

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Financial Statements

For the Year Ended 30 June 2021

Northern Inland Credit Union Limited

ABN: 36 087 650 422

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For the Year Ended 30 June 2021

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Chair & Chief Executive Officer's Report

30 June 2021

2020-2021 has been a very challenging year for us all. Although we had the relief of the drought and bushfires easing, the COVID-19 pandemic has continued unabated, and both NICU and our Members have had to adapt to new ways of working, and new ways of keeping us safe. It appears that this will be the 'new normal', and we express our appreciation to our Members for being so considerate, so understanding, and so willing to rise to the challenge with us. Australians are a resilient people, and none more so than regional folk.

Many commentators had suggested that the pandemic may be the most significant challenge to the financial system for several decades. Fortunately, our good governance and strong capital position, and with the ongoing loyalty of our Members, NICU has been well-placed to weather any consequences and to assist those Members who may have required assistance at this time.

The Northern Inland Group has had another profitable year in a considerably challenging, low interest rate environment, with an after tax profit of \$1,173,701. The business continues to grow with total assets growing by 11.6% to reach \$396,616,632 at the close of the financial year. Our return on assets was 0.31% and was above budget for the year. Our Capital Adequacy Ratio finished the year at 17.61%.

Member deposit balances increased by 13.2% during the year to \$344,193,306. This reflects the good savings habits of our Members, and worked to support our increased lending, with loans growing by 5.8% annually, and total loan balances reaching \$274,078,793 at year end. Our commitment to responsible lending was reflected in our bad and doubtful debt provision levels of 0.03%, which is well below the industry average. Pleasingly, NICU did not have cause to write off any delinquent balances, which reflects NICU's commitment to working with borrowing Members who might find themselves in financial hardship. The Board is particularly grateful to our small but dedicated Credit Control team who work hard to maintain relationships and communication with our Members, and to find workable solutions to all manner of situations.

In spite of the interruptions and delays caused by COVID, NICU continued to make significant progress on the project to implement upgrades and improvements to our operating systems as part of our digital transformation strategy. We look forward to delivering increased levels of functionality to our Members, including a new seamless on line loan application process and more digital capabilities and services to make dealing with us easier.

Cyber security continues to be a priority for NICU, and we have continued to strengthen system defences as well as supporting this with ongoing training for all staff and directors, and issuing helpful information to our Members. We take this opportunity to encourage every Member to be vigilant about the security of their personal information. NICU will never request your PIN or online banking codes. If you receive any unusual phone calls or emails, please contact us on 6763 5111. We value your attention to helping us keep your personal information and hard-earned funds safe.

NICU continues to be the only credit union based in northwest NSW with branches in Tamworth, Gunnedah and Narrabri, and we take an interest in developing partnerships with many community based organisations operating in our area. We note that many worthy community groups felt the effect of COVID in the past year, being unable to hold their planned fundraising and promotional events. In the past year we have provided financial support by way of sponsorship or donations to:

Tamworth: Tamworth City Bowling Club; Tamworth Gymnastics Club Inc; West Tamworth Sports and Bowling Club; Tamworth Junior Cricket Association; Tamworth & District Campdraft Club; Hillvue Rovers Football Club; Kootingal Women's Bowling Club; Tamworth Golf Day; Kootingal Lions Club Art Exhibition.

Narrabri: Narrabri Meals on Wheels; Narrabri Arts Eisteddfod; Narrabri & District Pony Club; Narrabri High School; Namoi Bushman's Campdraft; Narrabri Clay Target Club.

Gunnedah: Gunnedah High School; St Mary's College Gunnedah; Albion Cricket Club; PRAMS (Pediatric and Maternity Support); Gunnedah Campdraft; Gunnedah Basketball Association.

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

Derek McIntyre
Chief Executive Officer
Dated: 5 October 2021

Robert Studte
Board Chair

Northern Inland Credit Union Limited

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Directors' Report

30 June 2021

The directors present their report, together with the financial statements of the Group, being Northern Inland Credit Union (Company) and its controlled entities, for the financial year ended 30 June 2021.

1. General information

Directors

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

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

Appointed 06.04.21

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

Information on directors

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

Robert James Studte

Qualifications	Graduate Certificate in Financial Planning (PS146 Compliant); Graduate Diploma in Financial Planning; Bachelor of Commerce (Accounting)
Experience	Member of the Board since 2005; Member of the Institute of Chartered Accountants in Australia since 12 January 2001; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director and Chair of the Board (01.07.20 - current); Member and Chair of Remuneration & Executive Committee (01.07.20 - current); Member of Board Nomination Committee (for meeting 16.03.21); Ex officio member of all sub committees (01.07.20 - current)
Occupation	Accountant

Barry Edward Pratten

Experience	Member of the Board since 1993; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.20 - current); Deputy Chair of the Board (01.07.20 - current); Chair of Marketing Committee (01.07.20 - 31.12.20); Member of Marketing Committee (01.01.21 - current); Member of Remuneration & Executive Committee (01.07.20 - current); Member of Board Nomination Committee (for meeting 16.03.21).
Occupation	Grazier

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Directors' Report

30 June 2021

1. General information (continued)

Information on directors (continued)

Robert John Carrington

Experience Member of the Board since 2000; Member of the Australasian Credit Union Institute

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Director (01.07.20 - current); Member of Audit Committee (01.07.20 - current); Member of Marketing Committee (01.07.20 - current); Chair of Marketing Committee (01.01.21 - current); Member of Board Nomination Committee (for meetings 06.10.20 and 16.03.21); Member of Remuneration & Executive Committee (01.01.21- current)

Occupation Accountant

Geoffrey William Harris

Qualifications Diploma in Financial Services

Experience Member of the Board since 2004; Member of the Australasian Credit Union Institute; Manager of Northern Inland Investment Trust

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Director (01.07.20 - current); Chair of Trust Operations Committee (01.07.20 - current); Member of Board Risk Committee (01.07.20 - current); Member of Board Nomination Committee (for meeting 06.10.20)

Occupation Retired CEO of Northern Inland Credit Union Ltd

Wayne Austin Riggien

Qualifications Bachelor of Commerce (Economics); Bachelor of Laws

Experience Member of the Board since 2009; Member of the NSW Law Society; Company Director; Member of the Australasian Credit Union Institute

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Director (01.07.20 - current); Chair of Board Risk Committee (01.07.20 - current); Member of Audit Committee (01.07.20 - current); Member of Board Nomination Committee (for meeting 06.10.20); Reserve Member of Remuneration & Executive Committee (01.01.21)

Occupation Solicitor

David Michael Winnick

Qualifications Bachelor of Business

Experience Member of the Board since 2014; Member of the Australasian Credit Union Institute

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Director (01.07.20 - current); Member of Marketing Committee (01.07.20 - current); Member of Board Risk Committee (01.07.20 - current)

Occupation Business Manager

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Directors' Report

30 June 2021

1. General information (continued)

Information on directors (continued)

Graham Russell Goodman

Qualifications	Bachelor of Arts (Economics)
Experience	Member of Board since 2016, Fellow Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.20 - current); Chair of Audit Committee (01.07.20 - current); Member of Marketing Committee (01.07.20 - current); Member of Board Risk Committee (01.07.20 - current); Member of Remuneration & Executive Committee (01.07.20 - 31.12.20)
Occupation	Retired

Anna Louise McMurtrie

Qualifications	Graduate Diploma in Financial Management, Bachelor of Agricultural Economics, Graduate Australian Institute of Company Directors
Experience	Member of the Board since April 2021
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (06.04.21 - current); Member of Audit Committee (06.04.21 - current)
Occupation	Consultant

Company secretary

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

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

Principal activities

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

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

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

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

Directors' Report

30 June 2021

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to \$ 1,180,878 (2020: profit of \$ 1,265,374).

Dividends paid or recommended

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

Review of operations

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

3. Other items

Significant changes in state of affairs

There were no significant changes in the state of NICU's affairs during the year. The COVID-19 pandemic has impacted all businesses during the financial year. In response to COVID-19, NICU implemented aspects of its pandemic plan, and maintained heightened hygiene controls to ensure compliance with government requirements. NICU ensured all Members were able to access contactless payments. With the exception of temporary changes to branch operating hours, NICU has remained largely unaffected by the pandemic to date. Deposit growth has remained strong, and it is reasonably anticipated that COVID-19 hardship arrangements will remain an infrequent occurrence.

Events after the reporting date

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

Directors' Report

30 June 2021

3. Other items (continued)

Future developments and results

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

Directors' benefits

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

Meetings of directors

During the financial year, 32 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit Committee		Marketing Committee		Board Risk Committee		Board Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended						
Barry Pratten	13	13	-	-	1	1	-	-	-	-
Robert Carrington	13	13	6	5	1	1	-	-	-	-
Geoffrey Harris	13	13	-	-	-	-	11	11	-	-
Robert Studte	13	12	6	5	1	1	11	9	1	1
Wayne Riggien	13	12	6	6	-	-	11	11	1	1
David Winnick	13	13	-	-	1	1	11	11	-	-
Graham Goodman	13	13	6	6	1	1	11	11	1	1
Anna Louise McMurtrie	3	3	1	1	-	-	-	-	-	-

Indemnification and insurance of officers and auditors

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

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

Proceedings on behalf of company

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

Directors' Report

30 June 2021

3. Other items (continued)

Disclosure of prudential information

NICU is an Authorised Deposit-taking institution regulated by the Australian Prudential Regulation Authority (APRA). As a result of this regulation, NICU is required to comply with Australian Prudential Standards (APS) released by APRA. APS 330 Public Disclosure requires NICU to disclose information regarding its composition of regulatory capital base and risk exposures and a reconciliation of the balance sheet in the financial statements to the balance sheet prepared under the regulatory scope of consolidation. Please refer to the "Disclosure Documents - Regulatory Disclosures" section of NICU's website for further information.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 has been received and can be found on page 8 of the financial report.

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

Chair:
Robert James Studte

Deputy Chair:
Barry Edward Pratten

Dated 5 October 2021

Northern Inland Credit Union Limited

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Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been:

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

PKF

Chartered Accountants

PAUL PEARMAN

Partner

5 October 2021

Sydney, NSW

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2021

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2021	2020	2021	2020
		\$	\$	\$	\$
Interest income	3(a)	10,521,785	11,666,865	10,521,784	11,625,463
Interest expense	3(c)	(1,609,067)	(3,229,241)	(1,609,067)	(3,229,241)
Net interest income		8,912,718	8,437,624	8,912,717	8,396,222
Fee commission and other income	3(b)	2,081,051	2,048,723	1,533,600	1,531,495
		10,993,769	10,486,347	10,446,317	9,927,717
Non interest expenses					
Impairment losses on loans to Members	3(d)	151,792	(220,354)	151,792	(220,354)
General administration					
Employees compensation and benefits	3(g)	(3,654,965)	(3,450,239)	(3,320,600)	(3,158,587)
Depreciation and amortisation expense	3(e)	(546,530)	(752,225)	(526,831)	(731,370)
Occupancy expense	3(f)	(224,854)	(242,462)	(192,918)	(214,782)
Other operating expenses	3(f)	(5,107,703)	(4,132,257)	(4,977,642)	(4,046,248)
Total non interest expenses		(9,382,260)	(8,797,537)	(8,866,199)	(8,371,341)
Profit before income tax		1,611,509	1,688,810	1,580,118	1,556,376
Income tax expense	4	(430,631)	(423,436)	(429,153)	(393,980)
Profit for the year after income tax		1,180,878	1,265,374	1,150,965	1,162,396
Other comprehensive income					
Total comprehensive income/(loss) for the year		1,180,878	1,265,374	1,150,965	1,162,396
Profit attributable to:					
Members of the parent entity		1,173,701	1,240,988	1,150,965	1,162,396
Non-controlling interest		7,177	24,386	-	-
		1,180,878	1,265,374	1,150,965	1,162,396

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Statement of Financial Position

As At 30 June 2021

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2021	2020	2021	2020
		\$	\$	\$	\$
ASSETS					
Cash assets	5	20,790,255	18,881,929	20,790,255	18,873,234
Liquid investments	6	89,029,889	64,684,332	89,029,889	64,684,332
Receivables	7	176,854	253,289	132,584	209,480
Loans to Members	8	274,078,793	258,972,028	274,078,793	258,972,028
Investments	10	1,233,820	1,233,820	1,233,821	1,233,821
Property, plant and equipment	11	3,898,135	4,167,378	3,880,234	4,165,516
Investment property	12	885,155	901,125	-	-
Deferred tax assets	13	579,741	640,151	558,039	624,143
Intangible assets	14	5,561,194	4,746,961	4,510,799	3,696,566
Other assets	15	382,796	769,470	371,923	760,984
TOTAL ASSETS		396,616,632	355,250,483	394,586,337	353,220,104
LIABILITIES					
Deposits from Members	16	344,193,306	303,954,564	347,386,296	307,132,270
Creditor accrual & settlement accounts	17	1,994,471	1,892,424	1,988,434	1,875,905
Taxation liabilities	18	789,010	1,006,143	796,258	998,909
Provisions	19	1,621,422	1,606,114	1,562,947	1,557,889
Long-term borrowings	20	6,168,851	6,168,851	6,168,851	6,168,851
TOTAL LIABILITIES		354,767,060	314,628,096	357,902,786	317,733,824
NET ASSETS		41,849,572	40,622,387	36,683,551	35,486,280
MEMBERS' EQUITY					
Reserves	21	41,195,676	39,975,669	36,683,551	35,486,280
Total equity attributable to equity holders of the Company		41,195,676	39,975,669	36,683,551	35,486,280
Non-controlling interest		653,896	646,718	-	-
TOTAL MEMBER'S EQUITY		41,849,572	40,622,387	36,683,551	35,486,280

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Statement of Changes in Equity For the Year Ended 30 June 2021

	Consolidated Group						Total
	Retained Earnings	General Reserve	Reserve for Credit Losses	Member's Shares Reserve	Shares Revaluation Reserve	Asset Revaluation Reserve	
	\$	\$	\$	\$	\$	\$	
Balance at 1 July 2020	-	36,379,257	1,128,450	338,578	447,260	1,682,124	39,975,669
Profit for the year	1,173,701	-	-	-	-	-	1,173,701
Transfers to/(from) reserves	(1,173,701)	1,182,272	(14,107)	5,536	-	-	-
Movement due to change in tax rate	-	-	-	-	11,503	34,803	46,306
Balance at 30 June 2021	-	37,561,529	1,114,343	344,114	458,763	1,716,927	41,195,676
Balance at 1 July 2019	-	35,421,999	850,000	333,298	447,260	1,682,124	38,734,681
Profit for the year	1,240,988	-	-	-	-	-	1,240,988
Transfers to/(from) reserves	(1,240,988)	957,258	278,450	5,280	-	-	-
Balance at 30 June 2020	-	36,379,257	1,128,450	338,578	447,260	1,682,124	39,975,669

	Northern Inland Credit Union Ltd						Total
	Retained Earnings	General Reserve	Reserve for Credit Losses	Member's Shares Reserve	Shares Revaluation Reserve	Asset Revaluation Reserve	
	\$	\$	\$	\$	\$	\$	
Balance at 1 July 2020	-	31,889,868	1,128,450	338,578	447,260	1,682,124	35,486,280
Profit for the year	1,150,965	-	-	-	-	-	1,150,965
Transfers to/(from) reserves	(1,150,965)	1,159,536	(14,107)	5,536	-	-	-
Movement due to change in tax rate	-	-	-	-	11,503	34,803	46,306
Balance at 30 June 2021	-	33,049,404	1,114,343	344,114	458,763	1,716,927	36,683,551
Balance at 1 July 2019	-	31,011,202	850,000	333,298	447,260	1,682,124	34,323,884
Profit for the year	1,162,396	-	-	-	-	-	1,162,396
Transfers to/(from) reserves	(1,162,396)	878,666	278,450	5,280	-	-	-
Balance at 30 June 2020	-	31,889,868	1,128,450	338,578	447,260	1,682,124	35,486,280

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

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Statement of Cash Flows
For the Year Ended 30 June 2021

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2021	2020	2021	2020
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Interest received		10,390,267	11,502,322	10,390,265	11,454,515
Fees and commissions		2,411,015	2,307,996	1,808,273	1,734,997
Dividends		15,423	67,860	15,423	67,860
Interest paid		(1,932,142)	(3,487,071)	(1,932,142)	(3,487,071)
Payment to suppliers and employees		(8,312,884)	(10,204,023)	(7,759,931)	(9,762,324)
Income taxes paid		(541,050)	(364,718)	(519,394)	(344,305)
Net cash (used in)/from revenue activities	31(a)	2,030,629	(177,634)	2,002,494	(336,328)
Net (decrease)increase in Member deposits and shares		40,276,763	36,335,841	40,292,509	39,062,129
Net decrease/(increase) in deposits to other financial institutions		(24,384,546)	(20,884,644)	(24,384,546)	(23,184,644)
Net (increase)/decrease in Member loans		(15,001,459)	(16,139,391)	(15,001,459)	(16,139,391)
Net cash provided by/(used in) operating activities		2,921,387	(865,828)	2,908,998	(598,234)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds on sale of property, plant and equipment		-	70	-	70
Purchase of intangible assets		(949,154)	(1,760,321)	(949,154)	(1,760,321)
Purchase of property, plant and equipment		(63,908)	(61,727)	(44,140)	(61,727)
Net cash provided by/(used in) investing activities		(1,013,062)	(1,821,978)	(993,294)	(1,821,978)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from related parties		-	-	1,317	7,147
Proceeds from borrowings		-	6,168,851	-	6,168,851
Net cash provided by/(used in) financing activities		-	6,168,851	1,317	6,175,998
Net increase/(decrease) in cash and cash equivalents held		1,908,325	3,481,045	1,917,021	3,755,786
Cash at beginning of year		18,881,930	15,400,884	18,873,234	15,117,448
Cash at end of financial year	31(b)	20,790,255	18,881,929	20,790,255	18,873,234

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements

For the Year Ended 30 June 2021

The financial report includes the consolidated financial statements and notes of Northern Inland Credit Union Limited and controlled entities (the Group) and the separate financial statements and notes of Northern Inland Credit Union Limited as an individual entity (NICU). The report was authorised for issue on 5 October 2021 in accordance with a resolution of the board of directors. Northern Inland Credit Union Limited is a for profit entity for the purpose of preparing the financial statements.

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

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

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

(b) Principles of Consolidation

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

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

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

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

(c) Revenue Recognition

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

Sale of Non-current Assets

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Dividends

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

Interest Income

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

Loan Origination Fees

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

Rental Income

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

Other Revenue

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

(d) Transaction Costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan.

(e) Income Tax

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(e) Income Tax (continued)

Deferred tax is not provided for the following:

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

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

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

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

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

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

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

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

(f) Cash and Cash Equivalents

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(g) Loans and Advances to Members

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

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

(h) Loan Impairment

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

A broader range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

Measurement of ECL

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(h) Loan Impairment (continued)

Credit impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance on terms that would otherwise not be considered;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

(i) Impairment

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(i) Impairment (continued)

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

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

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

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

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

(j) Equity Investments and Other Securities

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

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

All investments are in Australian currency.

(k) Intangible Assets

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

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

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

(l) Bad debts written off

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(m) Property, Plant and Equipment

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

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

Depreciation

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

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

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

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

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

(n) Investment property

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

(o) Members' Deposits

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

(p) Interest Expense

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(q) Redeemable Shares

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

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

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

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

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

(r) Payables

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

(s) Employee benefits

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

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

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

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

(t) Borrowings

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(u) Goods and Services Tax (GST)

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

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

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

(v) Leases

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(w) Financial instruments

Impairment of financial assets

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

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

Financial assets and liabilities

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

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

Classification and measurement of financial liabilities

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

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

Classification of financial assets

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(w) Financial instruments (continued)

Classification of financial assets (continued)

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

Classifications are determined both by:

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

Subsequent measurement of financial assets

Financial assets at amortised costs

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

Loan to Members

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

1 Summary of Significant Accounting Policies (continued)

(w) Financial instruments (continued)

Loan to Members (continued)

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

(x) Accounting standards issued but not yet effective

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

(y) Critical accounting estimates and judgments

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

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

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

2 Financial Risk Management

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

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

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

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

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

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

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

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

(a) Market risk

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

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

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

(i) Interest rate risk

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(a) Market risk (continued)

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

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

Method of managing risk

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

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

VaR	2021	2020
\$ value	762,183	528,848
% of Capital	2.49%	1.72%

NICU is therefore 99% confident that, given the risks as at 30 June 2021, it will not incur a one day loss on its non-trading book of more than the amount shown above, based on the VaR model used.

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

(b) Liquidity risk

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

NICU manages liquidity risk by:

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(b) Liquidity risk (continued)

NICU has a longstanding arrangement with the industry support Credit Union Financial Support Services (CUFSS) which can access funds to provide support to NICU at short notice should it be necessary.

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

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

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	%	%	%	%
APRA				
MLH Ratio – 30 June	17.44	18.41	17.33	18.28
Minimum during the year	16.20	12.48	16.09	12.48

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(c) Credit risk

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

(i) Credit risk – Loans

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

	Carrying value	Off balance sheet	Max exposure
	\$	\$	\$
2021			
Mortgages	253,649,411	17,259,799	270,909,210
Personal	10,866,561	761,992	11,628,553
Overdrafts	1,628,698	3,256,906	4,885,604
Total to natural persons	266,144,670	21,278,697	287,423,367
Corporate borrowers	8,492,166	2,358,525	10,850,691
Total	274,636,836	23,637,222	298,274,058
2020			
Mortgages	238,108,889	14,642,799	252,751,688
Personal	10,367,527	662,988	11,030,515
Overdrafts	1,587,443	3,444,520	5,031,963
Total to natural persons	250,063,859	18,750,307	268,814,166
Corporate borrowers	9,571,520	2,138,449	11,709,969
Total	259,635,379	20,888,756	280,524,135

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

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

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

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and regular close monitoring of defaults in the repayment of loans thereafter. The credit policy has been endorsed by the board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments). A hindsight review process is employed by the lending team to review approved loan applications to ensure the applicable policies and procedures have been followed in establishing the exposure.

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(c) Credit risk (continued)

NICU has established policies over the following:

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

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

Past due and impaired

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(c) Credit risk (continued)

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

Bad debts

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

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

Collateral securing loans

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

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

Concentration risk – individuals

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

NICU does not hold any large exposure loans as at balance date (greater than 10 per cent of capital). Concentration exposures to counterparties are closely monitored and are reported to the Board on a monthly basis and to APRA on a quarterly basis. Average LVR of the loan book is also monitored and reported to the Board.

Concentration risk – industry

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

(ii) Credit risk - Liquid investments

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(c) Credit risk (continued)

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The Board policy is that investments are only made to institutions that are credit worthy and this is determined through a due diligence process performed prior to an investment being placed. The Board has established policies to ensure that a maximum of 25% of Tier 1 capital can be invested with any one financial institution at a time, with the exception of CUSCAL where up to 80% of Tier 1 capital can be invested.

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

Under the liquidity support scheme, minimum deposit requirements apply.

External Credit Assessment for Institution Investments

NICU uses the ratings assigned by ratings agencies such as Moody's Investor Services and Standard and Poor's to assess the credit quality of all investment exposures, and where applicable, using the credit quality assessment scale in the APRA Associated Guidance Note to Australian Prudential Standard APS 112. As at the balance date, the credit quality assessment scale within APS 112 had been complied with.

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

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Investments with:				
CUSCAL – rated A+/A-1	21,109,365	16,082,763	21,109,365	16,082,763
Financial institutions - rated AA- and above	21,558,455	16,638,166	21,558,455	16,629,670
Financial institutions - rated from BBB- to < AA-	34,262,011	39,414,393	34,262,011	39,414,393
Unrated institutions - Credit Unions/Mutual Banks	31,538,646	10,559,075	31,538,646	10,559,075
	108,468,477	82,694,397	108,468,477	82,685,901

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(d) Operational risk

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

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

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

Fraud

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

IT Systems

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(e) Capital management

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

- Credit risk
- Market risk
- Operational risk.

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

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:

- General reserves
- Retained earnings

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(e) Capital management (continued)

Tier 2 Capital

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

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Tier 1 Common Equity				
General reserves	39,074,882	37,792,861	34,585,493	33,382,066
Current years earnings	1,173,701	1,240,990	1,150,965	1,162,396
	40,248,583	39,033,851	35,736,458	34,544,462
Less deductions	(6,795,016)	(5,980,783)	(5,744,620)	(4,930,387)
Net Tier 1 capital	33,453,567	33,053,068	29,991,838	29,614,075
Tier 2				
General reserve for credit losses	1,114,343	1,128,450	1,114,343	1,128,450
Less deductions	(504,398)	-	(504,398)	-
Net Tier 2 capital	609,945	1,128,450	609,945	1,128,450
Total capital	34,063,512	34,181,518	30,601,783	30,742,525

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(e) Capital management (continued)

NICU is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time. The risk weighting attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

	Consolidated Group			Northern Inland Credit Union Ltd	
	Weight %	Carrying value	Risk weighted value	Carrying value	Risk weighted value
Cash and cash equivalents	0	1,458,159	-	1,458,159	-
Deposits in semi-government Treasury	0	3,011,392	-	3,011,392	-
Deposits in highly rated ADIs	20	64,747,150	12,949,430	64,747,150	12,949,430
Deposits in less highly rated ADIs	50	40,205,531	20,102,766	40,205,531	20,102,766
Standard/non-standard loans secured against eligible residential mortgages up to 80% LVR	35 - 75	228,898,584	95,786,298	228,898,584	95,786,298
Standard/non-standard loans secured against eligible residential mortgages over 80% LVR	50 - 100	26,146,089	12,830,802	26,146,089	12,830,802
Past due claims	100	4,061	4,061	4,061	4,061
Other assets	0 - 400	24,266,506	23,594,521	23,308,310	22,636,328
Total commitments undrawn		<u>388,737,472</u>	<u>165,267,878</u>	<u>387,779,276</u>	<u>164,309,685</u>

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

	2021	2020	2019	2018	2017
	%	%	%	%	%
Consolidated Group	17.61	19.83	21.97	22.00	21.77
Northern Inland Credit Union	16.00	18.07	20.29	20.18	20.02

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

Pillar 2 Capital on Operational Risk

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

2 Financial Risk Management (continued)

(e) Capital management (continued)

NICU uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The operational risk capital requirement is calculated by mapping NICU's three year average net interest income and net non-interest income to its various business lines. Based on this approach, NICU's operational risk requirement is as follows:

	Amount
	\$
Consolidated Group - Operational Risk Capital	20,556,693
Northern Inland Credit Union - Operational Risk capital	19,298,938

Internal capital adequacy management

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Statement of Profit or Loss

(a) Interest income

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash - deposits at call	-	1,717	-	1,717
Deposits with other financial institutions	621,782	1,062,185	621,781	1,020,783
Loans and advances	9,900,003	10,602,963	9,900,003	10,602,963
Total interest income	10,521,785	11,666,865	10,521,784	11,625,463

(b) Fees, commissions and other income

Fees and commissions

Fee income on loans - other than loan origination fees	434,785	418,774	434,785	418,774
Fee income from Member deposits	960,954	955,350	537,958	547,671
Insurance commissions	120,678	120,843	120,678	120,843
Other commissions	50,446	76,443	5,142	10,500
	1,566,863	1,571,410	1,098,563	1,097,788

Other income

Dividend received on financial assets	15,423	67,860	15,423	67,860
Bad debts recovered	12,525	28,656	12,525	28,656
Income from property (rental income)	115,568	128,060	64,377	76,709
Miscellaneous revenue	370,672	252,737	342,712	260,482
	2,081,051	2,048,723	1,533,600	1,531,495

(c) Interest expense

Short term borrowings	3,378	3,893	3,378	3,893
Deposits from Members	1,590,267	3,222,179	1,590,267	3,222,179
Long term borrowings	15,422	3,169	15,422	3,169
	1,609,067	3,229,241	1,609,067	3,229,241

(d) Impairment losses

Loans and advances

(Decrease) / Increase in provision for impairment	(151,792)	203,158	(151,792)	203,158
Bad debts written off directly against profit	-	17,196	-	17,196
	(151,792)	220,354	(151,792)	220,354

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Statement of Profit or Loss (continued)

(e) Depreciation and amortisation expenses

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Depreciation				
Buildings	134,483	134,036	134,483	134,036
Plant and equipment	122,627	133,769	121,353	131,299
Leasehold improvements	6,299	57,800	6,299	57,800
Leases	129,775	287,796	129,775	287,796
	393,184	613,401	391,910	610,931
Investment property	18,425	18,385	-	-
	411,609	631,786	391,910	610,931
Amortisation				
Computer software	134,921	120,439	134,921	120,439
Depreciation and amortisation	546,530	752,225	526,831	731,370
(f) Other expenses				
Occupancy costs				
Property operating lease payments	5,239	3,553	5,239	3,553
Other occupancy costs	219,615	238,909	187,679	211,229
	224,854	242,462	192,918	214,782
Other operating expenses				
Audit and review of financial statements				
Auditors of NICU - PKF	81,670	80,075	81,670	80,075
	81,670	80,075	81,670	80,075
Other services				
Taxation services - Auditors of NICU - PKF	10,600	10,300	10,600	10,300
Other services - PKF	6,013	21,865	6,013	21,865
	16,613	32,165	16,613	32,165
Loss on disposal of assets	1,595	278	1,595	278
Supervision levy paid to APRA	17,068	17,887	17,068	17,887
Other operating expenses	4,990,757	4,001,852	4,860,696	3,915,843
	5,107,703	4,132,257	4,977,642	4,046,248

Notes to the Financial Statements

For the Year Ended 30 June 2021

3 Statement of Profit or Loss (continued)

(g) Employee costs

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net movement in provisions for annual leave	(2,061)	21,897	(6,299)	19,895
Net movement in provisions for long service leave	26,044	32,956	20,031	23,303
Net movement in provisions for sick leave	6,326	(8,929)	6,326	(8,929)
Other personnel costs	3,624,656	3,404,315	3,300,542	3,124,318
	3,654,965	3,450,239	3,320,600	3,158,587

4 Income Tax Expense

Current income tax expense	376,695	514,785	370,857	480,819
Less franking credit	(6,610)	(29,083)	(6,611)	(29,083)
Decrease/(increase) in deferred tax asset	60,103	(62,622)	64,907	(57,756)
Elimination	-	356	-	-
Under/(over) provision in respect of prior years	443	-	-	-
Total income tax expense	430,631	423,436	429,153	393,980

Notes to the Financial Statements

For the Year Ended 30 June 2021

4 Income Tax Expense (continued)

Reconciliation of income tax to accounting profit:

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 26% (27.5% - 2020)				
- Consolidated Group	419,237	464,632	-	-
- Parent entity	-	-	410,831	427,996
- Other members of the income tax consolidated group	-	-	8,406	131,928
	419,237	464,632	419,237	559,924
Add:				
Tax effect of:				
- Franking credit adjustment	(4,892)	(21,085)	(4,892)	(21,085)
- Change in tax rate on opening DTA / DTL balances	34,745	-	33,876	-
- over provision for income tax in prior year	6,659	(9)	5,172	-
- Government stimulus	(25,474)	(20,920)	(16,190)	(13,750)
- Other non-deductible expenses	356	819	356	819
Income tax attributable to operating profit	430,631	423,436	437,559	525,908
Allocation of income tax expense to wholly owned subsidiary and unit trust under tax sharing arrangement	-	-	(8,406)	(131,928)
	430,631	423,436	429,153	393,980
5 Cash and cash equivalents				
Cash on hand	1,458,158	1,061,686	1,458,158	1,061,486
Deposits at call	19,332,097	17,820,243	19,332,097	17,811,748
	20,790,255	18,881,929	20,790,255	18,873,234

Notes to the Financial Statements

For the Year Ended 30 June 2021

6 Liquid investments

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Investments at fair value				
Negotiable Certificate of Deposits	13,489,500	11,451,363	13,489,500	11,451,363
Floating Rate Notes	35,120,389	33,312,969	35,120,389	33,312,969
	48,609,889	44,764,332	48,609,889	44,764,332
Investments at amortised cost				
Receivables(a)				
Term Deposits	37,420,000	19,920,000	37,420,000	19,920,000
Treasury Bonds	3,000,000	-	3,000,000	-
	40,420,000	19,920,000	40,420,000	19,920,000
Total liquid investments	89,029,889	64,684,332	89,029,889	64,684,332
(a) Dissection of receivables				
Deposits with other societies	18,920,000	7,420,000	18,920,000	7,420,000
Deposits with banks	18,500,000	12,500,000	18,500,000	12,500,000
Deposits with Government Treasury	3,000,000	-	3,000,000	-
	40,420,000	19,920,000	40,420,000	19,920,000
7 Receivables				
Interest receivable on deposits with other financial institutions	106,490	189,821	106,490	189,821
Sundry debtors and accrued income	70,364	63,468	26,094	19,659
	176,854	253,289	132,584	209,480

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements For the Year Ended 30 June 2021

8 Loans and advances

(a) Amounts due comprise:

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Overdrafts and revolving credit	1,975,286	2,062,028	1,975,286	2,062,028
Term loans	272,661,550	257,573,351	272,661,550	257,573,351
	274,636,836	259,635,379	274,636,836	259,635,379
Less:				
Provision for doubtful debts	(90,061)	(241,853)	(90,061)	(241,853)
	274,546,775	259,393,526	274,546,775	259,393,526
Less:				
Unamortised loan fees	(467,982)	(421,498)	(467,982)	(421,498)
Net loans and advances	274,078,793	258,972,028	274,078,793	258,972,028

(b) Credit quality - security held against loans

Secured by mortgage over real estate	255,044,673	241,446,696	255,044,673	241,446,696
Partly secured by goods mortgage	17,042,398	15,482,153	17,042,398	15,482,153
Wholly unsecured	2,549,765	2,706,530	2,549,765	2,706,530
	274,636,836	259,635,379	274,636,836	259,635,379

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

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

- loan to valuation ratio of less than or equal to 80%	228,898,584	216,747,861	228,898,584	216,747,861
- loan to valuation ratio of more than 80% but mortgage insured	23,258,873	21,804,588	23,258,873	21,804,588
- loan to valuation ratio of more than 80% and not mortgage insured	2,887,216	2,894,247	2,887,216	2,894,247
	255,044,673	241,446,696	255,044,673	241,446,696

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

8 Loans and advances (continued)

	Housing \$	Personal \$	Commercial \$	Overdrafts \$	Total \$
2021 Consolidated Group					
Tamworth	73,470,346	3,469,073	2,030,178	952,565	79,922,162
Narrabri	53,881,509	2,799,175	2,382,972	401,062	59,464,718
Gunnedah	20,219,440	1,068,181	1,084,077	145,743	22,517,441
Other Northern NSW	73,216,807	2,461,811	1,760,511	338,511	77,777,640
Other NSW	22,887,260	471,427	769,481	70,740	24,198,908
Other States	9,923,040	560,187	118,360	64,319	10,665,906
	<u>253,598,402</u>	<u>10,829,854</u>	<u>8,145,579</u>	<u>1,972,940</u>	<u>274,546,775</u>
2020 Consolidated Group					
Tamworth	75,350,491	3,582,584	2,076,800	1,075,103	82,084,978
Narrabri	52,634,501	2,469,507	2,611,787	330,159	58,045,954
Gunnedah	21,166,619	1,087,703	1,173,751	187,293	23,615,366
Other Northern NSW	61,404,430	2,439,763	2,419,885	349,446	66,613,524
Other NSW	17,446,682	384,819	684,389	49,815	18,565,705
Other States	9,999,768	271,240	127,246	69,745	10,467,999
	<u>238,002,491</u>	<u>10,235,616</u>	<u>9,093,858</u>	<u>2,061,561</u>	<u>259,393,526</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans

(a) Movement in the provision for impairment

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at the beginning of the year	241,853	38,695	241,853	38,695
Transfers from/(to) Statement of Profit or Loss	(151,792)	203,158	(151,792)	203,158
	90,061	241,853	90,061	241,853

During the year ended 30 June 2021, NICU's allowance for expected credit losses decreased. This decrease was due to the relatively modest effect that the COVID-19 pandemic had on NICU, with credit risk decreasing relative to the same time last year. Whilst so far there has been limited damage to the balance sheet, it is anticipated that the ongoing pandemic and climatic conditions will continue to impact the credit environment into the future. In determining the allowance for expected credit losses, NICU performed the following:

- A review of individual borrowers who have requested loan deferral repayments. In estimating the individual amounts to be provided for these exposures, consideration was given to the borrower's credit history, employment sector and value of security held.
- A sensitivity analysis of the mortgage secured portfolio to identify any exposures to a downturn in property prices. A provision was raised after considering the results of this sensitivity analysis.
- A review of the loan portfolio by employment sector, and the impact of anticipated increases in unemployment within high-risk industries. Additional provisions were raised against loans within this portfolio.

The above assessment has been made based on information available at the reporting date.

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

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

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internal analysis, management judgment and other historical data. They are adjusted to reflect forward-looking information as described below.

Probability of default (PD) estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future repayments is low. The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Instruments which are 90 days past due are generally considered to be in default.

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans (continued)

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

Loss given default (LGD) is the magnitude of the likely loss if there is a default. NICU estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and for real estate lending, reflect possible changes in property values.

Exposure at default (EAD) represents the expected exposure in the event of a default. EAD is derived from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

Significant increase in credit risk

NICU is not required to develop an extensive list of factors in defining a 'significant increase in credit risk'. In assessing significant increase in credit risk, the following factors have been considered in NICU's current model:

- Loans more than 30 days past due;
- Loans with approved hardship or modified terms;
- Environmental impacts; and
- Employment in high risk industries.

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

NICU presumes that the credit risk on a financial asset has increased significantly since initial recognition when the exposure is more than 30 days past due unless reasonable and supportable information demonstrates otherwise.

The approach in determining the ECL includes forward-looking information. NICU has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Given the lack of loss experienced by NICU and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

NICU 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 not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. NICU considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by NICU for other purposes such as strategic planning and budgeting. Periodically NICU carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans (continued)

(c) Impaired loans written off

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Bad debts written off directly	-	17,196	-	17,196
Bad debts recovered in the period	12,127	26,881	12,127	26,881
	12,127	44,077	12,127	44,077

(d) Analysis of loans that are impaired by class

	2021 Gross Carrying Value \$	2021 ECL Allowance \$	2021 Carrying Value \$	2020 Gross Carrying Value \$	2020 ECL Allowance \$	2020 Carrying value \$
Loans to Members:						
- Mortgages	253,649,411	51,009	253,598,402	238,108,889	106,402	238,002,487
- Personal	10,866,561	36,706	10,829,855	10,367,527	131,910	10,235,617
- Overdrafts	1,628,698	2,324	1,626,374	1,587,443	465	1,586,978
	266,144,670	90,039	266,054,631	250,063,859	238,777	249,825,082
Corporate borrowers	8,492,166	22	8,492,144	9,571,520	3,076	9,568,444
	274,636,836	90,061	274,546,775	259,635,379	241,853	259,393,526

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans (continued)

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

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Northern Inland Credit Union				
Year ended 30 June 2021				
Loans to Members				
Mortgages	4,540	51,009	-	55,549
Personal	14,163	36,706	-	50,869
Overdrafts	2,421	2,324	-	4,745
Corporate borrowers	3,492	22	-	3,514
Changes in loss allowance	-	-	-	-
Carrying amount	24,616	90,061	-	114,677
Year ended 30 June 2020				
Loans to Members				
Mortgages	4,797	106,402	-	111,199
Personal	16,937	131,910	-	148,847
Overdrafts	3,113	465	-	3,578
Corporate borrowers	3,604	3,076	-	6,680
Changes in loss allowance	-	-	-	-
Carrying amount	28,451	241,853	-	270,304

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans (continued)

(e) Reconciliation from opening to closing balance

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Northern Inland Credit Union				
Loans to Members				
Balance at 1 July 2020	28,451	241,853	-	270,304
Change in loss allowance				
- Transfer to Stage 1	-	(139,454)	-	(139,454)
- Transfer to Stage 2	(530)	-	-	(530)
- Transfer to Stage 3	-	-	-	-
- Net movement due to change in credit risk	(3,305)	(12,338)	-	(15,643)
Balance at 30 June 2021	24,616	90,061	-	114,677

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

	2021 Carrying Value \$	2021 ECL Allowance \$	2020 Carrying Value \$	2020 ECL Allowance \$
Non impaired up to 30 days	274,591,204	103,743	259,144,894	244,676
30 to 90 days in arrears	28,247	940	191,748	23,220
90 to 180 days in arrears	13,294	7,647	294,432	1,942
Overlimit facilities	4,091	2,346	4,305	466
Total	274,636,836	114,676	259,635,379	270,304

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

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

There are currently no past due loans which are not considered impaired as the value of the related security over residential property is in excess of the loan due. It is not possible to determine the fair value of the collateral as at balance date due to the variety of assets and condition. Loans with repayments past due but not impaired are in arrears: 2021: \$0 (2020: \$0).

(h) Assets acquired by enforcement of security

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

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements

For the Year Ended 30 June 2021

9 Provision on impaired loans (continued)

(i) Key assumptions in determining the provision for impairment

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

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

10 Investments

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Shares in subsidiaries - Note 27	-	-	1	1
Shares in unlisted companies (i)	1,233,820	1,233,820	1,233,820	1,233,820
Less: provision for impairment	-	-	-	-
Total investments net of provision	1,233,820	1,233,820	1,233,821	1,233,821

(a) CUSCAL Limited (CUSCAL)

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Property, plant and equipment

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Land and Buildings				
Freehold land				
At cost	1,280,000	1,280,000	1,280,000	1,280,000
Buildings				
At cost	2,701,554	2,687,574	2,701,554	2,687,574
Accumulated depreciation	(442,953)	(308,470)	(442,953)	(308,470)
Total Buildings	2,258,601	2,379,104	2,258,601	2,379,104
Plant and equipment				
At cost	2,067,684	2,027,650	2,020,279	1,997,560
Accumulated depreciation	(1,792,942)	(1,676,159)	(1,763,438)	(1,647,931)
Total Plant and equipment	274,742	351,491	256,841	349,629
Leasehold improvements				
At cost	308,179	419,763	308,179	419,763
Accumulated depreciation	(264,606)	(369,891)	(264,606)	(369,891)
Total Leasehold improvements	43,573	49,872	43,573	49,872
Right of Use Asset				
At cost	364,327	617,162	364,327	617,162
Accumulated depreciation	(323,108)	(510,251)	(323,108)	(510,251)
Total Right of Use Asset	41,219	106,911	41,219	106,911
Total property, plant and equipment	3,898,135	4,167,378	3,880,234	4,165,516

(a) Land and buildings - Valuation

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

(b) Right of Use Asset

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

11 Property, plant and equipment (continued)

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

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

Consolidated Group	Land \$	Buildings \$	Plant and Equipment \$	Leasehold Improvements \$	Right of Use Asset \$	Total \$
Year ended 30 June 2021						
Balance at the beginning of year	1,280,000	2,379,103	351,492	49,872	106,911	4,167,378
Additions	-	13,981	47,472	-	64,083	125,536
Disposals	-	-	(1,595)	-	-	(1,595)
Depreciation expense	-	(134,483)	(122,627)	(6,299)	(129,775)	(393,184)
Balance at the end of the year	1,280,000	2,258,601	274,742	43,573	41,219	3,898,135
Year ended 30 June 2020						
Balance at the beginning of year	1,280,000	2,513,139	423,808	107,672	370,378	4,694,997
Additions	-	-	61,727	-	24,329	86,056
Disposals	-	-	(278)	-	-	(278)
Depreciation expense	-	(134,036)	(133,765)	(57,800)	(287,796)	(613,397)
Balance at the end of the year	1,280,000	2,379,103	351,492	49,872	106,911	4,167,378
Northern Inland Credit Union Ltd						
Year ended 30 June 2021						
Balance at the beginning of year	1,280,000	2,379,103	349,630	49,872	106,911	4,165,516
Additions	-	13,981	30,159	-	64,083	108,223
Disposals	-	-	(1,595)	-	-	(1,595)
Depreciation expense	-	(134,483)	(121,353)	(6,299)	(129,775)	(391,910)
Balance at the end of the year	1,280,000	2,258,601	256,841	43,573	41,219	3,880,234
Year ended 30 June 2020						
Balance at the beginning of year	1,280,000	2,513,139	419,477	107,672	370,378	4,690,666
Additions	-	-	61,727	-	24,329	86,056
Disposals	-	-	(278)	-	-	(278)
Depreciation expense	-	(134,036)	(131,296)	(57,800)	(287,796)	(610,928)
Balance at the end of the year	1,280,000	2,379,103	349,630	49,872	106,911	4,165,516

Notes to the Financial Statements

For the Year Ended 30 June 2021

12 Investment Property

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at the beginning of the year	901,125	919,510	-	-
Additions	2,455	-	-	-
Depreciation	(18,425)	(18,385)	-	-
Balance at end of the year	885,155	901,125	-	-

13 Deferred tax asset

Deferred tax asset	579,741	640,151	558,039	624,143
Deferred tax asset comprises:				
- Accrued expenses not deductible	17,799	19,750	17,799	19,750
- Provision for impairment on loans	23,416	66,510	23,416	66,510
- Provisions for staff entitlements	419,490	435,356	404,286	422,094
- Depreciation on fixed assets	(22,071)	(15,494)	(21,443)	(18,240)
- Deferred fees on loan origination	121,675	115,911	121,675	115,911
- Lease-related balances	1,906	7,474	1,906	7,118
- Revaluation of NEWCO shares	10,400	11,000	10,400	11,000
- Elimination on consolidation	-	(356)	-	-
- Tax losses	7,126	-	-	-
	579,741	640,151	558,039	624,143

Notes to the Financial Statements

For the Year Ended 30 June 2021

14 Intangible Assets

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Computer software				
At cost	1,592,023	1,525,895	1,590,490	1,524,362
Accumulated amortisation	(1,447,874)	(1,312,953)	(1,446,341)	(1,311,420)
	144,149	212,942	144,149	212,942
Other intangible assets	(a)			
Cost	1,055,274	1,055,274	4,879	4,879
Accumulated amortisation and impairment	(4,879)	(4,879)	(4,879)	(4,879)
Net carrying value	1,050,395	1,050,395	-	-
Intangible assets under development	(b)			
Cost	4,366,650	3,483,624	4,366,650	3,483,624
Total Intangibles	5,561,194	4,746,961	4,510,799	3,696,566

(a) Other intangible assets

Other intangible assets comprise the acquisition costs of investment portfolios held by the consolidated group - \$1,050,395 (2020: \$1,050,395) and trademarks - \$Nil (2020: \$Nil). An annual review of the cost of the investment portfolios is undertaken and it has been determined that there is no impairment of these assets as at the 30 June 2021 (2020: \$Nil).

(b) Intangible assets under development

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

14 Intangible Assets (continued)

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

	Software	Other	Intangible assets under development	Total
	\$	\$	\$	\$
Consolidated Group				
Year ended 30 June 2021				
Balance at the beginning of the year	212,942	1,050,395	3,483,624	4,746,961
Additions	66,128	-	883,026	949,154
Amortisation	(134,921)	-	-	(134,921)
Closing value at 30 June 2021	144,149	1,050,395	4,366,650	5,561,194
Year ended 30 June 2020				
Balance at the beginning of the year	262,544	1,050,395	1,794,141	3,107,080
Additions	70,837	-	1,689,483	1,760,320
Amortisation	(120,439)	-	-	(120,439)
Closing value at 30 June 2020	212,942	1,050,395	3,483,624	4,746,961
Northern Inland Credit Union Ltd				
Year ended 30 June 2021				
Balance at the beginning of the year	212,942	-	3,483,624	3,696,566
Additions	66,128	-	883,026	949,154
Amortisation	(134,921)	-	-	(134,921)
Closing value at 30 June 2021	144,149	-	4,366,650	4,510,799
Northern Inland Credit Union Ltd				
Year ended 30 June 2020				
Balance at the beginning of the year	262,544	-	1,794,141	2,056,685
Additions	70,837	-	1,689,483	1,760,320
Amortisation	(120,439)	-	-	(120,439)
Closing value at 30 June 2020	212,942	-	3,483,624	3,696,566

15 Other Assets

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Prepayments	226,632	568,387	215,759	559,901
Other assets and clearing accounts	156,164	201,083	156,164	201,083
	382,796	769,470	371,923	760,984

Notes to the Financial Statements

For the Year Ended 30 June 2021

16 Deposits

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Current				
Member deposits - at call	203,651,115	161,672,924	206,844,095	164,850,620
Member deposits - term	140,451,337	142,185,804	140,451,337	142,185,804
Withdrawable shares	90,854	95,836	90,864	95,846
	344,193,306	303,954,564	347,386,296	307,132,270

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

(a) Concentration of member deposits

Geographical concentrations				
Tamworth	169,186,777	154,012,227	172,379,767	157,189,932
Narrabri	69,545,232	60,134,535	69,545,232	60,134,535
Gunnedah	25,847,391	22,673,707	25,847,391	22,673,707
Other Northern NSW	57,292,123	48,728,125	57,292,123	48,728,125
Other NSW	11,690,517	9,679,445	11,690,517	9,679,445
Other States	10,631,266	8,726,525	10,631,266	8,726,526
	344,193,306	303,954,564	347,386,296	307,132,270

17 Payables

CURRENT				
Creditors and accruals	1,262,870	955,044	1,263,703	939,598
Interest payable	275,488	605,062	275,488	605,062
Accrued interest	415,564	222,525	408,694	208,608
Loan from associate	-	-	-	12,844
Lease liability	40,549	109,793	40,549	109,793
Total	1,994,471	1,892,424	1,988,434	1,875,905

(a) Lease liability

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

18 Taxation

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Current income tax liability	22,507	195,898	31,362	188,749
Current income tax liability/asset comprises:				
Opening balance	195,898	74,614	188,749	81,317
Amounts received/(paid)	(193,026)	(74,614)	(186,580)	(81,317)
Liability for income tax in current year	370,014	485,702	370,014	468,893
Over provision for income tax in prior year	(2,872)	-	(2,169)	-
Instalments paid in current year	(347,507)	(289,804)	(338,652)	(280,144)
Closing balance	22,507	195,898	31,362	188,749
Deferred tax liability	766,502	810,245	764,895	810,160
Deferred tax liability comprises:				
Revaluation of CUSCAL shares	160,397	169,650	160,397	169,650
Revaluation of land and buildings	603,244	638,047	603,244	638,047
Deductible prepayments	2,862	2,548	1,255	2,463
Closing balance	766,503	810,245	764,896	810,160
Total taxation liabilities	789,010	1,006,143	796,258	998,909
19 Provisions				
Long service leave	987,736	961,693	953,665	933,634
Sick leave	232,252	225,926	232,252	225,926
Annual leave	393,434	395,495	369,030	375,329
Make good	8,000	23,000	8,000	23,000
	1,621,422	1,606,114	1,562,947	1,557,889
20 Long-term borrowings				
Reserve Bank of Australia - Term Funding Facility (TFF)	6,168,851	6,168,851	6,168,851	6,168,851
Total	6,168,851	6,168,851	6,168,851	6,168,851

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

21 Reserves

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Members' shares reserve	344,114	338,578	344,114	338,578
General reserve for credit losses	1,114,343	1,128,450	1,114,343	1,128,450
General reserve	37,561,529	36,379,257	33,049,404	31,889,868
Asset revaluation reserve	1,716,927	1,682,124	1,716,927	1,682,124
Shares revaluation reserve	458,763	447,260	458,763	447,260
	41,195,676	39,975,669	36,683,551	35,486,280
Members' shares reserve				
Opening balance	338,578	333,298	338,578	333,298
Transfers in	5,536	5,280	5,536	5,280
Closing balance	344,114	338,578	344,114	338,578
General reserve for credit losses				
Opening balance	1,128,450	850,000	1,128,450	850,000
Transfers in	-	278,450	-	278,450
Transfers out	(14,107)	-	(14,107)	-
Closing balance	1,114,343	1,128,450	1,114,343	1,128,450
General reserve				
Opening balance	36,379,257	35,421,999	31,889,868	31,011,202
Transfers in	1,182,272	957,258	1,159,536	878,666
Closing balance	37,561,529	36,379,257	33,049,404	31,889,868
Asset revaluation reserve				
Opening balance	1,682,124	1,682,124	1,682,124	1,682,124
Movement due to change in tax rate	34,803	-	34,803	-
Closing balance	1,716,927	1,682,124	1,716,927	1,682,124
Shares revaluation reserve				
Opening balance	447,260	447,260	447,260	447,260
Movement due to change in tax rate	11,503	-	11,503	-
Closing balance	458,763	447,260	458,763	447,260
Total	41,195,676	39,975,669	36,683,551	35,486,280

Notes to the Financial Statements

For the Year Ended 30 June 2021

21 Reserves (continued)

Members' shares reserve

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

General reserve for credit losses

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

General reserve

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

Asset revaluation reserve

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

Shares revaluation reserve

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure

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

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Financial assets				
Cash assets	20,790,255	18,881,929	20,790,255	18,873,234
Receivables	176,854	253,289	132,584	209,480
Liquid investments	40,420,000	19,920,000	40,420,000	19,920,000
Loans to Members	274,078,793	258,972,028	274,078,793	258,972,028
	335,465,902	298,027,246	335,421,632	297,974,742
Equity investments classified as FVOCI	1,233,820	1,233,820	1,233,821	1,233,821
Negotiable Certificates of Deposits	13,489,500	11,451,363	13,489,500	11,451,363
Floating Rate Notes	35,120,389	33,312,969	35,120,389	33,312,969
	49,843,709	45,998,152	49,843,710	45,998,153
Total financial assets	385,309,611	344,025,398	385,265,342	343,972,895
Financial liabilities				
Creditors	1,994,471	1,892,424	1,988,434	1,875,905
Long-term borrowings	6,168,851	6,168,851	6,168,851	6,168,851
Deposits from Members	344,193,306	303,954,564	347,386,296	307,132,270
	352,356,628	312,015,839	355,543,581	315,177,026

Notes to the Financial Statements
For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

(b) Assets measured at fair value

	Balance	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Consolidated Group - 2021				
Equity investments classified as FVOCI	1,233,820	-	-	1,233,820
Negotiable Certificates of Deposits	13,489,500	13,489,500	-	-
Floating Rate Notes	35,120,389	34,620,389	-	500,000
Total	49,843,709	48,109,889	-	1,733,820
Northern Inland Credit Union Ltd - 2021				
Equity investments classified as FVOCI	1,233,821	-	-	1,233,821
Negotiable Certificates of Deposits	13,489,500	13,489,500	-	-
Floating Rate Notes	35,120,389	34,620,389	-	500,000
Total	49,843,710	48,109,889	-	1,733,821

The fair value hierarchy has the following levels:

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

(c) Maturity profile of financial instruments

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
2021						
Financial assets						
Cash	20,790,255	-	-	-	-	20,790,255
Liquid investments	21,562,299	21,508,572	11,528,179	34,032,932	504,398	89,136,380
Loans to Members	2,154,355	3,887,676	17,470,178	82,958,718	272,495,687	378,966,614
Total financial assets	44,506,909	25,396,248	28,998,357	116,991,650	273,000,085	488,893,249
Financial liabilities						
Creditors	1,718,982	-	-	-	-	1,718,982
Deposits from Members						
- at call	203,742,082	-	-	-	-	203,742,082
- term	33,546,684	48,733,194	57,092,772	1,335,469	-	140,708,119
RBA - Term funding facility (TFF)	-	-	-	6,187,442	-	6,187,442
On balance sheet	239,007,748	48,733,194	57,092,772	7,522,911	-	352,356,625
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
Total financial liabilities	241,007,748	48,733,194	57,092,772	7,522,911	-	354,356,625
2020						
Financial assets						
Cash	18,882,527	-	-	-	-	18,882,527
Liquid investments	5,037,751	15,033,366	16,592,494	28,209,943	-	64,873,554
Loans to members	1,887,102	4,019,812	17,312,609	80,457,956	267,467,742	371,145,221
Total financial assets	25,807,380	19,053,178	33,905,103	108,667,899	267,467,742	454,901,302
Financial liabilities						
Creditors	1,287,362	-	-	-	-	1,287,362
Deposits from Members						
- at call	161,768,866	-	-	-	-	161,768,866
- term	32,507,761	55,276,003	53,551,879	1,451,947	-	142,787,590
RBA - Term funding facility (TFF)	-	-	-	6,172,020	-	6,172,020
On balance sheet	195,563,989	55,276,003	53,551,879	7,623,967	-	312,015,838
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
Total financial liabilities	197,563,989	55,276,003	53,551,879	7,623,967	-	314,015,838

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

(c) Maturity profile of financial instruments (continued)

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

	Within 12 months \$	After 12 months \$	Total \$
2021			
Financial assets			
Cash	20,790,255	-	20,790,255
Liquid investments	54,599,050	34,537,330	89,136,380
Loans to Members	23,512,209	355,454,405	378,966,614
Total financial assets	98,901,514	389,991,735	488,893,249
Financial liabilities			
Creditors	1,718,982	-	1,718,982
Deposits from Members - at call	203,742,082	-	203,742,082
Deposits from Members - term	139,372,651	1,335,468	140,708,119
RBA - Term funding facility (TFF)	-	6,187,442	6,187,442
Total financial liabilities	344,833,715	7,522,910	352,356,625
2020			
Financial assets			
Cash	18,882,527	-	18,882,527
Liquid investments	36,663,611	28,209,943	64,873,554
Loans to Members	23,219,523	347,925,698	371,145,221
Total financial assets	78,765,661	376,135,641	454,901,302
Financial liabilities			
Creditors	1,287,362	-	1,287,362
Deposits from Members - at call	161,768,866	-	161,768,866
Deposits from Members - term	141,335,644	1,451,947	142,787,591
RBA - Term funding facility (TFF)	-	6,172,020	6,172,020
Total financial liabilities	304,391,872	7,623,967	312,015,839

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

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

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

	Weighted average interest	Within 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non- interest bearing \$'000	Total \$'000
Consolidated Group							
2021							
Financial assets							
Cash	0.00	15,684	-	-	-	5,106	20,790
Liquid investments	0.63	35,179	44,356	7,495	2,000	-	89,030
Loans to Members	3.70	171,761	2,321	20,531	79,462	4	274,079
Equity investments	N/A	-	-	-	-	1,234	1,234
Receivables	N/A	-	-	-	-	177	177
Total financial assets		222,624	46,677	28,026	81,462	6,521	385,310
Financial liabilities							
Deposits from Members	0.48	142,151	53,529	81,379	67,134	-	344,193
RBA - Term funding facility (TFF)	0.25	-	-	-	6,169	-	6,169
Creditors	N/A	-	-	-	-	1,994	1,994
On balance sheet		142,151	53,529	81,379	73,303	1,994	352,356
Undrawn commitments - Note 23		23,637	-	-	-	-	23,637
Total financial liabilities		165,788	53,529	81,379	73,303	1,994	375,993
2020							
Financial assets							
Cash	0.03	12,521	-	-	-	6,361	18,882
Liquid investments	1.05	21,983	33,719	8,982	-	-	64,684
Loans to Members	4.22	186,605	2,860	13,060	56,441	6	258,972
Equity investments	N/A	-	-	-	-	1,234	1,234
Receivables	N/A	-	-	-	-	253	253
Total financial assets		221,109	36,579	22,042	56,441	7,854	344,025
Financial liabilities							
Deposits from Members	1.11	120,290	58,869	72,259	52,537	-	303,955
RBA - Term funding facility (TFF)	0.25	-	-	-	6,169	-	6,169
Creditors	N/A	-	-	-	-	1,892	1,892
On balance sheet		120,290	58,869	72,259	58,706	1,892	312,016
Undrawn commitments - Note 23	N/A	20,889	-	-	-	-	20,889
Total financial liabilities		141,179	58,869	72,259	58,706	1,892	332,905

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

(e) Fair value of financial assets and liabilities

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

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

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

	Fair Value \$'000	Carrying value \$'000	Variance \$'000
Consolidated group			
2021			
Financial assets			
Cash	20,790	20,790	-
Receivables	177	177	-
Liquid investments	89,361	89,030	331
Loans to Members	270,094	274,079	(3,985)
Equity investments	1,234	1,234	-
Total financial assets	381,656	385,310	(3,654)
Financial liabilities			
Deposits from Members	344,479	344,193	286
Creditors	1,994	1,994	-
RBA - Term funding facility (TFF)	6,169	6,169	-
Total financial liabilities	352,642	352,356	286
2020			
Financial assets			
Cash	18,882	18,882	-
Receivables	253	253	-
Liquid investments	64,826	64,684	142
Loans to Members	256,820	258,972	(2,152)
Equity investments	1,234	1,234	-
Total financial assets	342,015	344,025	(2,010)
Financial liabilities			
Deposits from Members	304,770	303,955	815
Creditors	1,892	1,892	-
RBA - Term Funding Facility (TFF)	6,169	6,169	-
Total financial liabilities	312,831	312,016	815

Notes to the Financial Statements

For the Year Ended 30 June 2021

22 Financial Instruments Disclosure (continued)

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

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

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

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from Members

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

Creditors

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

Long term borrowings

The carrying value of long term borrowings is approximate to their fair value as the instrument is not subject to repricing.

Notes to the Financial Statements

For the Year Ended 30 June 2021

23 Financial commitments

(a) Outstanding loan commitments

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
Loans approved but not funded	4,625,957	2,539,937	4,625,957	2,539,937
Loan redraw facilities available	14,179,962	13,356,398	14,179,962	13,356,398
Undrawn overdraft, line of credit and VISA:				
Total value of facilities approved	6,806,588	7,054,448	6,806,588	7,054,448
Less: amount advanced	(1,975,285)	(2,062,027)	(1,975,285)	(2,062,027)
	4,831,303	4,992,421	4,831,303	4,992,421
Total financial commitments	23,637,222	20,888,756	23,637,222	20,888,756

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

(b) Future capital commitments

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

Within 1 year	55,693	55,693	55,693	55,693
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(c) Computer Bureau expense commitments

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

Within 1 year	438,000	408,000	438,000	408,000
Later than 1 year but not 5 years	85,629	554,483	85,629	554,483
	523,629	962,483	523,629	962,483

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

24 Standby borrowing facilities

NICU has a borrowing facility with CUSCAL of:

	Approved facility \$	Current borrowing \$	Net available \$
2021			
Overdraft facility	2,000,000	-	2,000,000
Total standby borrowing facilities	2,000,000	-	2,000,000
2020			
Overdraft facility	2,000,000	-	2,000,000
Total standby borrowing facilities	2,000,000	-	2,000,000

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

25 Contingencies

(a) Contingent Liabilities

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

NICU is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, NICU is committed to maintaining 3% of the total assets as deposits with CUSCAL.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3% of the credit union's total assets (3% under loans and facilities). This amount represents the participating credit union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

An Industry Support Contract made on the 10 September 1999 between Credit Union Services Corporation (Australia) Limited (CUSCAL), CUFSS and participating credit unions required Northern Inland to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of NICU and secures any advances, which may be made to NICU under the scheme. The balance of the debt at 30 June 2021 was Nil (2020: Nil).

Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Disclosures on Directors and Other Key Management Personnel

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

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

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

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

	2021	2021	2020	2020
	Directors	Other KMP	Directors	Other KMP
(a) Short-term employee benefits	203,980	859,807	196,722	858,771
(b) Post-employment benefits - superannuation contributions	19,378	74,722	14,790	73,423
(c) Other long-term benefits - net increases in long service leave provision	-	35,059	-	8,026
(d) Other director benefits	-	-	-	-
	223,358	969,588	211,512	940,220

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, but excludes out of pocket expense reimbursements. All remuneration to directors was approved by the Members at the previous Annual General Meeting of NICU.

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

26 Disclosures on Directors and Other Key Management Personnel (continued)

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

	2021	2020
	\$	\$
Aggregate value of loans at balance date	913,044	1,167,663
Total value of overdraft facilities at balance date	52,000	52,000
Less: amounts drawn down:	(9,884)	(15,973)
Net balance available	42,116	36,027
Aggregate value of overdraft facility limits granted or increased	-	-
Interest earned on loans and overdraft facilities	21,085	46,374

NICU's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to Members for each class of loan or deposit with the exception of loans to KMP who are not directors.

There are no loans which are impaired in relation to the loan balances with KMP's. KMP who are not Directors receive a concessional rate of interest on their loans and facilities, which is based on the benchmark rate set for fringe benefits tax.

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

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

	2021	2020
	\$	\$
Total value term and savings deposits from KMP	8,293,473	7,846,367
Total Interest paid on deposits to KMP	53,798	70,069

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

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Notes to the Financial Statements

For the Year Ended 30 June 2021

27 Interests in Subsidiaries

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

	Principal place of business / Country of Incorporation	Percentage Owned (%) 2021	Percentage Owned (%)* 2020
Subsidiaries:			
Northern Inland Investment Group Pty Ltd	Australia	100	100
Northern Inland Investment Services Pty Ltd	Australia	59	59

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

The Northern Inland Investment Trust has a 59% (2020 - 59%) ownership interest in the Northern Inland Investment Services Pty Ltd.

28 Outsourcing arrangements

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

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

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

ii. Operates the computer network, including switching, used to link Redicards and VISA cards operated through RediATMs and other approved ATM providers to NICU's computer systems.

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

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

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

29 Superannuation liabilities

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2021

30 Segmental reporting

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

31 Cash flow information

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

	Consolidated Group		Northern Inland Credit Union Ltd	
	2021	2020	2021	2020
	\$	\$	\$	\$
Operating profit after income tax	1,180,878	1,265,376	1,150,965	1,162,397
Non-cash flows:				
- amortised fees on loans	46,484	20,240	46,484	20,240
- amortisation of intangible assets	134,921	57,800	134,921	57,800
- depreciation expense	281,834	694,422	262,135	673,568
- loss / gain on disposal of fixed assets	1,595	208	1,595	208
- provision for loan impairment	(151,792)	220,355	(151,792)	220,355
- employee entitlements	30,309	45,924	20,058	34,268
- fair value loss	38,988	23,877	38,988	23,877
- leasing costs	(18,551)	(270,808)	(18,553)	(270,808)
Changes in assets and liabilities				
- provision for income tax	(173,392)	121,284	(157,387)	107,432
- creditors and accruals	497,697	(1,752,359)	506,864	(1,761,314)
- interest payable	(326,405)	(261,607)	(326,405)	(261,607)
- interest receivable	83,331	42,404	83,331	35,999
- prepayments	341,758	(322,185)	344,144	(320,986)
- deferred tax assets	60,411	(61,610)	66,104	(57,136)
- future income tax benefits	(43,744)	(955)	(45,265)	(621)
- revaluation reserves	46,307	-	46,307	-
Net cashflow from revenue activities	2,030,629	(177,634)	2,002,494	(336,328)

(b) Reconciliation of cash

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

Cash on hand	1,458,158	1,061,686	1,458,158	1,061,486
Deposits at call	19,332,097	17,820,243	19,332,097	17,811,748
	20,790,255	18,881,929	20,790,255	18,873,234

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2021

32 Events Occurring After the Reporting Date

The financial report was authorised for issue on 5 October 2021 by the board of directors.

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

33 Company Details

The registered office of the credit union is:
Northern Inland Credit Union Limited
481 Peel Street
Tamworth NSW 2340

General information

Branches:

- 481 Peel Street Tamworth

- 73 Maitland Street Narrabri

- 252 Conadilly Street Gunnedah

Notes to the Financial Statements

For the Year Ended 30 June 2021

34 Heads of Department Information

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

Academic record:

2020: Currently studying Graduate Certificate in Digital Transformation, RMIT
2009: Graduate Certificate Applied Finance, Kaplan
2008: Diploma, Australian Institute of Company Directors
2007: Master of Science, Mercy College, New York
2002: Master of eBusiness, University of Southern Queensland
1999: Graduate Certificate Internet Marketing, Charles Sturt University
1997: Bachelor of Commerce, University of New England

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

Academic record:

2021: Currently studying Graduate Certificate in Business Analytics, RMIT
2019: Graduate Diploma of Science (Applied Statistics), Swinburne University of Technology
2013: Master of Applied Finance, Charles Sturt University
2011: Company Directors Course, Australian Institute of Company Directors, Sydney
2008: CPA accreditation
2004: Graduate Diploma of Personal Financial Planning, University of Southern Queensland
2003: Tier 2 Certification, Institute of Financial Services Inc.
2002: Bachelor of Business (Accounting), Charles Sturt University.
1996: Certificate IV in Finance and Banking, IFS Inc
1995: Advanced Certificate in Finance and Banking, IFS Inc

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

Academic record:

2015: Diploma of Management, Institute of Financial Services Inc
2011: Certificate 4 Frontline Management, Institute of Financial Services Inc
Company Directors Course, Australian Institute of Company Directors, Sydney
2010: Certificate 4 Financial Services, Institute of Financial Services Inc
2002: Tier 2 Certification, Institute of Financial Services Inc.
1997: Admission to Practice as Legal Practitioner, Supreme Court, New South Wales
1996: Accreditation with College of Law, St Leonards NSW
1995: Bachelor of Law with Bachelor of Arts (Anthropology), Macquarie University

Brian Rae, Executive Manager Lending & Credit Risk: employee since 2004. With over 20 years of experience in business banking and lending, Brian has overseen operations, controls and planning for the lending department and staff since 2005. Brian is a Nominated Responsible Officer for Northern Inland's Australian Financial Services License with respect to consumer credit and general insurance products, and Northern Inland's Australian Credit License.

Academic record:

2004: Certificate 3 in Financial Service, Commonwealth Bank Australia
1993: Bachelor of Commerce, University of Newcastle
Resigned: 02/07/21

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company and consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Chair of Board
Robert James Studte

Dated 5 October 2021

Northern Inland Credit Union Limited

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Northern Inland Credit Union Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Independence

We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Northern Inland Credit Union Limited

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

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

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

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

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

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

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

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

PKF
Chartered Accountants

PAUL PEARMAN
Partner

Sydney, NSW

Dated: 5 October 2021