558,151

LOANS AND ADVANCES TO MEMBERS

	2024 $	2023 $
Overdrafts and revolving credit	24,856	20,885
Term loans	208,564,507	198,598,382
	208,589,363	198,619,267
Less: Provision for impaired loans	(195,195)	(300,356)
	208,394,168	198,318,911

11.1 Credit quality – security held against loans

Secured by mortgage over real estate	201,592,595	190,302,762
Partly secured by goods mortgage	5,690,749	6,691,687
Wholly unsecured	1,306,019	1,624,818
	208,589,363	198,619,267

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

Security held as mortgages against real estate:		
- Loan to valuation ratio of less than 80%	192,271,519	183,182,603
- Loan to valuation ratio of more than 80% but mortgage insured	4,712,418	5,829,913
- Loan to valuation ratio of more than 80% but not mortgage insured	4,608,658	1,290,246
	201,592,595	190,302,762

11.2 Concentration of loans

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

(i) Loans to individuals or related groups of members which exceed 10 % of capital – aggregate value	Nil	5,597,425

(ii) Loans to members are mainly concentrated in Central Western New South Wales. All loans are within Australia.

(iii) Loans by type were:		
- Residential loans and facilities	199,913,348	188,543,344
- Personal loans and facilities	7,005,386	8,327,956
- Business loans and facilities	1,670,629	1,747,967
	208,589,363	198,619,267

11 LOANS AND ADVANCES TO MEMBERS (CONTINUED)

Material Accounting Policy Information

(i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any material difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit and Loss and Other Comprehensive Income over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board.

APRA has mandated that interest is not recognised as revenue after contractually obligated payments have not been made for more than 90 days for a loan facility.

(ii) Interest earned

Term Loans – The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.
Overdraft – The loan interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.
Non-Accrual Loan Interest – while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member is deceased, or where a loan is impaired.

11.3 Movement in the provision for impairment

	2024 $	2023 $
Opening balance	300,356	340,007
Bad debts written off against provision	(148,920)	(48,920)
Loans provided for during the year	43,759	9,269
	195,195	300,356

11.4 Impaired loans written off

	2024	2023
Amounts written off against the provisions	148,920	48,920
Bad debts expense	(105,161)	(39,651)
Bad debts recovered in the period	9,181	32,956

11 LOANS AND ADVANCES TO MEMBERS (CONTINUED)

11.5 Amounts arising from Expected Credit Losses (ECL)

The loss allowance as of the year end by class of exposure/asset are summarised in the table below.

	2024 Gross Value	2024 ECL Allowance	2024 Carrying Value	2023 Gross Value	2023 ECL Allowance	2023 Carrying Value
	$	$	$	$	$	$
Loans to members						
Mortgage	199,913,348	(26,999)	199,886,349	188,543,344	(26,961)	188,516,383
Commercial	1,670,629	-	1,670,629	1,747,967	-	1,747,967
Personal	6,980,531	(158,559)	6,821,972	8,307,070	(267,877)	8,039,193
Overdrafts	24,855	(9,637)	15,218	20,885	(5,518)	15,367
Total	208,589,363	(195,195)	208,394,168	198,619,266	(300,356)	198,318,910

The analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables.

2024

Loans to members	Stage 1 12 Month ECL 2024 $	Stage 2 Lifetime ECL 2024 $	Stage 3 Lifetime ECL 2024 $	Carrying Value 2024 $
Mortgage	26,999	-	-	26,999
Commercial	-	-	-	-
Personal	19,315	56,958	81,840	158,113
Society One	-	-	446	446
Overdrafts	51	1,588	7,998	9,637
ECL Allowance	46,365	58,546	90,284	195,195

2023

Loans to members	Stage 1 12 Month ECL 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Carrying Value 2023 $
Mortgage	26,961	-	-	26,961
Commercial	-	-	-	-
Personal	17,134	47,535	202,680	267,349
Society One	3	517	8	528
Overdrafts	29	751	4,738	5,518
ECL Allowance	44,127	48,803	207,426	300,356

11 LOANS AND ADVANCES TO MEMBERS (CONTINUED)

11.5 Amounts arising from Expected Credit Losses (ECL) (Continued)

The tables below represent the reconciliation from the opening balance to the closing balance of the ECL allowance for loans and advances to customers for which impairment requirements under AASB 9 apply, for the current and previous financial years.

2024

	Stage 1 Collective provision 12-month ECL $'000	Stage 2 Collective provision Lifetime ECL Not credit-impaired $'000	Stage 3 Collective provision Lifetime ECL Credit impaired $'000	Stage 3 Specific provision Lifetime ECL Credit impaired	Total $'000
Balance at 1 July 2023-	44,127	48,803	207,426	-	300,356
Transfers during the period to:					
- **Stage 1**	2,238				2,238
- **Stage 2**		9,743			9,743
- **Stage 3**			(117,142)		(117,142)
Net re-measurement of ECL					
Write-backs					
Write-offs					
Balance at 30 June 2024	**46,365**	**58,546**	**90,284**	-	**195,195**

2023

	Stage 1 Collective provision 12-month ECL $'000	Stage 2 Collective provision Lifetime ECL Not credit-impaired $'000	Stage 3 Collective provision Lifetime ECL Credit impaired $'000	Stage 3 Specific provision Lifetime ECL Credit impaired	Total $'000
Balance at 1 July 2022	13,019	28,852	298,136	-	340,007
Transfers during the period to:					
- Stage 1	31,108				31,108
- Stage 2		19,951			19,951
- Stage 3			(90,710)		(90,710)
Net re-measurement of ECL					
Write-backs					
Write-offs					
Balance at 30 June 2023	44,127	48,803	207,426	-	300,356

11. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

11.6 Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2024 Carrying Value $	2024 Provisions $	2023 Carrying Value $	2023 Provisions $
0 to 90 days in arrears	6,858,452	103,272	2,866,450	92,930
90 to 180 days in arrears	529,552	32,994	436,232	58,372
180 to 270 days in arrears	86,240	27,180	55,440	-
270 to 365 days in arrears	16,573	10,154	276,914	98,525
Over 365 days in arrears	11,480	11,958	45,011	45,011
Over limit facilities	19,420	9,637	9,433	5,518
Total	7,521,717	195,195	3,689,480	300,356

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

11.7 Loans with repayments past due but not regarded as impaired

There are loans with a value of $6,858,452 past due which are not considered to be impaired, due to the very short number of days past due. Of these, loans totalling $6,265,785 are secured by residential property valued in excess of the loan due. It is not practicable to identify the security over all loans past due.

11.8 Assets acquired via enforcement of security

	2024 $	2023 $
Motor vehicles	-	-
Real estate	-	-

It is the policy of the Credit Union to sell the assets at the earliest opportunity after all other measures to assist the members to repay the debts have been exhausted.

12. LOAN IMPAIRMENT

Material Accounting Policy Information

(i) Provision for impairment

AASB 9's impairment requirements use more forward-looking information to recognise ECL. Instruments within the scope of the requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments.

Orange Credit Union considers a broad range of information when assessing credit risk and measuring ECLs, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The Credit Union measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk in considering their credit risk rating (refer Note 19); and
- Other financial instruments on which credit risk has not significantly increased since initial recognition.

The Credit Union considers credit risk to have increased significantly when a loan is 30 days or more in arrears.

Forward-looking approach

The approach to determining the ECL includes forward-looking information.

The Credit Union has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Credit Union has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are deemed to have a material impact and therefore an adjustment has been made to the ECL for such factors. The Credit Union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. Periodically the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

In applying this forward-looking approach, a distinction is made between:

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

12. LOAN IMPAIRMENT (CONTINUED)

- Stage 3' would cover financial assets that have objective evidence of impairment (loans in default/non-performing) at the reporting date.

Additional information regarding the estimation of the ECL provision at reporting date is contained in Note 11.

Measurement of ECL

Measurement of the ECL is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Credit Union expects to receive).

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. ECLs for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

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

12. LOAN IMPAIRMENT (CONTINUED)

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

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets and continues to increase over time with the contractually accrued interest.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

(i) Restructured financial assets

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

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

12. LOAN IMPAIRMENT (CONTINUED)

(ii) Credit-impaired financial assets

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

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

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

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

(iii) Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(iv) Write-off

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

12. LOAN IMPAIRMENT (CONTINUED)

Bad debts written off

Bad debts are written off from time to time as determined by management and the Board when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment previously recognised. If no provision had been recognised, the write offs are recognised as expenses in the Statement of Profit and Loss and Other Comprehensive Income.

12.1 Impairment losses

Loans and advances

	2024 $	2023 $
Increase / (decrease) in provision for impairment	(105,161)	(84,651)
Bad debts written off	148,920	48,920
Total impairment expense (reversal)	43,759	(35,731)

13 INVESTMENT SECURITIES

Investment securities at amortised cost		
Negotiable Certificate of Deposits	1,000,000	-
Floating Rate Notes	40,720,000	36,620,000
Fixed Rate Notes	8,500,000	8,000,000
Term Deposits	20,000,000	23,000,000
Total Investment Securities	70,220,000	67,620,000
Investment securities designated as FVOCI		
Experteq	9,654	9,654
Society One Unit Trust	1,900,000	1,900,000
Total Investment securities designated as FVOCI	1,909,654	1,909,654
Total Value of Investment Securities	72,129,654	69,529,654

Investment securities accounted for at FVOCI are held in unlisted companies.

Material Accounting Policy Information

The basis on which fair value is determined is outlined in note 21 and is categorised as Level 2 in the fair value hierarchy.

14 PROPERTY, PLANT AND EQUIPMENT

	2024 $	2023 $
Land	200,400	200,400
Buildings – at cost	1,442,421	824,247
Less: provision for depreciation	(764,168)	(747,503)
	678,253	76,744
Plant and equipment – at cost	1,421,611	1,355,063
Less: provision for depreciation	(1,304,876)	(1,279,986)
	116,735	75,077
Motor vehicles – at cost	57,850	41,990
Less: provision for depreciation	(8,677)	(40,590)
	49,173	1,400
Total property, plant and equipment	1,044,561	353,621

The movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year is shown below:

	Beginning balance $	Additions $	Disposals WDV $	Depreciation expense $	Carrying amount at year end $
Land and buildings	277,144	618,174	-	(16,665)	878,653
Plant and equipment	75,077	66,548	-	(24,890)	116,735
Motor vehicles	1,400	57,850	-	(10,077)	49,173
Totals	353,621	742,572	-	(51,632)	1,044,561

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Material Accounting Policy Information

(i) Determination of carrying values

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Profit and Loss and Other Comprehensive Income during the financial period in which they are incurred.

(ii) Depreciation

The depreciable amount of all fixed assets including building assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Credit Union commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Property	2.5-10%
Office furniture and equipment	10 - 20%
IT equipment	25%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit and Loss and Other Comprehensive Income.

Assets with a cost less than $1,000 are not capitalised.

15. INTANGIBLES

	2024 $	2023 $
Work in progress – IT projects	100,741	18,174
Computer software	2,018,427	1,824,901
Less: accumulated amortisation	(1,690,932)	(1,518,436)
Total intangible assets	428,236	324,639

The movement in the carrying amounts for the intangible assets between the beginning and end of the current financial year is shown below:

	Beginning balance $	Additions $	Disposals WDV $	Amortisation expense $	Carrying amount at year end $
Computer software	324,639	276,093	-	(172,496)	428,236

Material Accounting Policy Information

Capitalised software costs that are not an integral part of the associated hardware are classified as intangible assets and are amortised over the useful life of the asset and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation of the intangible asset is recognised as an expense in the Statement of Profit and Loss and Other Comprehensive Income.

Computer software is amortised over the expected useful life of the software being 4 years (25%).

16. DEPOSITS FROM MEMBERS

	2024	2023
Member deposits:		
- At call	182,483,793	186,487,819
- At term	82,487,424	77,694,540
Member withdrawable shares	99,738	103,424
	265,070,955	264,285,783

16.1 Concentration of member deposits

There is no (0) member who individually has deposits which represent 10% or more of Tier 1 capital (2023: Nil).

16. DEPOSITS FROM MEMBERS

Material Accounting Policy Information

(i) Basis for measurement

Member savings and term investments are recognised on the date at which they originated and are initially measured at fair value plus incremental direct transaction costs. Member deposits are stated at the aggregate amount of moneys owing to depositors as at balance date. Member's deposits are subsequently measured at their amortised cost using the effective interest method.

(ii) Interest payable

Interest on savings is calculated on the daily balance or minimum monthly balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of payables in the Statement of Financial Position.

17. PAYABLES AND OTHER LIABILITIES

	2024 $	2023 $
Payables and accrued expenses	373,932	932,549
Accrued interest payable	943,140	586,417
Members' clearing accounts	1,157,585	951,582
Deferred Income	300,000	-
	2,774,657	2,470,548

18. PROVISIONS

	2024 $	2023 $
Annual leave	115,821	86,278
Long service leave	78,840	70,052
	194,661	156,330

18. PROVISIONS (CONTINUED)

18.1 Reconciliation of provision balances

The movement in each provision category during the year is as follows:

	2024	2023
	$	$
Annual leave		
Opening balance	86,278	164,291
Additional provision raised during the year	38,107	6,781
Amounts used	(8,564)	(84,794)
Closing balance	115,821	86,278
Long service leave		
Opening balance	70,052	178,193
Additional (reduction in) provision raised during the year	8,788	(24,803)
Amounts used	-	(83,338)
Closing balance	78,840	70,052

Material Accounting Policy Information

Short-term Employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Credit Union does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other Employee Benefits

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using corporate bond rates.
Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual Leave

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at the reporting date.

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

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Credit Union views effective risk management as key to achieving and maintaining its operational and strategic objectives.

The Credit Union has systems for identifying, measuring, evaluating, monitoring, reporting, and controlling material risks that may affect its ability to meet its obligations to members and other stakeholders. These systems, together with the structures, policies, processes, and people supporting them, comprise the Credit Union's Risk Management Framework.

The Risk Management Framework is consistent with the Credit Union's strategic objectives, business plan, risk appetite statement and tolerances.

The Board is responsible for setting and approving the Credit Union's Risk Management strategy and framework. The active identification of risks and implementation of mitigation measures is the responsibility of Management.

To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain activities to the Risk and Audit Committees.

The Board has also delegated relevant authority to the Chief Executive Officer and the Chief Risk Officer (CRO) to enable the setting and implementing certain risk management policies and procedures.

In accordance with CPS 220 the Board and Chief Executive Officer ensures that the Credit Union meets its prudential and statutory requirements and has management practices to limit risks to prudential levels. The Board attests to the risk management functions in the annual declaration to APRA.

Risk Governance

The Credit Union is committed to a three lines-of-defence risk governance model: -

The first line of defence comprises the business management who assume ownership of the risks and who are responsible for the day-to-day risk management decision-making.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

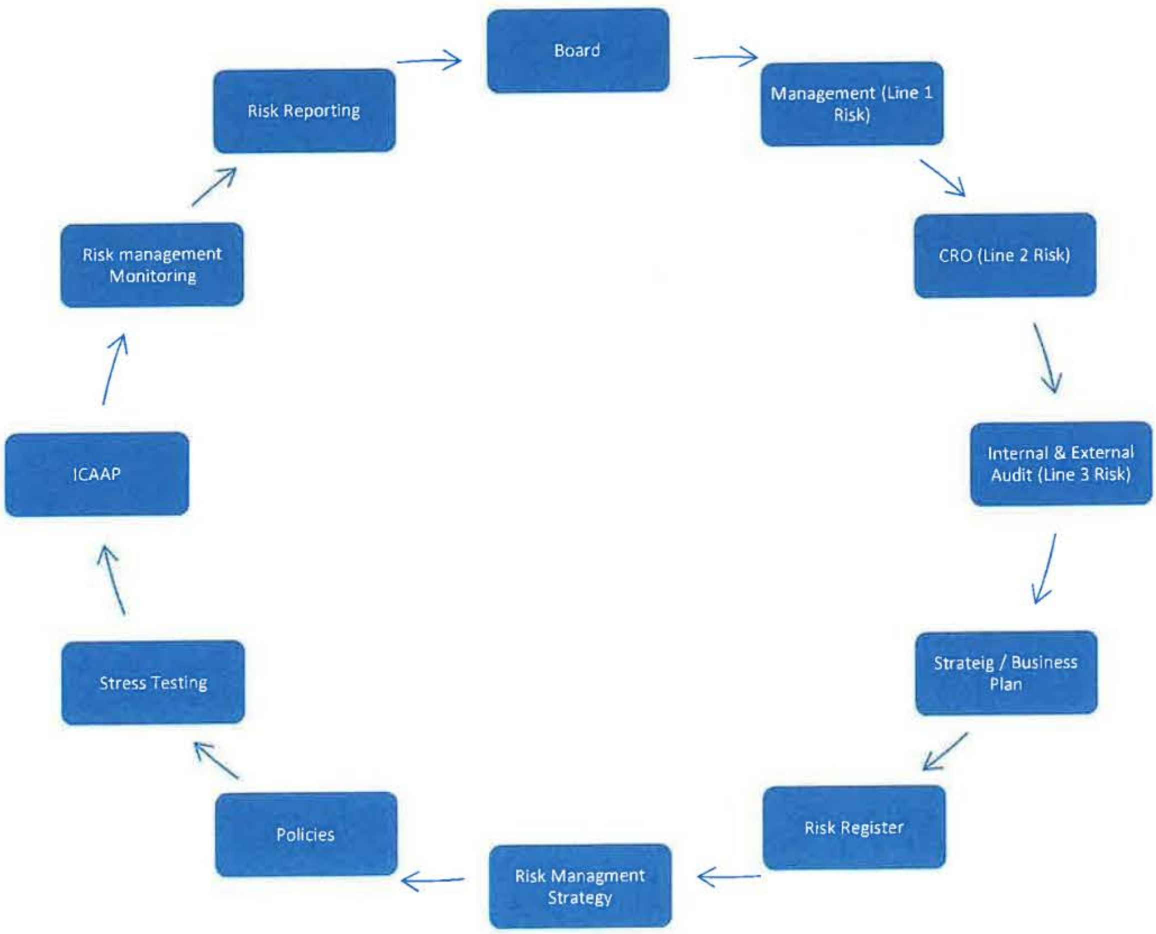
The second line of defence comprises the CRO and is functionally independent from the first line-of-defence. The second line-of-defence supports the Board by:

a) developing risk management policies, systems and processes to facilitate a consistent approach to the identification, assessment and management of risks;
b) providing specialist advice and training to Board and first line-of-defence on risk related matters;
c) providing objective review and challenge to the information provided; and
d) providing oversight of the risk profile and its reporting and escalation to the Board.

The third line-of-defence comprises the independent Audit functions who provides assurance to the Board and its Committees that:

a) the risk management framework has been complied with and is operating effectively; and
b) at least every three years, a comprehensive review of the appropriateness, effectiveness and adequacy of the risk management framework is performed.

The components of Orange Credit Union's risk management framework are summarised in the following diagram:



Roles and Responsibilities

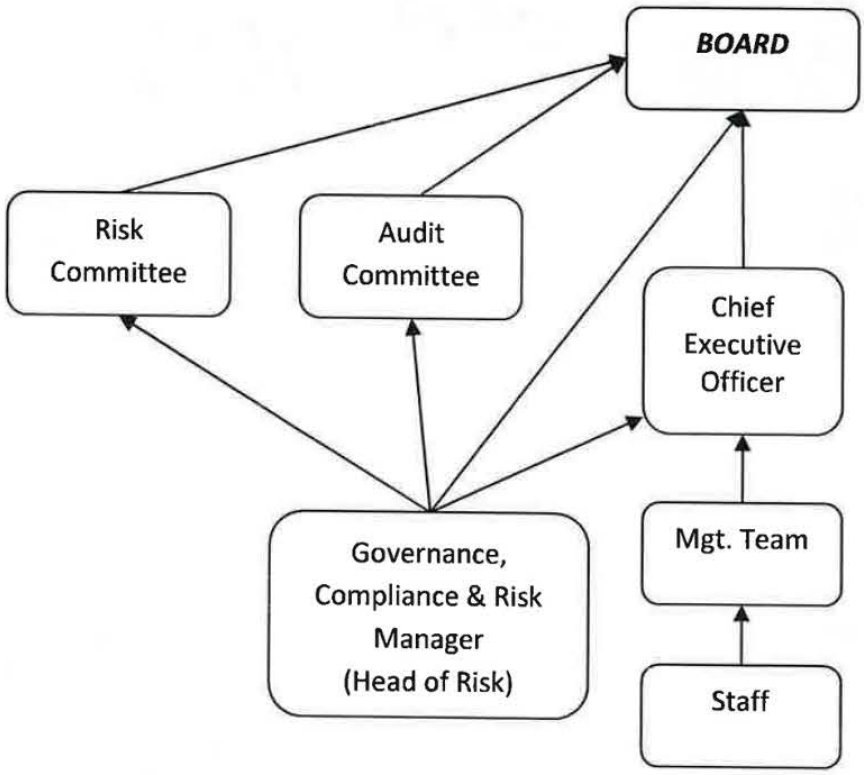
The Board is ultimately responsible for the Risk Management functions of the Credit Union.

The Board has delegated certain Risk Management authorities to the Audit and Risk Committees, and to the Chief Executive Officer.

The Chief Executive Officer is totally responsible for those Risk Management Functions delegated to Management by the Board. The Chief Executive Officer delegates certain authorities to other members of the Management Team and staff to ensure the efficiency of the Risk Management Framework.

All delegated authorities are authorised and reviewed annually by the Board.

The following diagram shows an overview of this structure:



19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Committee

The Board Risk Committee shall:-

- assist the Board by providing an objective oversight of the implementation and operation of the risk management framework;
- advise the Board on the current and future risk appetite and the risk management strategy;
- oversee the implementation of the risk management strategy;
- review and challenge Management's decisions relating to material risk items;
- set objectives and review the performance of the Chief Risk Officer (CRO); and
- engage the CRO in relevant sections of Risk Committee meetings.

Audit Committee

The Board Audit Committee shall: -

- assist the Board by providing an objective review of the financial reporting and risk management;
- oversee financial accounting and reporting, and APRA statutory reporting.
- oversee internal and external Audit;
- review audit findings and ensure issues are addressed in a timely manner; and
- provide assurance to the Board that the risk management system is performing as intended.

Chief Executive Officer

The Chief Executive Officer is responsible for management of the Credit Union's operations in accordance with Board approved criteria, appetite and policy.

This includes management of the Credit Union compliance frameworks in accordance with Board approved criteria and policy and responsibility for implementing Board approved risk management strategy, developing policies, controls, processes and procedures for identifying and managing risks in all the Credit Union's activities.

Head of Risk (CRO)

The Head of Risk is independent from business lines, other revenue-generating responsibilities, and the finance function. The Head of Risk is responsible for the establishment, monitoring, and maintenance of the organisation's risk management framework. The Head of Risk shall review and challenge Management's decisions relating to material risk items.

Internal Audit

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

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Market risk policy

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

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

The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. The policy of the Credit Union to manage interest rate risk is to maintain a balanced 'on book' strategy by ensuring that the cumulative sensitivity between assets and liabilities is not excessive. The Credit Union's policy is not to undertake derivatives to match the interest rate risks.

The Credit Union's exposure to interest rate risk is set out in Note 23 which details the contractual interest change profile.

The Credit Union's exposure to market risk is measured and monitored using various interest rate sensitivity models. In these models, the following assumptions are used:

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the twelve-month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would reprice to the new interest rate, using the assumption that the sticky deposits are allocated to the twelve-month bucket, and non-sticky deposits are allocated to the one-month bucket.
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would all reprice to the new interest rate within 28 days;
- personal loans would all reprice to the new interest rate within 28 days;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

Value at Risk (VaR) is used to measure the expected loss to the Credit Union's financial instrument portfolio, given a confidence level of 99%. This is calculated on a quarterly basis by an independent consultant, G Treasury and is reported to the Board. The Credit Union aims to limit its value at risk up to 15% of capital, given a 1 year holding period. At 30 June 2024, the risk was assessed at $1,573,390 (5.26%).

19.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Market risk policy (continued)

The Credit Union also engages G Treasury to assess the Net Present Value (NPV) variance as a percentage of capital and considers the impact for a 2% parallel shift in the yield curve. This is also calculated on a quarterly basis and is reported to the Board. The Credit Union aims to limit this up to 10% of capital. At 30 June 2024, the worst-case impact was assessed at $1,055,906 (3.53%).

19.2 Credit risk management

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

(i) Credit risk – loans

The analysis of the Credit Union's loans by class is as follows:

Loan class	2024 Carrying value $	2024 Undrawn facilities $	2024 Maximum exposure $	2023 Carrying value $	2023 Undrawn facilities $	2023 Maximum exposure $
Housing	199,913,348	14,598,945	214,407,807	188,543,344	16,651,602	205,194,946
Personal	7,005,386	941,278	7,946,664	8,327,956	738,427	9,066,383
Commercial	1,670,629	183,204	1,853,833	1,747,967	164,694	1,912,661
Total	208,589,363	15,723,427	224,208,304	198,619,267	17,554,723	216,173,990

Carrying value is the value in the Statement of Financial Position. Maximum exposure is the value in the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, redraw facilities and undrawn overdrafts).

All loans and facilities are within Australia and are mainly concentrated in Central Western New South Wales.

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

The Credit Union has established policies over the:

- credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans and commercial lending;

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Credit risk management (Continued)

- reassessing and review of the credit exposures on loans and facilities;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- review of compliance with the above policies.

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

Past due and impaired

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

Loan repayments are reviewed each day to detect delays in repayments. Recovery action is undertaken after 5 days. For loans where repayments are doubtful, external consultants may be engaged to conduct recovery action once the loans are over 60 days in arrears. The exposures to losses arise predominantly in personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any ECL is recognised in the Statement of Profit and Loss and Other Comprehensive Income. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral.

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

Provisions in the Statement of Financial Position are maintained at a level that management deems sufficient to absorb ECLs in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for ECLs is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more.

Details of past due and impaired loans are as set out in Note 11.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Credit risk management (Continued)

Bad debts

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

On secured loans, the write-off takes place upon the ultimate realisation of collateral value or from claims on any related mortgage insurance.

A reconciliation of the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral securing loans

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

Concentration risk – individuals

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

The aggregate value of large exposure loans is set out in Note 11. The Credit Union currently has no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in various areas of employment.

The Credit Union has a concentration in retail lending for members who reside in the Central-West of New South Wales (NSW). This concentration is considered acceptable on the basis that the Credit Union was formed to service these members and the employment concentration in the area is not exclusive. Should members leave the area, the loans continue, and other employment opportunities are available to the members to facilitate the repayment of the loans.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Credit risk management (Continued)

(ii) Credit risk – liquid investments

The Board has established policies to manage liquidity risks with respect of investment receivables. These policies were regularly reviewed during the year. Under the Board's current policy, the Credit Union may:

- invest in unrated authorised deposit-taking institutions (ADIs), for an amount up to 10% of tier one capital or $3 million cap, provided the ADI is registered for the government guarantee; the Credit Union will only invest in those ADI's that have a capital adequacy ratio above 14%, of which 80% of capital is Tier 1.
- invest funds with ADI's that have a Standard & Poor's (S&P) short term rating of B or better for an amount up to 25% of tier one capital or $6 million cap.
- With the exception of Cuscal, invest funds with ADI's that have a S&P short term rating of A or better for an amount up to 25% of tier one capital or higher with APRA's approval.
- for Cuscal the maximum exposure limit is 200% of tier one Capital.

In addition, under the Commonwealth Government's Financial Claims Scheme, deposit balances up to and including $250,000 per institution is guaranteed.

During the year, the Credit Union has spread its investment portfolio over a range of ADIs and considers the risk of loss of liquid investments to be minimal.

The Credit Union uses the ratings of S&P to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Guidance Note AGN 112. The credit quality assessment scale within this standard has been complied with.

The Credit Union may invest up to 40% of the total HQLA portfolio in HQLA Bonds that are included on the RBA list of repo-eligible securities.

The investment exposure values associated with each credit quality step are as follows:

	2024 Carrying value $	2024 Past due value $	2024 Provision $	2023 Carrying value $	2023 Past due value $	2023 Provision $
CUSCAL (AA)	8,233,819	-	-	8,575,787	-	-
ADIs – A1	38,599,894	-	-	44,684,211	-	-
ADIs – A2	9,500,000	-	-	13,250,000	-	-
ADIs – A3	5,500,000	-	-	19,100,000	-	-
ADIs – BBB	19,650,000	-	-	-	-	-
Unrated	3,500,142	-	-	7,000,000	-	-
Total	84,983,855	-	-	92,609,998	-	-

(iii) Credit risk – guarantees

The Credit Union does not have any third party guarantees in place.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.3 Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments (e.g. borrowing repayments or member withdrawal demands).

It is the policy of the Board that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- continuously monitoring actual daily cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- monitoring the prudential liquidity ratio daily.

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

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

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union policy is to maintain at least 10% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. This ratio is checked daily. Should the liquidity ratio fall below this level, the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or available borrowing facilities. Note 26 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profiles of the financial liabilities, based on the contractual repayment terms, are set out in the Note 22. The ratio of liquid funds over the past year is set out below.

	2024 $	2023 $	2024 (%)	2023 (%)
Total minimum liquidity holdings				
As at 30 June	60,749,846	64,965,983		
Total adjusted liabilities				
As at 30 June	287,591,989	282,407,204	21.12	23.00
Average for the year	285,785,084	276,424,107	21.89	21.96
Minimum during the year	281,468,388	269,689,411	21.12	20.91

19.4 Operational risk

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

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimise the impact.

Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems, premises or staff.

Fraud

Fraud can arise from member cards, PINs and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union.

IT systems

The worst-case scenario would be the failure of the Credit Union's core banking and IT network suppliers to meet customer obligations and service requirements.

The Credit Union has outsourced the IT systems management to an independent data processing centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM, Visa, and BPAY.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.5 Capital management

Part of the risk management framework is the Internal Capital Adequacy Assessment Process (ICAAP). This process ensures that the Credit Union has adequate systems and procedures in place to identify, manage, measure, and monitor the risks of the Credit Union so as to ensure that the Credit Union maintains sufficient capital consistent with its risk profile. It also includes a capital management plan for managing the Credit Union's capital levels on an ongoing basis.

The ICAAP is reviewed annually or whenever there is a material change in the Credit Union's risk profile. The Board will assess the amount of capital required if there is a change in the Credit Union's forecasts for asset growth or unforeseen circumstances.

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

- Credit risk;
- Market risk (trading book); and
- Operational risk.

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

Regulatory capital

Regulatory Tier 1 and Tier 2 Capital are defined under APS 111 *Capital Adequacy: Measurement of Tier 1 Capital*

For the Credit Union,
Tier 1 Capital comprises of:

- Retained earnings;
- Regulatory adjustments (net DTA/DTL position and intangible assets); and

Tier 2 Capital
For the Credit Union, Tier 2 Capital comprises of:

- General Reserve for credit losses.

  Effective 01 January 2022, in accordance with APRA requirements, The Credit Union is no longer required to maintain a General Reserve for Credit Losses. The amount which was previously captured under this calculation is inherently included in the calculation of Expected Credit Losses. Therefore, in accordance with accounting standards, this reserve has been transferred to retained earnings.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.5 Capital management (Continued)

	2024 $	2023 $
Common Equity Tier 1 Capital		
Retained earnings	30,485,806	25,525,135
Less: regulatory adjustments	(573,456)	(674,856)
Net Tier 1 Capital	29,912,350	24,850,279
Tier 2 Capital		
Reserve for credit losses	-	1,261,598
	-	1,261,598
Total Capital	29,912,350	26,111,877

Risk weighted assets

The Credit Union has determined to maintain a minimum capital level as compared to the risk weighted assets at any given time. The risk weightings attached to each asset are based on the weights prescribed by APRA in its Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The risk weightings are applied according to the level of the underlying security.

Capital adequacy ratio

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

2024	2023	2022	2021	2020
23.86%	22.71%	19.38%	20.85%	23.18%

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.5 Capital management (Continued)

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and APRA if the capital ratio falls below 16%.

20. CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	2024 $	2023 $
Financial assets – carried at amortised cost			
Cash and liquid assets	9	15,029,988	25,346,782
Investment Securities	13	70,220,000	67,620,000
Accrued receivables	10	1,565,628	1,558,151
Loans to members	11	208,394,168	198,318,911
Total financial assets carried at amortised cost		295,209,784	292,843,844
FVOCI Investments	13	1,909,654	1,909,654
TOTAL FINANCIAL ASSETS		297,119,438	294,753,498
Financial liabilities – carried at amortised cost			
Deposits from members	16	265,070,955	264,285,783
Payables and other liabilities	17	2,774,657	2,470,548
TOTAL FINANCIAL LIABILITIES		267,845,612	266,756,331

21. FAIR VALUE MEASURMENT

21.1 Financial Instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Credit Union commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

(ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

(ii) Classification and subsequent measurement (continued)

Financial assets are classified into the following categories upon initial recognition:

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

21. FAIR VALUE MEASURMENT (CONTINUED)

21.1 Financial Instruments (Continued)

Subsequent measurement of financial assets

Financial assets at amortised costs

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Orange Credit Union's cash and cash equivalents, loans and advances to members and trade receivables fall into this category of financial instruments as well as negotiable certificates of deposits (NCDs), floating rate notes (FRNs) and term deposits.

Financial assets at Fair Value through Profit or Loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Fair Value through Other Comprehensive Income (FVOCI)

Investments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – Experteq and units in the Society One Personal Loans Trust.

(iii) Impairment

AASB 9 requires the use of forward-looking information to recognise ECLs - the 'expected credit loss model' (ECL). Instruments within the scope of the requirements comprise all financial assets measured at amortised cost and investment debt securities measured at FVOCI. These include cash, receivables, loans and advances to members and investment securities.

The Credit Union considers a broader range of information when assessing credit risk and measuring ECLs, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset.

21. FAIR VALUE MEASURMENT (CONTINUED)

21.1 Financial Instruments (Continued)

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit and Loss and Other Comprehensive Income.

21.2 Impairment of non-financial assets

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

21.3 Measurement of fair values

A number of the Credit Union's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Credit Union uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Credit Union recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of the Credit Union's investment in unlisted equity securities, is based on consideration of sales in a limited market and the investee's net tangible assets.

22. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

2024	**Carrying Amount**	**0 to 3 months**	**3 to 12 months**	**1 to 5 years**	**5+ years**	**No maturity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash on hand	266,133	-	-	-	-	266,133	266,133
Cash at bank and investments	84,983,855	11,554,980	26,980,229	37,675,744	-	14,763,855	90,974,808
Loans to members	208,394,168	3,817,890	10,952,527	70,062,492	248,610,743	-	333,443,652
Other assets (non-interest bearing)	665,742	665,742	-	-	-	-	665,742
Total financial assets	294,309,898	16,038,612	37,932,756	107,738,236	248,610,743	15,029,988	425,350,335
Financial Liabilities							
Trade payables and other liabilities	1,831,517	1,831,517	-	-	-	-	1,831,517
Lease liabilities	-	-	-	-	-	-	
Deposits from members	265,070,955	20,544,211	63,164,195	922,911	-	182,583,531	267,214,848
Total financial liabilities	266,902,472	22,375,728	63,164,195	922,911	-	182,583,531	269,046,365

22. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (CONTINUED)

2023	Carrying Amount $	0 to 3 months $	3 to 12 months $	1 to 5 years $	5+ years $	No maturity $	Total $
Financial assets							
Cash on hand	356,784	-	-	-	-	356,784	356,784
Cash at bank and investments	92,609,998	10,707,719	26,000,611	39,847,320	-	20,989,998	97,545,648
Loans to members	198,318,911	4,443,258	13,060,422	62,695,788	236,688,787	-	316,888,255
Other assets (non-interest bearing)	633,503	633,503	-	-	-	-	633,503
Total financial assets	291,919,196	15,784,480	39,061,033	102,543,108	236,688,787	21,346,782	415,424,190
Financial Liabilities							
Trade payables and other liabilities	1,884,131	1,884,131	-	-	-	-	1,884,131
Lease liabilities	-	-	-	-	-	-	-
Deposits from members	264,285,783	24,653,770	52,158,407	2,446,250	-	186,591,243	265,849,670
Total financial liabilities	266,169,914	26,537,901	52,158,407	2,446,250	-	186,591,243	267,733,801

23. INTEREST RATE CHANGE PROFILE OF FINANCIAL INSTRUMENTS

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

2024	Within 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Non-interest rate sensitive $	Total $
Financial assets						
Cash and liquid assets	14,763,855	-	-	-	266,133	15,029,988
Receivables due from other financial institutions	15,870,000	31,350,000	16,500,000	6,500,000	-	70,220,000
Accrued receivables	-	-	-	-	1,565,628	1,565,628
Loans to members	105,700,326	10,303,228	60,239,729	32,346,080	-	208,589,363
FVOCI equity investments	-	-	-	-	1,909,654	1,909,654
Total financial assets	136,334,181	41,653,228	76,739,729	38,846,080	3,741,415	297,314,633
Financial Liabilities						
Trade payables and other liabilities	-	-	-	-	2,774,657	2,774,657
Lease liabilities	-	-	-	-	-	-
Deposits from members	190,945,655	11,976,546	61,192,810	856,206	99,738	265,070,955
Total financial liabilities	190,945,655	11,976,546	61,192,810	856,206	2,874,395	267,845,612

2023

	Within 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Non-interest rate sensitive $	Total $
Financial assets						
Cash and liquid assets	21,989,999	3,000,000	-	-	356,784	25,346,783
Receivables due from other financial institutions	2,000,000	4,500,000	25,000,000	36,120,000	-	67,620,000
Accrued receivables	-	-	-	-	1,558,151	1,558,151
Loans to members	15,284,692	-	1,042,164	182,292,411	-	198,619,267
FVOCI equity investments	-	-	-	-	1,909,654	1,909,654
Total financial assets	39,274,691	7,500,000	26,042,164	218,412,411	3,824,589	295,053,855
Financial Liabilities						
Trade payables and other liabilities	-	-	-	-	2,470,548	2,470,548
Lease liabilities	-	-	-	-	-	-
Deposits from members	195,814,451	15,241,481	50,789,154	2,337,274	103,424	264,285,784
Total financial liabilities	195,814,451	15,241,481	50,789,154	2,337,274	2,573,972	266,756,332

24. FINANCIAL COMMITMENTS

	2024 $	2023 $
Loan commitments		
Loans approved, but not funded	3,648,277	2,867,261
Loan redraw facilities available	12,023,742	14,636,661
	15,672,019	17,503,922
Overdraft facility commitments		
Unused member overdraft facilities	51,408	50,801
	15,723,427	17,554,723

25. EXPENDITURE COMMITMENTS

25.1 Future capital commitments

At 30 June 2024 and 2023, the Credit Union has no future capital commitments.

25.2 Other expenditure commitments

In the normal course of business, the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of the members. The Credit Union applies the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

25. EXPENDITURE COMMITMENTS (Continued)

25.2 As at 30 June 2024, the Credit Union had no commitments to further expenditure (2023: $178,221 relating to the upgrade of the internet banking platform upgrade).

26. STANDBY BORROWING FACILITIES

The Credit Union has the following credit facilities with CUSCAL:

	2024 $	2023 $
Overdraft facility		
Gross	-	1,000,000
Net available	-	1,000,000

There are no restrictions as to withdrawal of these funds subject to the availability of funds to CUSCAL at the time of draw down.

The borrowing facilities were secured by a deposit held with CUSCAL.

As at June 2024, the overdraft facility has been discontinued with CUSCAL.

27. CONTINGENT LIABILITIES

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

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

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

28.1 Remuneration of key management personnel

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

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP have been taken to comprise of the Directors and the three members of the executive management team during the financial year, responsible for the day-to-day financial and operational management of the Credit Union.

	Year ended 30 June 2024			Year ended 30 June 2023		
	Directors	**Other KMP**	**Total**	**Directors**	**Other KMP**	**Total**
Short-term benefits	234,940	623,757	858,697	209,250	700,467	909,717
Post-employment benefits	25,843	67,063	92,906	26,661	70,488	97,149
Other long-term benefits	-	-	-	-	-	-
Termination benefits	-	-	-	-	-	-
Total	260,783	690,820	951,603	235,911	770,955	1,006,866

Compensation includes all employee benefits as defined in AASB 119 *Employee Benefits*. Employee benefits are all forms of consideration paid, payable or provided by the Credit Union, or on behalf of the Credit Union, in exchange for services rendered to the Credit Union.

Compensation includes:

(i) short-term employee benefits, such as wages, salaries, paid annual leave, paid sick leave, and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as salary packaged) for current employees;
(ii) post-employment benefits such as pensions, and other retirement benefits;
(iii) other long-term employee benefits, including long-service leave or other long-service benefits, and, if they are not payable wholly within twelve months after the end of the period, bonuses; and
(iv) termination benefits.

28.2 Loans to key management personnel and their close members of family

	Year ended 30 June 2024			Year ended 30 June 2023		
	Directors	**Other KMP**	**Family**	**Directors**	**Other KMP**	**Family**
Opening balance	25,670	2,316,822	-	33,522	2,886,653	244,326
Loans Funded	-	1,435,000	520,000	-	-	-
Interest charged	451	17,644	15,016	1,987	85,590	107
Write-off	-	-	-	-	-	-
Closing Balance	-	1,405,664	565,484	25,670	2,316,822	-

28. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

28.2 Loans to key management personnel and their close members of family (continued)

Loans provided to Other KMP or staff / spouse jointly for any purpose are provided at 85% of the rate of interest on offer to members for a similar loan /overdraft facility. Other KMP are required to pay any Fringe Benefits Tax arising from these discounted interest rates. Loans to Directors are at the rate of interest on offer to members for a similar loan / overdraft facility. Loans provided to close members of family of KMP are on conditions no more favourable than those extended to members generally. Security has been obtained for these loans in accordance with the Credit Union's lending policy.

There is no provision for impairment in relation to any loan extended to KMP or their close members of family. No loan impairment expense in relation to these loans has been recognised during the period.

28.3 Other transactions

There were no other transactions during the financial year between the Credit Union and members of the Board.

28.4 KMP and their close members of family saving, term deposit and revolving credit facility accounts

	Year ended 30 June 2024			Year ended 30 June 2023		
	Directors	Other KMP	Family	Directors	Other KMP	Family
Opening balance	40,557	11,720	135,460	83,101	189,524	342,558
Interest paid	(8)	-	4,437	7	-	892
Closing balance	50,991	3,918	252,012	40,557	11,720	135,460
Numbers in group	9	3	18	7	3	20

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

29. ECONOMIC DEPENDENCY

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

(i) CUSCAL Limited – This entity provides central banking facilities as well as facilitating some member services such as members' cheques. In addition, CUSCAL operates Visa cards, and other approved ATM suppliers and merchants, to the Credit Union EDP systems.

(ii) Experteq – this company operates the computer facility on behalf of the Credit Union, in conjunction with other Credit Unions. The Credit Union has a management contract with Experteq to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with relevant prudential standards.

(iii) Credit Union Financial Support System Limited (CUFSS) – this entity provides emergency liquidity support to the Credit Union.

(iv) Ultradata Australia Pty Ltd – this company supplies and maintains the application software utilised by the Credit Union.

30. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

31. STATEMENT OF CASH FLOWS

31.1 Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from savings, money market and other deposit accounts;
(ii) sales and purchases of maturing certificates of deposit;
(iii) provision of member loans and the repayment of such loans.

31. STATEMENT OF CASH FLOWS (continued)

31.2 Reconciliation of cash

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

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call with other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2024 $	2023 $
Cash balance comprises:		
- Cash on hand	266,133	356,784
- Imprest accounts	4,116,961	3,955,787
- Deposits at call less than 90 days	10,646,894	21,034,211
	15,029,988	25,346,782

31.3 Reconciliation of net cash flows from revenue activities to profit for the year after income tax

	2024	2023
Profit for the year after income tax	1,887,755	1,087,599
Non-cash items		
Loan impairment loss (reversal)	43,759	(35,731)
Depreciation and amortisation	224,128	204,470
Gain on sale of motor vehicle	(22,000)	-
Movements in assets and liabilities		
Deferred income tax asset	86,394	1,965
Deferred income tax liability	14,332	-
Provision for income tax	44,384	312,706
Accrued interest receivable	24,762	(228,798)
Accrued interest payable	356,723	533,916
Provision for employee entitlements	38,331	(191,154)
Creditors and accruals	(258,618)	431,303
Prepayments	(190,044)	55,458
Net cash flows from revenue activities	2,249,906	2,171,734

32. CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union.

Board members are independent of management and have been elected by members on a rotation of every 3 years.

Each Director must be eligible to act under the constitution as a member of the Credit Union and *Corporations Act 2001* (Cwlth) criteria. Directors need to also satisfy the fit and proper criteria set down by APRA.

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

The Board is responsible for:

- Monitoring matters of risk management and APRA reporting obligations;
- Monitoring compliance with applicable laws;
- Chief Executive Officer remuneration and benefits;
- Staff remuneration policies;
- Financial budgets and performance criteria;
- Approval of large loans or commercial loans; and
- The acknowledgement of management approved interest rate changes.

Board remuneration

The Board receives remuneration from the Credit Union in the form of Director fees approved by members and reimbursement of out-of-pocket expenses. There are no other benefits received from the Credit Union by the Directors.

Audit Committee

An Audit Committee has been formed to assist the Board in relevant matters of financial prudence. The Committee is comprised of a number of directors and has senior management participation.

The Audit Committee oversees the financial reporting and audit process. Its role includes:

- The oversight of all statutory reporting requirements;
- Monitoring audit reports received from internal and external auditors and management's responses thereto;
- Liaising with the auditors (internal and external) on the scope and results of their work;
- Ensuring the external auditors remain independent in the areas of work conducted;
- The oversight of the Credit Union's compliance function.

32. CORPORATE GOVERNANCE DISCLOSURES (continued)

Risk Committee

A Risk Committee has been formed to assist the Board in managing the risk framework of the Credit Union. The Committee is comprised of a number of directors and has senior management participation.

Its role includes:

- The oversight of management's responsibilities to assess and manage the Credit Union's credit risk, market risk, liquidity risk, insurance risk, operational risk, capital risk and strategic and business risk; and
- Reviewing issues raised by the Internal and External Auditors that impact the Credit Union's risk management framework.

Management Remuneration

All management are remunerated by salary packages. Bonus benefits are available to management, provided certain criteria are met.

Governance, Compliance & Risk Officer (Head of Risk)

The Credit Union has a Governance, Compliance & Risk Officer (Head of Risk), who is responsible for the establishment, monitoring, and maintenance of the Credit Union's risk management framework. The officer is independent from business lines, other revenue-generating responsibilities, and the finance function.

In addition, the Governance, Compliance & Risk Officer is responsible for maintaining the awareness of staff for all changes in compliance legislation and responding to staff inquiries on compliance matters. The officer also monitors the Financial Services Reform (FSR) licence obligations.

External audit

Audit is performed by the Intentus Chartered Accountants. Through their prior history with Morse Group, Intentus has been auditing credit unions for 39 years and audits four (4) credit unions in NSW. Intentus utilises computer assisted audit software to supplement the compliance testing.

The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Internal audit

An internal audit function has been established using the services of Step Ahead Business Solutions to deal with the areas of internal control compliance and regulatory compliance.

32. CORPORATE GOVERNANCE DISCLOSURES (continued)

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union.
- Australian Securities and Investments Commission (ASIC) for adherence to *Corporations Act 2001* (Cwlth), Accounting Standards disclosures in the financial statements and FSR requirements and for compliance with the National Consumer Credit Protection Act.

The FSR legislation requires the Credit Union to disclose details of products and services, maintain training for all staff that deal with the members and provide an effective and independent complaints handling process. Under the FSR licensing arrangements all staff which deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both ASIC and APRA conduct periodic inspections and the auditors report to both regulators annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the prudential policy compliance.

Work Health & Safety (WHS)

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

WHS policies have been established for the protection of both members and staff and are reviewed at least annually for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas
- Cameras and monitoring equipment visible throughout the office

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs to the public and staff. Independent security consultants report regularly on the areas of improvement which may be considered.

The Credit Union has established a WHS checklist that is completed monthly by staff. Any concerns raised are actioned in a prompt manner. Secure cash handling policies are in place and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the workplace.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Orange Credit Union Limited is not required by Australian Accounting Standards to prepare consolidated financial statements. As a result, subsection 295(3A)(a) of the *Corporations Act 2001* to prepare a *Consolidated Entity Disclosure Statement* does not apply to the Company.

DIRECTORS' DECLARATION

The Directors of Orange Credit Union Limited declare that:

(a) The financial statements and notes set out on pages 9 to 66, are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

(ii) give a true and fair view of the financial position as at 30 June 2024 and of the performance for the year ended on that date of the Credit Union.

(b) The consolidated entity disclosure statement is true and correct.

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed at Orange on the 2nd day of October 2024 for and on behalf of the Directors by:

Michelle Catlin	Michael Kemp
Michelle Catlin	Michael Kemp
Director	Director
Chair of Board of Directors	Deputy Chair of Board of Directors

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORANGE CREDIT UNION LIMITED
ABN 34 087 650 477

Opinion

We have audited the financial report of Orange Credit Union Limited (the Credit Union), which comprises the Statement of Financial Position as at 30 June 2024, and the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements including material accounting information, the Consolidated Entity Disclosure Statement and the Director's Declaration.

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

(i) giving a true and fair view of the Credit Union's financial position as at 30 June 2024 and of its performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf . This description forms part of our auditor's report.

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JThomas

Jodie Thomas
Principal

23 Sale Street
Orange NSW 2800

Dated: 2 October 2024