Financial Statements

2022/2023

Bank of us

Tasmania I Community I Customer

Bank of us is a trading name of B&E Ltd ABN 32 087 652 088 AFSL & Australian Credit Licence 236870.

DIRECTORS' REPORT

For the year ended 30 June 2023

The Directors of B&E Ltd present their report, together with the financial statements of the Consolidated Entity, being B&E Ltd ('the Company') and its controlled entities (together, the 'Group') for the financial year ended 30 June 2023.

Information on Directors

The Directors of the Company in office at any time during or since the end of the year are:

Helen GALLOWAY, BCom BIS FCPA GAICD (Chair)

Ms Galloway has a portfolio career and is currently a Director of Hydro Tasmania and TT Line. She is the Chair of Board Audit Committee for Hydro Tasmania and also a member of her local council's Audit Panel. Previously she has held senior executive roles at large corporate organisations with industry experience in tourism, hospitality, gaming, retail and entertainment.

Ms Galloway was appointed Chair in October 2022 and has been a Director since November 2019. She is a current member of the Board Remuneration Committee and Board Audit Committee and Chair of the Board Corporate Governance Committee.

Stephen BROWN, MBA BBus FCA FAICD

Mr Brown is CEO of Launceston City Mission. Prior to this he was Executive Director with a national training organisation and formerly worked in public accounting, consulting and as CEO of a WA-based mutual health insurance organisation. He is also the current Chairman of Health Recruitment Plus Tasmania.

Mr Brown has been a Director since January 2009, serving as Chairman for 6 years from 2014 to 2020. He is a current member of Board Corporate Governance Committee.

Robert KING, BSc MBA GAICD

Until April 2017 Mr King was the Chief Executive Officer of Intech Bank and a Group Executive of Bank Australia, one of Australia's leading mutuals. Over a thirty year career he has worked in senior leadership roles for a range of banking institutions including ME Bank, Citibank, Rothschild and Newcastle Permanent Building Society.

Mr King was appointed as a Director in November 2017. He is a current member of the Board Corporate Governance Committee and is Chair of the Board Risk Committee.

Kathryn McCANN, BCom BA

Ms McCann has Senior Executive experience across the public, private and not-for-profit sectors. She is currently working in the not-for-profit sector as the Chief Operating Officer at the Beacon Foundation. Throughout her working career Ms McCann has also held, and continues to hold, a range of Board positions. Currently she sits on the Tasmanian Development Board and is the Chair of the Royal Tasmanian Botanical Gardens.

Ms McCann was appointed as a Director in November 2021 and is a member of the Board Audit Committee and the Board Risk Committee.

Scott NEWTON FAPI, BBus (L.Ec) FAPI CPV GAICD

Mr Newton is currently CEO of Knight Frank Tasmania and IPST Pty Ltd. He has worked in the property industry for over 36 years and previously served as the National Director of Opteon Property Group and State President of the Australian Property Institute.

Mr Newton has been a Director since October 2014, serving as Chair for two years from 2020 to 2022. He is a current member of the Board Risk Committee and Chair of the Board Remuneration Committee.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2023

Mark NUGENT BCom CPA GAICD
Mr Nugent is Chief Financial Officer and Corporate Services Manager of Fairbrother Pty Ltd. He is a Director of Fairbrother Pty Ltd, a Director of Degree C Pty Ltd and a Board Member of Lifeline Tasmania Inc. He has more than 25 years experience in management, accounting and administration in both the private and public sectors.

Mr Nugent was appointed as a Director of the Company in February 2012 and is a member of the Board Remuneration Committee and chair of the Board Audit Committee.

COMPANY SECRETARY
Gerald WHITE BBus(Acc), FCA, MBA, GAICD
Mr White joined the Company in May 2013 as Chief Financial Officer (CFO) and Company Secretary. Mr White retired from CFO and Company Secretary effective 8 September 2023.

Sarah-Jayne HALL BA, LLB, GAICD
Ms Hall joined the Company on 4 September 2023 and was appointed to Company Secretary effective 8 September 2023.

	BOARD OF DIRECTORS MEETINGS		MEETINGS OF COMMITTEES							
			Risk		Audit		Remuneration		Corporate Governance	
Meetings held:	**9**		**4**		**4**		**3**		**4**	
Attended by	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended	Eligible to attend	No. attended
H Galloway	9	9	1	1	2	2	2	2	3	3
S Newton	9	9	3	3	-	-	4	4	1	1
S Brown	9	9	-	-	3	3	2	2	3	3
K McCann	9	9	4	4	4	4	-	-	-	-
R King	9	8	4	4	-	-	-	-	4	4
M Nugent	9	9	-	-	3	3	4	4	1	1

Principal Activities
The principal activities of the Group during the course of the financial year remained unchanged and were the provision of financial services to clients through a range of saving, investment, loan and insurance products.

Operating Results
Consolidated profit for the financial year, after providing for income tax, was $9,436,684 (2022: $5,170,604).

Significant Changes in Affairs
In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2023

Review of Operations
The year under review recorded strong results in all areas of business operations with another year of strong improvement in loans, with loan approvals exceeding the previous record at $400.85 million (2022: $363.37 million) while the total loan portfolio grew by $140.27 million (2022: $112.56 million) to $1,269.82 million (2022: $1,129.55 million).

Profit before income tax for the year was $13.48 million (2022: $6.92 million). The profit result for the year was driven by strong loan book growth, increase in cash rate target by Reserve Bank of Australia and included a favourable movement in respect to the provision for expected credit losses (ECL) of $0.169 million (2022: $0.300 million favourable). During the year investment properties owned by Bank of us were revalued resulting in a $1.215 million increase in value.

Total assets increased 14.30% to $1,556.45 million (2022: increased 9.84% to $1,361.68 million). At 30 June 2023 the Group's market share of owner-occupied home lending by dollar value in Tasmania increased to 10.32% (2022: 7.68%).

The Reserve Bank of Australia began increasing interest rates from a record low level of 0.1% in April 2022 to 4.1% at 30 June 2023. Alongside interest rate increases there were also significant increases in supply chain input costs that many organisations passed on to customers in the form of increased pricing for goods and services. Both factors resulted in increases in cost of living for many people and, for some, financial strain.

At 30 June 2023 the balance of loans subject to temporary modifications due to financial difficulty was $5.98M (2022: $2.24M). Despite this increase, hardship arrangements remain very low relative to the total loan portfolio. The Company has not experienced an increase in bad debts, nor has there been any forward-looking information that indicates an increase in bad debts is likely. Provisions for expected credit losses therefore remain relatively low. The number of loans under temporary modifications has not materially increased as a result of economic conditions.

Events Subsequent to Balance Date
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments
The Company is working towards receiving a second rating from S&P Global Ratings during the year ending 30 June 2024. The second rating will allow the Company to issue long term bonds with a duration of up to three years. These bonds are intended to support business growth without imposing on current wholesale funding limits.

Environmental Issues
The Group’s operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2023

Indemnification and Insurance of Officers and Auditors

The Directors and Officers of the Group have been indemnified against personal losses arising from their respective positions within the Group.

The Group has the benefit of a Directors' and Officers' Insurance policy. In accordance with common commercial practice the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

No liability has arisen under these indemnities as at the date of this report.

The Group has not provided any insurance for the auditor.

Auditor's Independence

An Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* has been received by the Directors, and a copy of the declaration is set out on page 64.

Signed in accordance with a resolution of the Directors

Helen Galloway
Chair
B&E Ltd
Dated at Hobart on 18 September 2023

DIRECTORS' DECLARATION
For the year ended 30 June 2023

In the opinion of the Directors of B&E Ltd:

a. the financial statements and notes of B&E Ltd are in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2023 and of its performance for the financial year ended on that date; and

   ii. complying with Australia Accounting Standards and the *Corporations Regulations 2001* ; and

b. there are reasonable grounds to believe that B&E Ltd will be able to pay its debts as and when they become due and payable.

c. the financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Director ____________________

Signed in Hobart on 18 September 2023

Financial Statements
For the year ended 30 June 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Notes	2023 $	2022 $
Interest revenue	3	60,270,927	32,495,441
Interest expense	3	(24,654,451)	(5,830,360)
Net interest income		35,616,476	26,665,081
Non-interest income	4	4,143,015	2,548,186
		4,143,015	2,548,186
Non-interest expenses			
Fees & commission expense		(3,527,998)	(2,879,778)
Impairment expense	9(f)	84,512	115,586
Marketing costs		(843,804)	(840,410)
Employee costs	5	(13,813,118)	(12,193,608)
Communications and information technology expense		(2,174,577)	(2,062,458)
Occupancy costs		(1,894,845)	(1,981,023)
Administrative costs		(4,104,836)	(2,452,573)
		(26,274,666)	(22,294,264)
Profit before income tax		13,484,825	6,919,003
Income tax expense	6	(4,048,141)	(1,748,399)
Profit after income tax		9,436,684	5,170,604
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain / (Loss) on fair value revaluation of equity investments		22,422	961
Income tax attributable to revaluation		(6,727)	(240)
Gain / (Loss) on revaluation of buildings		839,685	-
Income tax attributable to revaluation		(251,906)	-
		603,474	721
TOTAL COMPREHENSIVE INCOME		10,040,158	5,171,325

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2023

	Notes	2023 $	2022 $
ASSETS			
Cash	7	102,073,573	74,541,833
Trade and other receivables	10	1,213,303	298,941
Investment securities	8	166,238,968	141,963,846
Customer loans and advances	9	1,269,820,829	1,129,546,214
Other investments		422,389	399,967
Prepayments		406,136	514,164
Property, plant & equipment	11	6,479,290	5,774,051
Investment property	12	4,715,001	3,500,001
Right-of-use assets	19	4,116,146	4,015,936
Deferred tax assets	18(a)	877,401	727,459
Intangible assets	13	88,013	402,500
TOTAL ASSETS		1,556,451,049	1,361,684,912
LIABILITIES			
Deposits from customers	14	1,139,673,490	1,047,282,432
Trade and other payables	15	12,736,498	3,370,617
Deposits from wholesale investors	16	258,825,378	163,254,939
Employee benefits	17	2,410,888	2,140,731
Current tax liabilities	18(b)	1,665,403	526,722
Lease liabilities	19	4,493,286	4,324,230
Borrowings	20	38,495,906	53,476,476
Deferred tax liabilities	18(b)	1,516,444	715,167
TOTAL LIABILITIES		1,459,817,293	1,275,091,314
NET ASSETS		96,633,756	86,593,598
EQUITY			
Reserves		96,633,756	86,593,598
TOTAL EQUITY		96,633,756	86,593,598

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	Retained earnings $	Asset revaluation reserve $	General reserve $	Credit asset impairment reserve $	Financial asset reserve $	Total $
Balance at 1 July 2022	-	2,532,715	81,899,736	1,940,436	220,711	86,593,598
Net profit for the period	9,436,684	-	-	-	-	9,436,684
Other comprehensive income	-	587,779	-	-	15,695	603,474
Transfers to and from reserves						
General reserve	(9,436,684)	-	9,436,684	-	-	-
Credit asset impairment reserve	-	-	(171,742)	171,742	-	-
Equity as at 30 June 2023	-	3,120,494	91,164,678	2,112,178	236,406	96,633,756

For the Year ended 30 June 2022

	Retained earnings $	Asset revaluation reserve $	General reserve $	Credit asset impairment reserve $	Financial asset reserve $	Total $
Balance at 1 July 2021	-	2,532,715	76,827,109	1,842,459	219,990	81,422,273
Net profit for the period	5,170,604	-	-	-	-	5,170,604
Other comprehensive income	-	-	-	-	721	721
Transfers to and from reserves						
General reserve	(5,170,604)	-	5,170,604	-	-	-
Credit asset impairment reserve	-	-	(97,977)	97,977	-	-
Equity as at 30 June 2022	-	2,532,715	81,899,736	1,940,436	220,711	86,593,598

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2023

	Notes	2023 $	2022 $
Cash flows from operating activities:			
Interest received		59,661,757	32,347,895
Interest paid		(15,403,537)	(6,141,145)
Payments to suppliers		(10,912,505)	(8,919,632)
Other receipts		2,622,823	2,629,359
Payments to employees		(13,542,961)	(12,077,888)
Income taxes paid		(2,516,757)	(2,293,216)
	23(a)	19,908,820	5,545,373
(Increase)/decrease in operating assets:			
Net movement in loans and advances		(140,192,255)	(112,370,396)
Net movement in wholesale deposits		95,570,439	60,659,465
Net movement in customer deposits		92,271,078	52,180,895
Net movement in investment securities		(24,275,122)	(41,866,002)
Net cash provided by/(used in) operating activities	23(a)	43,282,960	(35,850,665)
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		42,000	200
Acquisition of property, plant and equipment		(427,585)	(587,475)
Net cash used in investing activities		(385,585)	(587,275)
Cash flows from financing activities:			
Proceeds from/(repayment of) borrowings		(14,980,570)	5,000,000
Repayment of lease liabilities		(385,065)	(346,663)
Net cash provided by/(used in) financing activities		(15,365,635)	4,653,337
Net increase/(decrease) in cash		27,531,740	(31,784,603)
Cash at beginning of year		74,541,833	106,326,436
Cash at end of year	7	102,073,573	74,541,833

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the year ended 30 June 2023

1 Significant Accounting Policies

(a) Reporting entity

B&E Ltd (the 'Company') is a company limited by shares and guarantee, incorporated and domiciled in Australia. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

These consolidated financial statements ('financial statements') comprise B&E Ltd, the ultimate parent company and its subsidiary (together, the 'Group'). The Group is primarily involved in retail banking.

(b) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards ('AASBs') and interpretations adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001* . The financial statements of the Group also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 18 September 2023.

(c) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements are prepared on an accrual basis and are based on historical costs unless otherwise stated.

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

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(d) Basis of consolidation

The consolidated entity's financial statements report the assets, liabilities and results of the Company and its controlled entities for the financial year.

Controlled entities are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Controlled entities are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of controlled entities is accounted for using the acquisition method of accounting. All intercompany balances and transactions, income and expenses, and profits and losses resulting from intra-group transactions have been eliminated.

1 Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

RBA repurchase securitisation trust consolidation

The Company initiated the creation of a Trust on 25 July 2018, which holds rights to a portfolio of secured loans to enable the Company to secure funds from the Reserve Bank of Australia, if required, to meet emergency liquidity requirements. The Company continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly:

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

b) as prescribed under the accounting standards, since the Company has not transferred all risk and rewards to the Trust, the assigned loans are retained on the books of the Company and not de-recognised.

The Company has elected to present one set of financial statements to represent both the Company and the consolidated group on the basis that the impact of consolidation is not material to the Company.

The subsidiary member of the Group is known as the Tamar Trust Repo Series No 1.

(e) New accounting standards

New accounting standards applicable for the current year

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of the Group.

New accounting standards not yet mandatory

There are no new accounting standards or interpretations expected to have any significant impact on the Group’s financial report that are issued and not yet applicable. Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

1 Significant Accounting Policies (continued)

(f) Goods and services tax

As a financial institution, the Group is input taxed on all income, except for income from commissions, rents and some fees. Input taxed supplies are not subject to GST, 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, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guide 2017/15 from 1 July 2017. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Registered office

87 Brisbane Street, Launceston, Tasmania 7250.

2 Accounting estimates and judgements

The preparation of financial statements in accordance with Australian Accounting Standards requires the exercise of judgement in the selection and application of accounting policies, as well as certain estimates and assumptions that affect amounts reported in the financial statements.

Management have made critical accounting estimates when applying the Group's accounting policies with respect to the measurement of ECL allowance – refer note 9.

Areas of the financial statements involving a higher degree of judgement or complexity, or areas where reliance on estimates or assumptions are significant include:

- estimates and judgement when applying the Group's accounting policies with respect to the measurement of ECL allowance (refer note 9);
- land and building and investment property valuation assumptions (refer to note 11, 12 and 32); and
- estimation of the lease term and determination of the appropriate rate to discount the lease payments (note 19).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported.

Notes to the Financial Statements
For the year ended 30 June 2023

3 Interest revenue and expense

	2023 $	2022 $
Interest revenue		
Financial assets at amortised cost		
Customer loans and advances	54,011,568	31,736,171
Placements with other financial institutions	3,937,407	635,672
Cash (bank accounts and at call deposits)	2,321,952	123,598
Total interest revenue	60,270,927	32,495,441

Accounting policy

Interest revenue

Interest revenue arising from at call deposits, term deposits, negotiable certificates of deposit, overdrafts and floating rate notes is recognised using the effective interest rate method in accordance with AASB 9 *Financial Instruments.*

Interest revenue arising from credit cards is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

	2023 $	2022 $
Interest expense		
Deposits	24,124,148	5,470,654
Lease liabilities	215,161	219,569
Borrowings	315,142	140,137
Total interest expense	24,654,451	5,830,360
Net interest income	35,616,476	26,665,081

Accounting policy

Interest expense

Interest expenses arising from member deposits, interest bearing liabilities and the unwinding of discounts on make good or other provisions is recognised in profit or loss using the effective interest rate method under AASB 9 *Financial Instruments.*

4 Non-interest income

	2023 $	2022 $
Revenue from contracts with customers		
Transaction fees	1,270,567	1,078,408
Loan fees	535,783	455,542
Insurance and other commission	688,547	599,657
Total revenue from contracts with customers	2,494,897	2,133,607

Notes to the Financial Statements
For the year ended 30 June 2023

4 Non-interest income (continued)

	2023 $	2022 $
Other income		
Rental income - investment property	326,715	311,987
Rental income - other	25,208	30,882
Gain on disposal of property, plant and equipment	-	200
Gain on revaluation of investment properties	1,215,000	-
Bad debts recovered	22,011	9,423
Other revenue	59,184	62,087
Total other income	1,648,118	414,579
Total non-interest income	4,143,015	2,548,186

The gain on revaluation of investment properties is discussed in note 12 and note 32.

Accounting policy

Revenue from contracts with customers

Transaction fees

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Loan fees (excluding fees deemed integral to effective interest rate)

Revenue from loan fees are recognised over time as the services are provided.

Insurance and other commission

Insurance commission income is recognised when the insurance policy is issued. Insurance commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. Financial contributions for marketing campaigns are recognised in the year the campaign occurs. Development allowances are recognised in the year received and a volume bonus is recognised in the year sales above target are achieved.

Other commission income is recognised on receipt.

Other revenue

Rental income

Rental income from leases is recognised in accordance with AASB 16 *Leases*. Refer to note 19.

Notes to the Financial Statements
For the year ended 30 June 2023

5 Specific expenses

	2023 $	2022 $
Depreciation and amortisation		
Plant and equipment	372,106	364,378
Owner-occupied buildings	42,777	46,608
Leasehold improvements	93,137	87,785
Capitalised software	314,487	387,530
Right-of-use assets	453,911	445,650
	1,276,418	1,331,951
Personnel costs		
Long service leave	131,751	195,293
Annual leave	923,709	845,304
Superannuation contributions	1,113,873	944,677
Salaries and wages	10,142,328	9,338,562
Payroll tax	678,436	593,016
Other	823,021	276,756
	13,813,118	12,193,608
Non-lending losses		
Fraud from payment channels	150,975	70,646

6 Income tax expense

	2023 $	2022 $
The components of tax expense comprise:		
Current tax expense	3,655,389	1,593,804
Deferred tax expense	392,752	154,595
	4,048,141	1,748,399
Reconciliation of income tax expense		
Prima facie tax payable on profit before income tax at 30% (2022: 25%)	4,045,448	1,729,751
Tax effect of:		
- non-deductible expenses	8,243	15,950
- change in tax rate for recognition of deferred tax assets (DTL) and deferred tax liabilities (DTL)	2,459	6,428
- other temporary differences	(8,009)	(3,730)
	4,048,141	1,748,399

The change in tax rate for recognition of DTA/DTL is the net impact of restatement of deferred tax assets and deferred tax liabilities.

6 Income tax expense (continued)

Accounting policy
Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. At 30 June 2023 this rate was 30% (2022: 25%).

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

7 Cash

	2023 $	2022 $
Cash on hand	1,558,973	1,415,397
Cash at bank	100,514,600	73,126,436
Total Cash	102,073,573	74,541,833

Accounting policy
Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with banks net of bank overdrafts. Where bank overdrafts are held, they are shown within short term borrowings on the statement of financial position.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are held at amortised cost, using the effective interest rate method.

8 Investment Securities

	2023 $	2022 $
Investment securities measured at amortised cost		
Deposits with other financial institutions	8,045,239	12,251,306
State government bonds	33,500,000	49,500,000
Bank bills and negotiable certificates of deposit	124,693,729	80,212,540
Total investment securities	166,238,968	141,963,846

Credit quality

The Group uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APS 112 *Capital Adequacy: Standardised Approach to Credit Risk.*

The exposure values associated with each credit rating level (long term credit ratings) for Authorised Deposit-taking Institutions (ADI's) are as follows:

	2023 $	2022 $
ADI's rated credit rating grade 1	54,514,540	73,595,603
ADI's rated credit rating grade 2	4,942,398	10,966,279
ADI's rated credit rating grade 3	98,748,669	49,318,841
ADI's unrated	8,033,361	8,083,123
Total investment securities	166,238,968	141,963,846

Accounting policy

Investment securities

Term deposits, bank bills, semi-government investments and negotiable certificates of deposit are held at amortised cost, using the effective interest rate method. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in other receivables in the statement of financial position.

9 Customer loans and advances

	2023 $	2022 $
Overdrafts and revolving credit facilities	6,636,740	3,619,548
Personal loans	14,018,447	14,900,217
Commercial loans	33,216,009	31,964,886
Residential loans	1,215,184,635	1,078,643,039
Gross loans and advances	1,269,055,831	1,129,127,690
Provision for expected credit losses	(175,069)	(341,941)
Net loans and advances before deferred fees and costs	1,268,880,762	1,128,785,749
Deferred break fees	(241,131)	(246,273)
Deferred broker costs	1,386,051	1,213,968
Deferred loan application fees	(204,853)	(207,230)
Net loans and advances	1,269,820,829	1,129,546,214

9 Customer loans and advances (cont)

(a) Concentration of risk

Exposure to groupings of individual loans which concentrate risk within particular geographical segments are as follows:

	2023 $	2022 $
- Tasmania	1,230,279,102	1,103,188,065
- Other	38,776,729	25,939,625
Gross loans and advances	1,269,055,831	1,129,127,690

The Group does not have any significant exposure to any particular industry sectors or other groupings of customers, other than the loans that are predominantly for residential housing purposes.

The loans above do not include any loans to individual clients representing 10% or more of total loan assets.

(b) Securitised loans

	2023 $	2022 $
The value of securitised loans which are not qualifying for derecognition as the conditions do not meet the criteria in AASB 9	247,353,294	243,943,176

(c) Security held against loans and advances

	2023 $	2022 $
Secured by mortgage over residential property	1,216,124,702	1,079,403,504
Secured by mortgage over commercial property	33,216,009	31,964,886
Total loans and advances secured by real estate	1,249,340,711	1,111,368,390
Partly secured by goods mortgage	9,194,862	9,352,369
Wholly unsecured	10,520,258	8,406,931
	1,269,055,831	1,129,127,690

(d) Credit quality of loans

A majority of the portfolio of the loan book is secured by residential property in Tasmania. Therefore the Group is exposed to risks should the property market be subject to a decline. The risk of losses from loans is primarily reduced by the nature and quality of the security obtained.

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

	2023 $	2022 $
LVR less than 80%	1,087,365,362	962,535,004
LVR more than 80% but mortgage insured	76,425,207	90,462,143
LVR more than 80% and not mortgage insured	52,334,133	26,406,357
	1,216,124,702	1,079,403,504

(e) Assets acquired through enforcement of security

	2023 $	2022 $
Real estate	-	-
Motor vehicles	-	-
	-	-

Notes to the Financial Statements
For the year ended 30 June 2023

9 Customer loans and advances (continued)

(f) Amounts arising from ECL

The loss allowance as of the year end by class of exposure/asset are summarised in the table below. Carrying values are shown exclusive of any deferred fees and/or costs.

	Gross carrying value 2023 $	ECL allowance 2023 $	Carrying value 2023 $	Gross carrying value 2022 $	ECL allowance 2022 $	Carrying value 2022 $
Residential owner occupied loans	997,882,098	(15,448)	997,866,650	877,695,191	(38,166)	877,657,025
Residential investment loans	217,302,537	(3,133)	217,299,404	200,947,848	(3,687)	200,944,161
Commercial loans	33,216,009	(485)	33,215,524	31,964,886	(3,720)	31,961,166
Personal loans	14,018,447	(141,452)	13,876,995	14,900,217	(271,021)	14,629,196
Overdrafts/ revolving credit facilities	6,636,740	(14,551)	6,622,189	3,619,548	(25,347)	3,594,201
Total	1,269,055,831	(175,069)	1,268,880,762	1,129,127,690	(341,941)	1,128,785,749

An analysis of the Group credit risk exposure per class of financial assets and 'stage' without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Notes to the Financial Statements
For the year ended 30 June 2023

9 Customer loans and advances (continued)

(f) Amounts arising from ECL (continued)

	Stage 1 12 month ECL 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Total 2023 $
Current year (2023)				
Residential owner occupied loans	988,545,491	8,881,178	455,429	997,882,098
Residential investment loans	216,905,094	397,443	-	217,302,537
Commercial loans	33,198,289	17,720	-	33,216,009
Personal loans	13,880,102	94,196	44,149	14,018,447
Overdrafts/ revolving credit facilities	6,579,030	51,188	6,522	6,636,740
Total	1,259,108,006	9,441,725	506,100	1,269,055,831

	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Total 2022 $
Prior year (2022)				
Residential owner occupied loans	874,020,776	3,429,666	244,749	877,695,191
Residential investment loans	200,713,045	234,803	-	200,947,848
Commercial loans	31,964,886	-	-	31,964,886
Personal loans	14,857,610	31,976	10,631	14,900,217
Overdrafts/ revolving credit facilities	3,520,003	86,002	13,543	3,619,548
Total	1,125,076,320	3,782,447	268,923	1,129,127,690

The reconciliation from the opening to the closing balance of the allowance for credit losses is shown in the tables on the following page.

Notes to the Financial Statements
For the year ended 30 June 2023

9 Customer loans and advances (continued)

(f) Amounts arising from ECL (continued)

	Stage 1 12 month ECL 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Total 2023 $
Customer loans and advances				
Current year (2023)				
Balance at 1 July 2022	314,035	16,355	11,551	341,941
Changes in the loss allowance				
- Net movement due to change in ECL model parameters	-	-	-	-
- Other movements due to credit risk changes	(179,406)	2,454	92,440	(84,512)
Net impairment expense movements	(179,406)	2,454	92,440	(84,512)
- Write-offs	-	-	(82,360)	(82,360)
Balance at 30 June 2023	134,629	18,809	21,631	175,069

	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Total 2022 $
Prior year (2022)				
Balance at 1 July 2021	470,983	49,596	121,362	641,941
Changes in the loss allowance				
- Net movement due to change in ECL model parameters	60,218	-	-	60,218
- Other movements due to credit risk changes	(217,166)	(33,241)	74,603	(175,804)
Net impairment expense movements	(156,948)	(33,241)	74,603	(115,586)
- Write-offs	-	-	(184,414)	(184,414)
Balance at 30 June 2022	314,035	16,355	11,551	341,941

Notes to the Financial Statements
For the year ended 30 June 2023

9 Customer loans and advances (continued)

(f) Amounts arising from ECL (continued)

Accounting policy

Loan impairment

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses.

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

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

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

12-month expected credit losses' are recognised for Stage 1 assets, while 'lifetime expected credit losses' are recognised for Stages 2 and 3. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Grouping of similar assets

As the Group's loans are homogenous in terms of borrower type and contractual repayment terms, the portfolio is currently managed through the dissection of the portfolio arrears reports. The Group has grouped exposures into the following segments on the basis that loans within the segments share similar risk characteristics:

- Residential owner occupied mortgages;
- Residential investment mortgages;
- Commercial loans;
- Personal loans; and
- Other – representing credit cards and overdrafts.

Exposures are assessed on a collective basis in Stage 1, and on an individual basis in Stages 2 & 3.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

9 Customer loans and advances (continued)

(f) Amounts arising from ECL (continued)

Accounting policy (continued)

Significant increase in credit risk

At each reporting date, the Group assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative factors. These include loans more than 30 days past due, loans with approved hardship or modified terms, and other exposures more than 14 days past due.

In assessing financial assets under the ECL model, the Group defines default as occuring when a loan obligation is 90 days past due.

Measurement of ECL

The key inputs into the measurement of ECL include the following:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below. ECL is calculated by multiplying the EAD by the PD and LGD.

PD estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future payments 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.

LGD is the magnitude of the likely loss if there is a default. The Group 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, to reflect possible changes in property prices.

9 Customer loans and advances (continued)

(f) Amounts arising from ECL (continued)

Accounting policy (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. 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.

Where appropriate, in calculating the ECL, future cash flows are discounted at the original effective interest rate of the exposure.

Sensitivity analysis and forward looking information

The Group has calculated the ECL using a probability-weighted approach, taking into consideration the following individual scenarios across the Group's loan portfolio. The scenarios, including its underlying indicators, have been developed using a combination of publicly available data, internal forecasts and third-party information to form the base case scenario.

Base Case – the scenario was prepared using reasonable and supportable information that is relevant and available without undue cost or effort at balance date. The scenario incorporates a reasonable level of portfolio stress driven by RBA forecast unemployment rates, and allows for a degradation of personal loan security values. This scenario has been probability-weighted at 70%.

Worse than Base case – this scenario considered a deterioration of borrower's capacity to repay and expected default of borrowers, a future increase in unemployment rates, and a price shock to the property market compared to the base case. This scenario has been probability-weighted at 10%.

Better than Base case - this scenario considered an improvement in the borrower's capacity to repay and expected default of borrowers, a future decrease in unemployment rates, and an improvement to the property market compared to the base case. This scenario has been probability-weighted at 20%.

The results of the sensitivity analysis performed, taking into consideration a probability weighted average of each different scenario eventuating, showed that the effect was not material compared to the Group's base case allowance for expected credit losses. The Group has elected to use the weighted average approach to measure its ECL allowance at 30 June 2023.

Notes to the Financial Statements

For the year ended 30 June 2023

	2023	2022
	$	$

9 Customer loans and advances (continued)

(f) Amount arising from ECL (continued)

Accounting policy (continued)

Sensitivity analysis and forward looking information (continued)

Given the economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possibilities.

The Group has considered external factors and key risks for provisioning and notes that whilst we have not seen evidence of financial stress and hardship on our borrowers, the significantly increased interest rate environment alongside cost of living pressures arising from relatively high inflation could potentially negatively impact a borrower's ability to repay debts. As a result, the Group increased its Stage 1 ECL provision by $71k in respect of the portfolio segment at most risk of experiencing presently unidentified future losses (unsecured personal lending).

The current economic environment results in some estimation uncertainty in relation to the measurement of the Group’s allowance for ECL which could result in an understatement or overstatement.

10 Trade and other receivables

	2023 $	2022 $
Trade and other receivables	369,591	64,400
Accrued interest receivable	843,712	234,541
	1,213,303	298,941

Notes to the Financial Statements
For the year ended 30 June 2023

11 Property, plant and equipment

	2023 $	2022 $
Land and buildings		
Freehold land		
At fair value	2,500,000	2,100,000
	2,500,000	2,100,000
Buildings		
At fair value	2,100,000	1,800,000
Accumulated depreciation	-	(96,908)
	2,100,000	1,703,092
Total Land and buildings	4,600,000	3,803,092
Plant and equipment		
Plant and equipment		
At cost	5,599,184	5,387,644
Accumulated depreciation	(4,296,801)	(3,964,417)
	1,302,383	1,423,227
Leasehold improvements		
At cost	1,216,942	1,216,942
Accumulated amortisation	(764,316)	(671,179)
	452,626	545,763
Capital works in progress		
At cost	124,281	1,969
Total property, plant and equipment	6,479,290	5,774,051

(a) Valuations of land and buildings

Properties are independently valued at frequencies not exceeding three years. Opteon Property Group was engaged to conduct an independent valuation of the Group's properties as at 30 June 2023. The valuations were performed by:

- Mark Youngman B.Bus (Acc), Dip Val, Dip Fin Inv, CA, AAPI, CPV
- Ian O'Shea B.Bus, GradDipPropVal, AAPI, CPV

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. In estimating the fair value of properties, the highest and best use of the properties is their current use. The fair value was based on a capitalisation of income supported by direct comparison to comparable properties on a rate per square meter.

Refer to note 32 for further information on fair value measurement.

Notes to the Financial Statements
For the year ended 30 June 2023

11 Property, plant and equipment (continued)

Accounting policy
Property, plant & equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on valuations by external valuers at frequencies not exceeding three years, less subsequent depreciation for buildings. The fair value is assessed on an annual basis by the Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant & equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

Buildings	40 years
Plant and equipment	3 to 15 years
Leasehold improvements	Term of the lease

Assets costing less than $2,000 are not capitalised.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Notes to the Financial Statements
For the year ended 30 June 2023

11 Property, plant and equipment (continued)

(b) Movements in carrying amounts

	Land $	Buildings $	Leasehold imp. $	Plant & equipment $	Work in progress $	Total $
Current year (2023)						
Carrying amount at beginning of year	2,100,000	1,703,092	545,763	1,423,227	1,969	5,774,051
Additions	-	-	-	173,001	254,584	427,585
Transfers between property, plant & equipment	-	-	-	119,620	(119,620)	-
Revaluation increment/(decrement)	400,000	439,685	-	-	-	839,685
Disposals	-	-	-	(41,359)	(12,652)	(54,011)
Depreciation and amortisation expense	-	(42,777)	(93,137)	(372,106)	-	(508,020)
Carrying amount at end of year	2,500,000	2,100,000	452,626	1,302,383	124,281	6,479,290

	Land $	Buildings $	Leasehold imp. $	Plant & equipment $	Work in progress $	Total $
Prior year (2022)						
Carrying amount at beginning of year	2,100,000	1,749,700	575,906	1,259,742	-	5,685,348
Additions	-	-	-	-	587,475	587,475
Transfers between property, plant & equipment	-	-	57,642	527,864	(585,506)	-
Revaluation increment/(decrement)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation and amortisation expense	-	(46,608)	(87,785)	(364,379)	-	(498,772)
Carrying amount at end of year	2,100,000	1,703,092	545,763	1,423,227	1,969	5,774,051

12 Investment property

At fair value

	2023 $	2022 $
Balance at beginning of year	3,500,001	3,500,001
Revaluation increment	1,215,000	-
Balance at end of year	4,715,001	3,500,001

The fair value model is applied to all investment property. Investment properties are revalued by the Directors annually and adjustments recorded where material. Values are based on an active liquid market and formal valuations are received by a registered independent valuer at least triennially. Details of the most recent independent valuations are contained in note 11.

The basis of the valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. In estimating the fair value of investment properties, the highest and best use of the properties is their current use. The fair value was based on a capitalisation of income supported by direct comparison to comparable properties on a rate per square meter. Lease arrangements, rental amounts and rental yields in the years following the last valuation are materially consistent with those prevailing at the time of the last valuation. Refer to note 32 for further information on fair value measurement.

Accounting policy

Investment property

Investment properties are held to earn rentals and/or capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Financial Statements
For the year ended 30 June 2023

13 Intangible assets

	2023 $	2022 $
Computer software		
At cost	3,705,587	3,705,587
Accumulated amortisation	(3,617,574)	(3,303,087)
Total intangible assets	88,013	402,500

Movement in carrying amount

	2023 $	2022 $
Balance at beginning of year	402,500	790,030
Amortisation expense	(314,487)	(387,530)
Carrying amount at end of the year	88,013	402,500

Accounting policy

Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets. Computer software held as intangible assets are held at cost and amortised over the expected useful life of the software which is between 3 - 5 years.

Impairment of non-financial assets

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

14 Deposits from customers

	2023 $	2022 $
Call deposits	500,007,239	594,101,951
Term deposits	639,666,251	453,180,481
Total deposits from customers	1,139,673,490	1,047,282,432

Accounting policy

Deposits from customers and wholesale investors

Deposits are measured at amortised cost, generally being the nominal balance outstanding to the credit of the depositor at balance date.

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

Notes to the Financial Statements
For the year ended 30 June 2023

14 Deposits from customers (continued)

Concentration of deposits from customers

	2023 $	2022 $
Tasmanian residents	1,092,314,982	1,018,806,688
Other	47,358,508	28,475,744
	1,139,673,490	1,047,282,432

The deposits above do not include any deposits from individual clients representing 10% or more of total liabilities.

15 Trade and other payables

	2023 $	2022 $
Creditors and other liabilities	1,963,138	1,848,171
Accrued interest	10,773,360	1,522,446
Total trade and other payables	12,736,498	3,370,617

Accounting policy

Trade and other payables

Creditors and other liabilities represent the liability outstanding at the end of the reporting period for goods and services received that remain unpaid. Balances are normally settled within 30 days of recognition of the liability.

Accrued interest is interest that has been recognised as an expense on an accrual basis using the effective interest rate method, but is yet to be charged to the deposit or payable.

16 Deposits from wholesale investors

	2023 $	2022 $
Term deposits	110,890,048	52,110,161
Negotiable certificates of deposit	120,435,330	111,144,778
Floating rate notes	27,500,000	-
Total deposits from wholesale investors	258,825,378	163,254,939

Concentration of deposits from wholesale investors

	2023 $	2022 $
Banks and other ADI's	157,094,782	108,586,300
Community service organisations	7,004,096	2,000,000
Insurance corporations	6,360,747	4,760,161
Registered finanical corporations	34,840,548	30,908,478
State, territory and local government	51,000,000	17,000,000
Other private non-finanical corporations	2,525,205	-
	258,825,378	163,254,939

Accounting policy for deposits from wholesale investors is included in note 14.

17 Employee benefits

	2023 $	2022 $
Accrued employee entitlements	925,694	796,644
Annual leave	820,115	728,959
Long service leave	665,079	615,128
Total employee benefits	2,410,888	2,140,731

Included in employee benefits is a non-current amount of $445,859 (2022: $387,103) relating to long service leave.

Notes to the Financial Statements
For the year ended 30 June 2023

17 Employee benefits (continued)

Accounting policy

Provision for employee benefits

Provision is made for the Group's liability for employee benefits, those benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bonds, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

18 Tax

(a) Asset

	2023 $	2022 $
Deferred tax assets comprise:		
Provision for impairment	52,521	85,485
Accrued expenses not deductible until paid	242,653	203,443
Leases (net impact)	113,142	77,073
Employee entitlements provisions	445,559	336,022
Securitisation and other	23,526	25,436
	877,401	727,459

(b) Liabilities

	2023 $	2022 $
Current year tax payable	1,665,403	526,722
Current year tax payable comprises:		
Opening balance	526,722	1,226,134
Under/(over) provision for tax in prior year	50	-
Less payments made in current year	(2,516,757)	(2,293,216)
Liability for income tax in current year	3,655,388	1,593,804
	1,665,403	526,722
Deferred tax liability comprises:		
Property, plant & equipment	1,418,571	639,212
Investments - Equity	97,873	75,955
	1,516,444	715,167

Accounting policy for tax is included in note 6.

Notes to the Financial Statements
For the year ended 30 June 2023

19 Leases

(a) Group as a lessee

Nature of the leasing activities

The Group leases 6 sites in Tasmania which are used as retail stores. These are at Devonport, Ulverstone, Burnie, Wynyard, Hobart, and Rosny. The other leases are at Hobart and relate to the Corporate Centre, car parks and signage rights, along with a billboard in Sandy Bay.

Terms and conditions of leases

The leases have initial terms of between 1 and 10 years. Some of the leases include extension options – as detailed below.

The leases contain an annual pricing mechanism based on CPI movements at each anniversary of the lease inception, or a fixed rate designed to estimate a CPI movement. There are no non-index (i.e. CPI) related variable lease payments associated with these property leases.

The Group has not committed to any other leases as a lessee.

Lease liabilities

	2023 $	2022 $
Current		
Not later than 1 year	613,121	538,835
Non-current		
Later than 1 year	3,880,165	3,785,395
Total lease liabilities	4,493,286	4,324,230

Right-of-use assets

	2023 $	2022 $
At cost	5,697,395	5,260,645
Accumulated depreciation	(1,581,249)	(1,244,709)
Total right-of-use assets	4,116,146	4,015,936

Notes to the Financial Statements

For the year ended 30 June 2023

19 Leases (cont)

(a) Group as a lessee (continued)

Right-of-use assets

Reconciliation of the carrying amount of each class of right-of-use assets is set out below:

	Land & buildings $	Total $
Balance at 1 July 2022	4,015,936	4,015,936
Depreciation charge	(453,911)	(453,911)
Additions to right-of-use assets	366,938	366,938
Changes in right-of-use assets due to changes in lease liability	187,183	187,183
Balance at 30 June 2023	4,116,146	4,116,146
Balance at 1 July 2021	4,313,632	4,313,632
Depreciation charge	(445,650)	(445,650)
Additions to right-of-use assets	30,092	30,092
Changes in right-of-use assets due to changes in lease liability	117,862	117,862
Balance at 30 June 2022	4,015,936	4,015,936

The maturity analysis of leases liabilities based on contractual undiscounted cash flows is shown in the table below.

	2023 $	2022 $
Not later than 1 year	618,859	559,765
Later than 1 year and not later than 5 years	2,342,209	2,111,143
Later than 5 years	3,047,137	3,156,761
Total	6,008,205	5,827,669

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

Extension options

A number of the building leases contain extension options which allow the Group to extend the lease term beyond the non-cancellable period. These option periods range from 1 year to 15 years across these leases.

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises.

At commencement date, and at each subsequent reporting date, the Group assesses the extension options on leases.

When it is reasonably certain that options will be exercised, the potential lease payments are included in lease liabilities.

19 Leases (continued)

(a) Group as a lessee (continued)

Income statement and Cash Flow Statement

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

	2023 $	2022 $
Income Statement Items		
Interest expense on lease liabilities	(215,161)	(219,569)
Rental expense relating to short-term leases	-	-
Rental expense relating to low-value assets	(15,682)	(16,879)
Income from sub-leasing right-of-use assets	(25,208)	(30,882)
Statement of Cash Flows Items		
Cash outflow for lease liability reduction (excluding interest)	(385,065)	(346,663)

Exemptions applied

The Group has applied the exemptions relating to short-term leases and leases of low-value assets, as described in the leases accounting policy note. As at 30 June 2023, the Group is not committed to any short-term leases.

Key assumptions used in calculations

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

Assessment of lease term – as discussed above, this considers consideration of extension options on a lease by lease basis.

Determination of the appropriate rate to discount the lease payments – AASB 16 requires lessees to discount lease payments using the rate implicit in the lease or, if that rate is not available, the incremental borrowing rate which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. As the Group has no implicit rates within its leases, the Group has used an incremental borrowing rate determined based on consideration of reference rates for commercial lending, lease terms and a lease specific adjustment considering the 'secured borrowing' element of the leases.

Notes to the Financial Statements

For the year ended 30 June 2023

19 Leases (continued)

(a) Group as a lessee (continued)

Accounting policy

Leases - Group as a lessee

At inception of a contract, the Group assesses whether a lease exists – i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to separate non-lease components from lease components and has accounted for payments separately, rather than as a single component.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used. Typically the Group uses its incremental borrowing rate as the discount rate.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets (defined by the Group as $10,000). Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets such as software licences continue to be accounted for under AASB 138 *Intangible Assets*, regardless of whether the arrangement would otherwise meet the AASB 16 *Leases* definition.

	2023	2022
	$	$

19 Leases (continued)

(b) Group as a lessor

OPERATING LEASES

Nature of leasing activities

The Group receives rental income from various tenants who lease a portion of the land and buildings owned by the Group in Tasmania. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment properties in the Statement of Financial Position (refer note 12).

Terms and conditions of leases

These operating lease contracts contain extension options at the right of the lessee. All contracts contain market review clauses in the event that the lessee exercises its options to renew.

The Group manages the risk associated with the underlying investment property via appropriate insurance coverage and use of real estate agents where appropriate.

Income statement

The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income relating to operating leases where the Group is a lessor (i.e. investment properties) are shown below:

Item	2023 $	2022 $
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	326,715	311,987
Total lease/rental income relating to investment properties	326,715	311,987
Direct operating expenses (including repairs & maintenance) arising from investment property that generated rental income during the period	6,496	24,333
Total direct operating expenses relating to investment properties	6,496	24,333

Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

Maturity Analysis	2023 $	2022 $
< 1 year	345,648	308,268
1 - 2 years	308,180	181,416
2 - 3 years	200,715	181,416
Total undiscounted lease payments	854,543	671,100

FINANCE LEASES

Nature of the leasing activities

The Group is not the lessor in any arrangements assessed as finance leases.

19 Leases (continued)

(b) Group as a lessor (continued)

Accounting policy

Leases - Group as a lessor

The lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When the Group has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers.* The lease income is recognised on a straight-line basis over the lease term.

20 Borrowings

	2023 $	2022 $
RBA Term Funding Facility:		
Balance at the beginning of the year	48,476,476	48,476,476
Add: Funding obtained	-	-
Less: Repayments	(14,980,570)	-
Balance at the end of the year	33,495,906	48,476,476
Subordinated Debt:		
Balance at the beginning of the year	5,000,000	-
Add: Funding obtained	-	5,000,000
Less: Repayments	-	-
Balance at the end of the year	5,000,000	5,000,000
Total borrowings	38,495,906	53,476,476

Recognition and measurement

RBA Term Funding Facility (TFF)

The TFF was established by the RBA in 2020 to provide low cost funding to ADI's to support operations during COVID-19 related economic downturn. The entire balance recorded by Bank of us at 30 June 2023 is due to be repaid prior to 30 June 2024.

The collateral used to access the facility is currently $39,800,000 (16.93% Encumbered) Class A notes for the Tamar Trust. The Group has no remaining funding allowance available at the balance date as the facility was closed to new drawdowns on 30 June 2021.

20 Borrowings (continued)

The TFF is measured at amortised cost and recognised as the aggregate amount of money owing to the Reserve Bank of Australia (RBA) as part of the reciprocal purchase transaction. The amount of interest accrued at balance date is shown as part of the accrued interest payable balance at note 15.

Subordinated Debt

The Company has issued $5,000,000 subordinated floating rate notes for a period of ten years maturing on 22 October 2031 with an option to redeem at par value after 5 years subject to APRA approval.

Interest is paid quarterly in arrears based on the 3 month Bank Bill rate plus a margin of 250 basis points.

21 Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records revaluations of land and buildings.

(b) General reserve

The general reserve records funds set aside for future expansion of the Group.

(c) Credit asset impairment reserve

In addition to the expected credit loss provision (refer note 9), the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon the level of security taken as collateral.

(d) Financial asset reserve

The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income.

22 Segment information

The Group operates in predominantly one business and geographical segment, being the finance industry in Australia, primarily in the State of Tasmania.

Notes to the Financial Statements
For the year ended 30 June 2023

23 Cash flow information

(a) Operating cash flows reconciliation

Net profit after income tax is reconciled to net cash flows from operations as follows:

	2023 $	2022 $
Net profit	9,436,684	5,170,604
Non-cash flows in profit		
Depreciation and amortisation of property, plant & equipment and right-of-use assets	961,931	944,421
Amortisation of intangibles	314,487	387,530
Loss/(Gain) on disposal of property, plant & equipment and investment properties	12,011	(200)
(Gain) on revaluation of investment properties	(1,215,000)	-
Impairment expense/(reversal of impairment expense)	(82,360)	(184,414)
Changes in assets and liabilities		
Trade and other receivables	(914,362)	(66,173)
Prepayments	108,028	31,390
Deferred tax	392,702	154,595
Employee benefits	270,157	115,720
Trade and other payables	234,947	(217,472)
Accrued interest - deposits	9,250,914	(91,216)
Current tax payable	1,138,681	(699,412)
	19,908,820	5,545,373
Net increase in loans and advances	(140,192,255)	(112,370,396)
Net movement in wholesale deposits	95,570,439	60,659,465
Net movement in customer deposits	92,271,078	52,180,895
Net movement in deposits to other financial institutions	(24,275,122)	(41,866,002)
Net cash flow from operating activities	43,282,960	(35,850,665)

(b) Credit standby arrangements

As at the reporting date, the Group does not have any standby credit arrangements in place (2022: nil).

(c) Cash flows presented on a net basis

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

(i) customer deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables: and
(iii) movements in investment securities.

24 Transfer of financial assets

The Company has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Tamar Trust for securing the ability to obtain liquid funds from the Reserve Bank of Australia ('RBA') in the event of a liquidity crisis. These loans are not de-recognised as the Company retains the benefits of the Trust until such time as a drawing is required. The Trust was created on 25 July 2018 and was approved by the RBA on 24 July 2018.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred to the Trust.

Securitised loans retained on the Consolidated Statement of Financial Position (not de-recognised)

The values of securitised loans which are not qualified for de-recognition as conditions do not meet the accounting standards criteria are set out below. At least 98% of the loans must be variable interest rate loans, hence the book value of the loans transferred equates to the fair value of these loans.

The associated liabilities are equivalent to the book value of the loans reported.

	2023 $	2022 $
Consolidated Statement of Financial Position values		
Cash at bank	12,600,927	15,397,764
Intercompany receivable (securitised loans)	247,353,294	243,943,176
Other receivables	92	90
RMBS Class A & B notes	(258,500,000)	(258,500,000)
Other liabilities	(1,454,193)	(840,910)
Net	120	120
Carrying amounts of loans not derecognised as at the time of transfer	80,819,988	95,115,562

As the loans in the Trust pool are repaid, the funds remain in the Trust until such time a top-up is required to replace the funds with additional loans to maintain the balance of the Class A notes. In the 2023 financial year, the Trust completed four top-ups, with $80.8m worth of loans sold to the Trust and the Company receiving the same value from the Trust.

Repurchase obligations Tamar Trust

The Tamar Trust is a trust established by the Company to facilitate liquidity requirements of APRA's prudential standards. The trust has an independent Trustee. For Tamar Trust, the Company receives notes eligible to be sold to the Reserve Bank Australia should the liquidity needs not be satisfied by normal operational liquidity. The notes are secured over residential mortgage-backed securities (RMBS).

The Company has financed the loans and receives the net gains or losses from the Trust after trustee expenses. The Company is obliged to manage the loan portfolio in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the notes received. The Company retains the credit risk of losses arising from the loan default or security decline and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Tamar Trust fails to meet the Trust's criteria, the Company is obliged to repurchase those loans and may substitute equivalent qualifying loans into the trust.

25 Financial risk management

(a) Risk management objectives and policies

The Group's activities expose it to a variety of financial risks including; market and interest rate risk, credit risk, liquidity risk, capital and operational risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk. The independent risk control process does not include business risk such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Group manages these risks on a daily basis through the operational responsibilities of Executives and Senior Management. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

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

The Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Capital management

The Group is bound by the prudential standards as set by the prudential regulator, APRA. Under the standards governing capital, ADIs are required to hold capital equivalent to 8% of its risk weighted assets as measured under the relevant prudential standards. The Board has established a target capital ratio with a preferred range of 14.76% - 17.00%.

The Group has to date sourced capital from profits generated from the business, general reserves, asset revaluation reserves, general reserve for credit losses and subordinated debt. In an organic environment, the Group will endeavour to manage its capital ratio via normal operating conditions. Those will include initiatives such as:

- Improving the Group's profitability;
- Managing the Group's asset portfolio to ensure that the Group is not over exposed in higher risk weighted assets;
- Prudent management of the Group's interest rates to ensure products are priced adequately to reflect the various levels of risk associated with the product;
- Ensure that the Group is adequately protected from market risk;
- Ensure that other risks facing the Group are effectively monitored and managed; and
- Managing the rate of growth.

25 Financial risk management (continued)

(b) Capital management (continued)

The Group prepares an annual budget together with a three year financial plan. The plan includes planned growth, projected projects and financial projections for the next three years and predicts capital adequacy for each of these periods.

Management review the budgeted profit levels to ensure the Group receives a return on assets which keeps capital adequacy above internal limits.

On a monthly basis, management review actual accounting results against budgeted results. Management will also review the capital adequacy ratio on a monthly basis. Such results are provided to the Board each month.

During the past year the Group has complied in full with all its externally imposed capital requirements. The relevant amounts at 30 June, were:

Capital adequacy ratio calculation

	2023 $	2022 $
Net tier 1 capital	94,650,219	83,838,403
Net tier 2 capital	7,265,616	6,940,436
Total capital	101,915,835	90,778,839

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

2023	2022	2021	2020	2019
16.39%	15.51%	14.40%	14.54%	15.87%

From 1 January 2023 a revised APRA standard, *APS 112 Capital Adequacy: Standardised Approach to Credit Risk* came into effect. This revised standard introduced a more granular level of data reporting to APRA as well as introducton of new risk weight categories and amendments to existing risk weighting for a range of assets including exposures secured by residential properties. The definition of residential exposures was extended to include any exposure secured by a residential property.

From 1 January 2023 a revised *APS 110 Capital Adequacy* came into effect. This introduced a revised methodology for calculating the operational risk component of risk weighted assets which allowed for 10% of risk weight assets arising from credit risk to be used as the operational risk amount, which resulted in a reduction of total risk weighted assets. The revised APS 110 also introduced an additional capital requirement in the form of a countercyclical capital buffer, which APRA can determine to be 0% to 3.5% of total risk weighted assets. Throughout the period 1 January 2023 to 30 June 2023 this was 1.0%.

The revisions to exposure classifications and risk weights to be applied to some exposure classes resulted in a favourable position for the capital adequacy ratio at 30 June 2023 compared to prior years.

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

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(c) Market risk (continued)

Market risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group is primarily exposed to market risk arising from changes in market interest rates due to mismatches between repricing terms of financial assets and liabilities. The Group predominantly maintains an 'on book' strategy by ensuring the net difference between asset and liability maturities are not excessive. Financial instruments held by the Group do not give rise to any material direct exposure to currency or equity price risk.

The management of market risk is the responsibility of the Assets and Liability Committee.

Value at risk model

The Group monitors its interest rate risk exposure by the use of the value at risk model (VaR). VaR is a simulation model used to assess changes in the market value of financial instruments based on historical data from the past six years. It should be noted that because the VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the Group utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage interest rate risk.

The VaR that the Group measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of the 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Group's risk appetite statement states that as a percentage of capital the Group's preferred 20-day VaR is <2%. The following table shows the VaR for the Group over different holding periods at a 99% confidence level.

2023

Holding Period	VaR at 99% confidence level	99% as a Proportion of Capital
1 Day	(155,163)	-0.16%
10 Days	n/a	n/a
20 Days	(693,908)	-0.72%
1 Year	(2,453,336)	-2.55%

2022

Holding Period	VaR at 99% confidence level	99% as a Proportion of Capital
1 Day	(238,044)	-0.26%
10 Days	n/a	n/a
20 Days	(1,064,566)	-1.18%
1 Year	(3,763,808)	-4.18%

25 Financial risk management (continued)

(c) Market risk (continued)

Interest rate exposure

The Group’s policy is to manage its finance costs using a mix of fixed and variable rate debt. Management periodically reviews its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The Board has approved a policy to use interest rate swaps in order to hedge exposures should the need arise.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Board's objective in setting the credit risk appetite is to reduce risk to as low as reasonably practicable to achieve the desired strategic goals. The Board's risk appetite is incorporated in the Risk Appetite Statement and reflected in the Credit Risk Policy and the procedures and controls implemented to support the policy in each business unit.

Credit risk - loans

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

The Group has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and
- Debt recovery procedures; and
- Review of compliance with the above policies.

The Company entered into a commitment deed with SocietyOne, a peer to peer lender of personal loans, on the 16th June 2017.

As at 30 June 2023, $197,042 in funds remain as personal loans (2022: $730,210) and a further $33,361 (2022: $83,123) in funds remain as a cash balance with SocietyOne. Funds allocated to personal loans have been recognised as personal loans (refer note 9) while funds held with SocietyOne have been recognised as an investment (refer note 8).

25 Financial risk management (continued)

(d) Credit risk (continued)

Collateral Securing Loans

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

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

The Board policy is to maintain at least 65% of the loans in well secured residential mortgages which carry an 80% LVR or less. Note 9 describes the nature and extent of the security held against the loans held as at the reporting date.

Concentration risk - individuals

Concentration risk is a measurement of the Group's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Group's regulatory capital 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.

The Group holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

Concentration risk - industry

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

Credit Risk - Liquid investments

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

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board policy is to maintain counterparty limits with A1+, A1 and A2 rated institutions to maximum of 50% of capital and other A3 or unrated institutions to a maximum of 25% of capital.

25 Financial risk management (continued)

(d) Credit risk (continued)

Refer to note 8 with regards to credit quality of placements with other financial institutions.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk, including both on balance sheet and off-balance sheet exposure is:

	2023 $	2022 $
On-balance sheet exposure		
Cash at bank and on hand	102,073,573	74,541,833
Customer loans and advances (gross)	1,269,055,831	1,129,127,690
Investment securities	166,238,968	141,963,846
Trade receivables	1,213,303	298,941
Other investments	422,389	399,967
Total on-balance sheet exposure	1,539,004,064	1,346,332,277

Information on the credit quality and collateral obtained in relation to these on balance sheet credit exposures is detailed in notes 8 & 9.

	2023 $	2022 $
Off-balance sheet exposures		
Loans approved not yet funded	83,091,588	70,889,854
Undrawn overdraft and revolving credit limits	3,158,320	1,498,472
Undrawn credit card limits	7,309,311	7,357,578
Redraw facilities on term loans	123,040,443	86,833,220
Undrawn line of credit	1,906,986	2,886,017
Total off-balance sheet exposures	218,506,648	169,465,141
Maximum exposure to credit risk	1,757,510,712	1,515,797,418

	2023 $	2022 $
Security held against off-balance sheet exposures		
Secured by mortgage over residential property	207,322,369	160,687,014
Partly secured by goods mortgage	198,250	312,193
Secured by funds	43,043	26,859
Unsecured	10,942,986	8,439,075
Total security held against off-balance sheet exposures	218,506,648	169,465,141

(e) Liquidity Risk

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

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(e) Liquidity Risk (cont)

The Group manages liquidity risk by:
- continuously monitoring actual daily cash flows and longer term forecast cash flows;
- monitoring the maturity profiles for financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- monitoring the prudential liquidity ratio daily.

The Group is required to maintain at least 9% of total adjusted liabilities as liquid assets (Minimum Liquidity Holdings 'MLH') capable of being converted to cash within 48 hours under the APRA prudential standard 'APS 210 Liquidity'. In order to ensure compliance with the requirements of APS 210 the Group became a non-transaction RITS (Reserve Bank Information and Transfer System) member with the RBA. RITS is Australia's high-value payment system which is used by authorised deposit taking institutions (ADI's) to settle payment obligations on a real time gross settlement basis. This membership also enables the Group to enter into a repurchase (or repo) agreement with the RBA. A repo agreement is the purchase or sale of securities with an agreement to sell or buy back the securities at an agreed date and price in the future. This facility therefore ensures that the Group has the ability to liquidate MLH assets within 48 hours as required by APS 210.

The Group's policy is to apply a minimum of 10.5% of funds as MLH assets to maintain adequate funds for meeting client withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level Management and the Board are to address the matter and ensure that additional MLH funds are obtained from new deposits and available borrowing facilities.

In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The total liquidity ratio at 30 June 2023 was 16.18% (2022: 15.00%). The MLH ratio as at 30 June 2023 was 15.72% (2022: 11.74%).

Refer note 16 for details regarding concentration of deposits.

Credit Union Financial Support Scheme

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

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

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(e) Liquidity risk (continued)

Internal securitisation and RBA repurchase
Securitisation risk is the risk of potential loss associated with securitisation activities. The Group maintains an internal securitisation facility to enable it to secure funds from the Reserve Bank of Australia ('RBA'), if required, to meet emergency liquidity requirements. As at 30 June 2023, the Group held $258,500,000 (2022: $258,500,000) of securities available to be used for RBA repurchase to meet emergency liquidity requirements.

In accordance with APS 120 Securitisation, no additional capital will be held for the risks posed by the securitisation activity, as this is an internal securitisation activity. The Group remains exposed to the credit risk arising from the assets (securitised loans).

Maturity analysis of financial instruments
Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid) and include any interest accrued but not yet paid which is disclosed as part of trade debtors or trade creditors. Accordingly these values will not agree to the statement of financial position.

	Carrying amount $	Contractual cash flows $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	No maturity $
2023								
Financial liabilities								
Call deposits	500,008,165	500,008,165	500,008,165	-	-	-	-	-
Retail term deposits	648,604,315	657,732,668	116,534,519	197,638,536	330,588,439	12,971,174	-	-
Wholesale term deposits	111,842,303	113,181,576	13,145,967	56,472,018	43,563,591	-	-	-
Negotiable certificates of deposit	121,120,513	122,000,000	24,500,000	92,500,000	5,000,000	-	-	-
Floating rate notes	27,612,211	28,993,152	-	340,374	28,652,778	-	-	-
Borrowings	38,580,627	41,500,332	77,078	11,651,773	22,213,831	1,313,347	6,244,304	-
Trade and other payables	1,963,138	1,963,138	1,963,138	-	-	-	-	-
On-balance sheet	1,449,731,272	1,465,379,032	656,228,867	358,602,701	430,018,639	14,284,521	6,244,304	-
Undrawn credit commitments	218,506,648	218,506,648	218,506,648	-	-	-	-	-
Total financial liabilities	1,668,237,920	1,683,885,680	874,735,515	358,602,701	430,018,639	14,284,521	6,244,304	-
Financial assets								
Cash	102,073,573	102,073,573	102,073,573	-	-	-	-	-
Trade and other receivables	369,591	369,591	369,591	-	-	-	-	-
Investment securities	167,082,680	169,446,626	16,231,797	80,545,755	58,122,556	14,513,156	-	33,361
Customer loans and advances	1,269,820,829	2,261,097,843	8,818,017	17,941,337	80,315,271	412,939,041	1,741,084,177	-
Other investments	422,389	422,389	-	-	-	-	-	422,389
Total financial assets	1,539,769,062	2,533,410,021	127,492,978	98,487,092	138,437,827	427,452,197	1,741,084,177	455,750

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturity analysis of financial instruments (continued)

	Carrying amount $	Contractual cash flows $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	No maturity $
2022								
Financial liabilities								
Call deposits	594,102,977	594,102,977	594,102,977	-	-	-	-	-
Retail term deposits	454,358,666	454,630,901	85,899,455	143,649,421	207,895,324	17,186,701	-	-
Wholesale term deposits	52,193,911	52,421,182	13,014,910	19,417,949	19,988,323	-	-	-
Negotiable certificates of deposit	111,283,205	111,500,000	42,500,000	66,000,000	3,000,000	-	-	-
Borrowings	53,597,534	56,257,841	-	-	15,110,506	35,038,306	6,109,029	-
Trade and other payables	1,848,171	1,848,171	1,848,171	-	-	-	-	-
On balance sheet	1,267,384,464	1,270,761,072	737,365,513	229,067,370	245,994,153	52,225,007	6,109,029	-
Undrawn credit commitments	169,465,141	169,465,141	169,465,141	-	-	-	-	-
Total financial liabilities	1,436,849,605	1,440,226,213	906,830,654	229,067,370	245,994,153	52,225,007	6,109,029	-
Financial assets								
Cash	74,541,833	74,541,833	74,541,833	-	-	-	-	-
Trade and other receivables	64,399	64,399	64,399	-	-	-	-	-
Investment securities	142,198,388	143,083,123	22,000,000	33,000,000	32,000,000	56,000,000	-	83,123
Customer loans and advances	1,129,546,214	1,584,276,237	6,286,712	13,003,877	58,166,162	296,760,211	1,210,059,275	-
Other investments	399,967	399,967	-	-	-	-	-	399,967
Total financial assets	1,346,750,801	1,802,365,559	102,892,944	46,003,877	90,166,162	352,760,211	1,210,059,275	483,090

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(e) Liquidity risk (continued)

Effective interest rates and repricing analysis

The tables for both the 2023 and 2022 financial years detail the exposure of the Group's assets and liabilities to interest rate risk. The amount shown represents the face vale of assets and liabilities. Term Deposits and investment securities include interest accrued to the reporting date.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets for liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is a historical rate. The bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

	Weighted avg interest %	Carrying amount $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	Non-interest bearing $
2023								
Financial liabilities								
Call deposits	1.31%	500,008,165	500,008,165	-	-	-	-	-
Retail term deposits	3.67%	648,604,315	114,299,113	194,425,612	327,088,465	12,791,125	-	-
Wholesale term deposits	4.67%	111,842,303	13,115,987	56,044,123	42,682,193	-	-	-
Negotiable certificates of deposit	4.42%	121,120,513	24,445,217	91,730,291	4,945,005	-	-	-
Floating rate notes	5.43%	27,612,211	-	27,612,211		-	-	
Borrowings	0.89%	38,580,627	5,000,000	11,649,578	21,931,049	-	-	-
Trade and other payables	N/A	1,963,138	-	-	-	-	-	1,963,138
Total financial liabilities		1,449,731,272	656,868,482	381,461,815	396,646,712	12,791,125	-	1,963,138
Financial assets								
Cash	2.90%	102,073,573	102,073,573	-	-	-	-	-
Trade and other receivables	N/A	369,591	-	-	-	-	-	369,591
Investment securities	4.27%	167,082,680	42,664,643	99,800,219	21,767,345	2,850,473	-	-
Customer loans and advances	5.41%	1,269,820,829	992,453,384	37,145,516	146,992,283	93,196,286	-	33,361
Other investments	N/A	422,389	-	-	-	-	-	422,389
Total financial assets		1,539,769,062	1,137,191,600	136,945,735	168,759,628	96,046,759	-	825,341

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

(e) Liquidity risk (continued)

Effective interest rates and repricing analysis (continued)

	Weighted avg interest %	Carrying amount $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Later than 5 years $	Non-interest bearing $
2022								
Financial liabilities								
Call deposits	0.44%	594,102,977	594,102,977	-	-	-	-	-
Retail term deposits	0.79%	454,358,666	85,898,126	143,649,805	207,653,167	17,157,568	-	-
Wholesale term deposits	1.30%	52,193,911	13,020,893	19,381,099	19,791,919	-	-	-
Negotiable certificates of deposit	1.25%	111,283,205	42,485,514	65,818,830	2,978,861	-	-	-
Borrowings	0.33%	53,597,534	-	-	-	53,597,534	-	-
Trade and other payables	N/A	1,848,171	-	-	-	-	-	1,848,171
Total financial liabilities		1,267,384,464	735,507,510	228,849,734	230,423,947	70,755,102	-	1,848,171
Financial assets								
Cash	0.45%	74,541,833	74,541,833	-	-	-	-	-
Trade and other receivables	N/A	64,399	-	-	-	-	-	64,399
Investment securities	1.16%	142,198,388	50,262,420	64,992,825	22,931,010	4,012,133	-	-
Customer loans and advances	3.29%	1,129,546,214	1,036,342,867	3,944,111	42,428,347	46,830,889	-	-
Other investments	N/A	399,967	-	-	-	-	-	399,967
Total financial assets		1,346,750,801	1,161,147,120	68,936,936	65,359,357	50,843,022	-	464,366

Notes to the Financial Statements
For the year ended 30 June 2023

25 Financial risk management (continued)

Accounting policy

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs.

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 of financial assets

On initial recognition, financial assets are classified into the following categories:
- amortised cost; or
- fair value through other comprehensive income (FVOCI).

Subsequent measurement of financial assets

Financial assets at amortised cost

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

- 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 assets are measured at amortised cost using the effective interest method, less provision for impairment. Interest income and impairment are recognised in profit or loss. Customer loans and advances fall within this category.

Loan origination fees

Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective interest rate are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of interest revenue.

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. The amounts brought to account are included as part of interest revenue.

25 Financial risk management (continued)

Accounting policy

Financial assets and liabilities (cont)

Financial assets 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 – Australian Settlements Limited.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. There were no changes to any of the Group business models during the current year (2022: None).

Credit-impaired financial assets

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

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

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

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

Write-off

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

26 Financial commitments

(a) Credit commitments

The Group had binding commitments to extend credit, which are reflected as off-balance sheet exposures in note 25(d). These represent agreements to lend to a customer as long as there is no violation of any condition in the contract.

(b) Capital expenditure commitments

	2023 $	2022 $
Capital expenditure commitments contracted for purchase of:		
- Property, plant & equipment (not later than 1 year)	-	112,826
	-	112,826

27 Related party disclosures

(a) Names of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Group and members of the executive management listed below, who are responsible for the day to day financial and operational management of the Group.

The following were key management personnel of the Group at any time during the reporting period and unless indicated otherwise were key management personnel for the entire period.

Directors

Helen Galloway (Chair)
Scott Newton
Stephen Brown
Kathryn McCann
Robert King
Mark Nugent

Executives

Paul Ranson	Chief Executive Officer
Gerald White	Chief Financial Officer and Company Secretary
Jill Jetson-Shumbusho	Chief Customer & People Officer
Nicholas Bird	Chief Information Officer
Natasha Whish-Wilson	Chief Risk Officer

(b) Key management personnel compensation

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

	2023 $	2022 $
Short term benefits	1,791,850	1,648,681
Post Employment benefits	171,397	145,350
Other long term benefits	25,465	25,907
	1,988,712	1,819,938

27 Related party disclosures (continued)

(b) Loans to key management personnel

The Group has provided loans to a number of key management personnel. The aggregate amount of transactions in relation to these loans as at balance date are:

	2023 $	2022 $
Loans advanced during the year	2,698,305	2,828,287
Loan redraws during the year	309,569	321,835
Interest revenue recognised	147,041	141,420
Loan repayments received during the year	1,467,306	4,203,781
Balance of loans outstanding at year end	6,157,114	5,363,597

The Group's policy for lending to Directors is that all loans are approved on the same terms and conditions which applied to customers of each class of loan. Key management personnel who are not Directors are entitled to the benefits package offered through the Group's staff benefits program on the same basis as available to all employees. There are no loans which are impaired in relation to the loan balances with Directors or other key management personnel.

There are no benefits or concessional terms and conditions applicable to close family members of key management personnel. There are no loans with close family members of key management personnel which are impaired.

(c) Deposits from key management personnel

The Group holds deposits from key management personnel. All transactions have been entered into on the same terms and conditions as those available to other members.

	2023 $	2022 $
Total balance of deposits	3,183,196	2,421,584
Interest expense recognised	5,175	810

There are no benefits or concessional terms and conditions applicable to close family members of key management personnel.

(d) Other transactions with related parties

The Group and/or borrowing clients have received services from entities related to Directors. Scott Newton is currently CEO of Knight Frank Tasmania and IPST Pty Ltd, the ownership entity controlling Knight Frank Tasmania. During the year the Group has leased premises and car parks from Nekon Pty Ltd via managing agent Knight Frank. All transactions have been entered into on terms and conditions no more favourable than those available to other suppliers.

	2023 $	2022 $
Rent expense and car parking lease - Nekon Pty Ltd	269,546	284,146

As at 30 June 2023 there were no amounts owing to Nekon Pty Ltd (30 June 2022: nil).

Notes to the Financial Statements
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28 Auditors' remuneration
Amounts received or due and receivable by the external auditor (or related entity) of the Group (excluding GST) for:

	2023 $	2022 $
Audit of the financial statements of the Group	99,652	94,891
Other regulatory assurance services	28,132	23,263
Other assurance services	30,837	-
Other services	45,985	-
	204,606	118,154

Other transactions between the external auditor (or related entity) and the Group (excluding GST):

	2023 $	2022 $
Mortgage broking commissions paid to related entity of external auditor	1,206	1,964
Lease premises rental income received from related entity of external auditor	-	32,185

All transactions have been entered into on terms and conditions no more favourable than those available to other customers or suppliers.

29 Subsequent events
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

30 Parent entity disclosures
As at 30 June 2023, and throughout the financial year, the parent of the Group was B&E Ltd.

The financial results of the parent entity are:

	2023 $	2022 $
Results of the parent entity		
Profit for the year	9,436,684	5,170,604
Other comprehensive income	603,474	721
Total comprehensive income for the year	10,040,158	5,171,325
Financial position of the parent entity		
Total assets	1,801,697,222	1,605,622,635
Total liabilities	1,704,802,142	1,519,029,157
Reserves	96,895,080	86,593,478
Commitments for the acquisition of property, plant & equipment and intangibles (not later than 1 year)	-	112,826

The parent entity prepares its statement of financial position on a liquidity basis and therefore current assets and liabilities are not identified.

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

As a member of CUFSS, Bank of us may be called upon by CUFSS to contribute to emergency liquidity loans for one or more other CUFSS members up to a limit of 3% of Bank of us' assets with a $100M maximum. At balance date there has been no direction received in relation to this guarantee.

32 Fair value measurement

Net fair values - financial instruments
The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are as follows:

Financial Instruments	Total carrying amount		Aggregate net fair value	
	2023 $	2022 $	2023 $	2022 $
Financial Liabilities				
Call deposits	500,008,165	594,102,977	500,008,165	594,102,977
Retail term deposits	648,604,315	454,358,666	637,048,039	449,367,143
Wholesale term deposits	111,842,303	52,193,911	111,906,286	52,090,725
Negotiable certificates of deposit	121,120,513	111,283,205	121,145,345	111,284,315
Floating rate notes	27,612,211	-	27,826,315	-
Borrowings	38,580,627	53,597,534	38,680,044	52,504,181
Trade & other payables*	1,963,138	1,848,171	1,963,138	1,848,171
Total Financial Liabilities	1,449,731,272	1,267,384,464	1,438,577,332	1,261,197,512
Financial Assets				
Cash	102,073,573	74,541,833	102,073,573	74,541,833
Trade & other receivables*	369,591	64,399	369,591	64,399
Investment securities	167,082,680	142,198,388	167,284,260	142,889,063
Loans & advances	1,269,820,829	1,129,546,214	1,258,297,418	1,131,167,420
Other investments	422,389	399,967	422,389	399,967
Total Financial Assets	1,539,769,062	1,346,750,801	1,528,447,231	1,349,062,682

** Interest receivable or interest payable is included as part of the fair value of the various financial instruments.*

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

Recognised financial instruments
Call deposits & term deposits
The carrying amount approximates fair value for call deposits as they are at call. The fair value of term deposits are estimated using discounted cash flow analysis based on current market rates for term deposits.

The Group has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Group as outlined in note 25(b).

Negotiable Certificates of Deposit and Floating Rate Notes
The fair value approximates their carrying amounts, with short-term maturities that closely match the estimated future cash flows.

32 Fair value measurement (continued)

Recognised financial instruments (continued)

Borrowings

The carrying amount is equivalent to principal owing plus interest accrued but not paid. The fair value includes interest to be charged and has been estimated using the rates currently offered for similar liabilities with remaining maturities.

Trade & other payables

The carrying amount approximates fair value as they are short term in nature.

Cash & cash equivalents

The carrying amount approximates fair value because they have either a short term to maturity or are receivable on demand.

Trade & other receivables

The carrying amount approximates fair value as they are short-term in nature.

Investment securities

The fair value of investment securities that are not traded in an active market are determined using discounted cash flow analysis with terms to maturity that match, as closely as possible, the estimated future cash flows.

Customer loans & advances

The carrying value of customer loans is net of unearned income and impairment provision for doubtful debts. The net fair value for loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio of future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term.

Notes to the Financial Statements
For the year ended 30 June 2023

32 Fair value measurement (continued)

Fair Value Hierarchy
The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

	Notes	Fair Value as at 30 June 2023			
		Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value					
Investment property	12	-	4,715,001	-	4,715,001
Land & buildings	11	-	4,600,000	-	4,600,000
Other investments	10	-	-	422,389	422,389
Total assets measured at fair value		-	9,315,001	422,389	9,737,390
Assets for which fair value is disclosed					
Cash		-	102,073,573	-	102,073,573
Trade & other receivables		-	-	369,591	369,591
Investment securities		-	167,284,260	-	167,284,260
Customer loans and advances		-	-	1,258,297,418	1,258,297,418
Total assets for which fair value is disclosed		-	269,357,833	1,258,667,009	1,528,024,842
Liabilities for which fair values are disclosed					
Call deposits		-	500,008,165	-	500,008,165
Retail term deposits		-	637,048,039	-	637,048,039
Wholesale term deposits		-	111,906,286	-	111,906,286
Negotiable certificates of deposit		-	121,145,345	-	121,145,345
Floating rate notes		-	27,826,315	-	27,826,315
Borrowings		-	38,680,044	-	38,680,044
Trade & other payables		-	-	1,963,138	1,963,138
Total liabilities for which fair values are disclosed		-	1,436,614,194	1,963,138	1,438,577,332

Notes to the Financial Statements
For the year ended 30 June 2023

32 Fair value measurement (continued)

Fair Value Hierarchy (continued)

	Notes	Fair Value as at 30 June 2022			
		Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value					
Investment property	12	-	3,500,001	-	3,500,001
Land & buildings	11	-	3,803,092	-	3,803,092
Other investments	10	-	-	399,967	399,967
Total assets measured at fair value		-	7,303,093	399,967	7,703,060
Assets for which fair values are disclosed					
Cash		-	74,541,833	-	74,541,833
Trade & other receivables		-	-	64,399	64,399
Investment securities		-	142,889,063	-	142,889,063
Customer loans and advances		-	-	1,131,167,420	1,131,167,420
Total assets for which fair value is disclosed		-	217,430,896	1,131,231,819	1,348,662,715
Liabilities for which fair values are disclosed					
Call deposits		-	594,102,977	-	594,102,977
Retail term deposits		-	449,367,143	-	449,367,143
Wholesale term deposits		-	52,090,725	-	52,090,725
Negotiable certificates of deposit		-	111,284,315	-	111,284,315
Borrowings		-	52,504,181	-	52,504,181
Trade & other payables		-	-	1,848,171	1,848,171
Total liabilities for which fair values are disclosed		-	1,259,349,341	1,848,171	1,261,197,512

Notes to the Financial Statements
For the year ended 30 June 2023

32 Fair value measurement (continued)

Assets measured at fair value categorised as Level 2

Land and buildings and investment property have been valued based on similar assets, locations and market conditions. These are determined using observable inputs including comparable rental values per square meter for similar properties with similar tenant profiles. The valuation methodology used is based on capitalisation of rental income, which is based on yields determined in recent sales for similar properties. This is supported by a direct comparison to other properties on a per square meter basis. A review of current rental arrangements has been carried out and all properties are rented on identical terms to those prevailing at the time the properties were last revalued, with minor adjustments made for indexation of rental amounts only. As such, inputs into valuation calculations such as rental income per square meter are consistent with when formal valuations were last carried out.

Assets measured at fair value based on Level 3 in the Statement of Financial Position

	2023 $	2022 $
Other financial assets		
Balance as at 1 July	399,967	399,006
Revaluation through other comprehensive income	22,422	961
Closing balance - at 30 June	422,389	399,967

The Group has estimated the fair value of the equity investments within other financial assets utilising the net assets of the underlying company from the most recent financial statements available. There is currently no active market for these securities or those of a similar nature, and this investment is not actively traded.

Hence, the key input in regards to the fair value is the net asset/share amount. Any changes in the net assets of the underlying company would directly impact the net asset/share amount used by the Group and impact on the fair value estimate of the other financial assets and the Financial Assets Reserve within equity. This is considered to be an unobservable input.

Accounting policy

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either; in the principal market, or in the absence of a principal, in the most advantageous market.

Fair value is measured using the assumption that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

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Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of B&E Ltd

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

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

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

CROWE TASMANIA

BRADLEY D BOHUN
Partner
Launceston

18 September 2023

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B&E Ltd

Independent Auditor's Report to the Members of B&E Ltd

Opinion

We have audited the financial report of B&E Ltd (the Company and its subsidiary, 'the Group'), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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:

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

CROWE TASMANIA

BRADLEY D BOHUN
Partner
Launceston

18 September 2023