

# Annual Report

## 2024



 Summerland  
Bank

Certified  
  
Corporation

# Contents

<b>Directors' Report .....</b>	<b>2</b>
<b>Statement of Profit or Loss and Other Comprehensive Income .....</b>	<b>6</b>
<b>Statement of Financial Position.....</b>	<b>7</b>
<b>Statement of Changes in Member Equity .....</b>	<b>8</b>
<b>Statement of Cash Flows .....</b>	<b>9</b>
<b>Notes to the Financial Statements .....</b>	<b>10</b>
<b>Declaration by Directors .....</b>	<b>51</b>

## Registered office

101 Molesworth Street  
Lismore NSW 2480  
1300 802 222

## Auditors

Grant Thornton  
KPMG

Summerland Bank acknowledges the Traditional Custodians of the land on which we live and work in Australia. We pay our respects to Elders past, present and emerging, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

Summerland Bank is a business name of Summerland Financial Services Limited  
ABN 23 087 650 806. AFSL 239 238. Australian Credit Licence 239 238.

## Directors' Report

Your Directors present their report on the bank for the financial year ended 30 June 2024.

Summerland Bank (the bank) is a business name of Summerland Financial Services Limited, a company registered under the Corporations Act 2001.

### Information on Directors

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

#### Colin Sales

**B.Com, CPA, GAICD, FGIA, F Fin**

- Director since 2020
- Board Chair 2022 - current
- Member, Audit Committee
- Member, Governance and Culture Committee

#### Jane Calder

**BSc (Hons), GAICD**

- Director since 2020
- Chair, Risk Committee
- Member, Governance and Culture Committee

#### Kevin Franey

**FCA, CIA, CRM, RCA, GAICD**

- Director since 2020
- Chair, Audit Committee

#### Sally Gibson

**B.Ec/LLB (Hons) (USyd), LLM (Hons) (Cantab), GAICD**

- Director since August 2021
- Chair, Governance and Culture Committee
- Member, Risk Committee

#### Andrew Yost

**B Leg S, LLM, Grad Dip ACG, FGIA, FCG (CS, CGP), MAICD**

- Director since August 2021
- Member, Risk Committee
- Member, Audit Committee

#### Robert Hale

**BSC (Hons)**

- Director since 2022
- Member, Risk Committee
- Board Representative on Information Security Steering Committee

#### Damian Buchanan

**LLB, GradDipLegPrac, BSc**

- Company Secretary since January 2023

## Directors' meeting attendance

Director	Board of Directors		Audit Committee		Risk Committee		Governance & Culture Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Colin Sales	8	8	4	4			3	3
Jane Calder	8	8			4	4	3	3
Kevin Franey	8	7	4	4				
Sally Gibson	8	8			4	3	3	3
Andrew Yost	8	8	4	4	4	4		
Robert Hale	8	8			4	4		

## Directors' benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the bank, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 7 of the Financial Report.

## Indemnifying officer or auditor

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

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

## Principal activities

The principal activities of the bank during the year were the provision of retail financial services to customers in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

## Operating results

The net profit of the bank for the year after providing for income tax was \$4.993m (2023: \$7.265m). The current year profit result has been driven by strong lending growth and a more stable market and interest rate environment.

The growth in lending came from a continued commitment to the branch network and regional presence and diversification of the lending portfolio throughout Australia. Deposit growth for the year was down on prior years as customer behaviour saw greater consumption in savings that had accumulated throughout the prior years. The asset base of the Bank increased by \$1.835m reaching \$1.14b by years end.

## Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the bank.

## Review of operations

The bank's operations saw no significant changes during the year. All branches were open with over 100 staff supporting the business across the retail network and corporate office. The bank remains centred on its strategic pillars of Growth, Brand, Transformation, People and Sustainability. On 1 November 2023 Summerland Financial Services Limited changed its trading name from Summerland Credit Union to Summerland Bank. The name change has not impacted on how the business operates but rather shows the commitment to remain relevant in the region and in the banking industry into the future.

The Bank's Head Office and Lismore branch was officially opened in April having been fully refurbished from the effects of the flood in early 2022. The state of the art branch and office space has allowed customers to enjoy and use modern banking facilities in the Lismore CBD and for staff, the capacity to return to the office and work face to face with their team and colleagues in other areas of the business.

## Significant changes in state of affairs

Except for those outlined under the review of operations section above, there were no other significant changes in the state of the affairs of the bank during the year.

## Events occurring after balance date

On 2 October, Summerland Bank signed a Memorandum of Understanding with Regional Australia Bank which sets out an agreed timetable under which the two organisations will undertake a process which may lead to merger. Subject to executing the terms of the Memorandum of Understanding including due diligence, the current timeline for the merger to be effective is 1 July 2026 following approval by the Australian Prudential Regulation Authority (APRA) and also the members of each bank. Members of both organisations will have the opportunity to vote on the proposed merger at the respective annual general meetings (AGMs) or special general meetings (SGMs) in late 2025.

There has been no other matter or significant event that has arisen after balance date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.

## Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to banks.

## Likely developments, business strategies and prospects

No matter, circumstance or likely development has arisen since the end of the financial year that has significantly affected or may significantly affect:

- (i) The operations of the bank;
- (ii) The results of those operations; or
- (iii) The state of affairs of the bank

in the financial years subsequent to this financial year. There are no likely developments in the entity's operations in the future financial years.

## Rounding

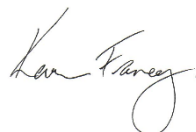
The amounts contained in this financial report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The bank is permitted to round to the nearest one thousand (\$'000) for all amounts except prescribed disclosures that are shown in whole dollars.

## Auditor's independence

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001. This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Colin Sales**  
Chair



**Kevin Franey**  
Chair Audit Committee

Signed and dated on 2 October 2024

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**Grant Thornton Audit Pty Ltd**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW  
1230  
T +61 2 8297 2400

## Auditor's Independence Declaration

### To the Directors of Summerland Financial Services Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Summerland Financial Services Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



Liam Te-Wierik  
Partner – Audit & Assurance

Sydney, 2 October 2024

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# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
<b>Revenue</b>			
Interest revenue	2	58,403	40,942
Interest expense	2	(30,587)	(13,143)
<b>Net interest revenue</b>		27,816	27,799
Non-interest revenue	3	3,965	4,159
<b>Expenses</b>			
Impairment (expense)/benefit	4	145	154
Employee benefits expense	4	(12,401)	(10,896)
Occupancy expense	4	(510)	(421)
Depreciation and amortisation expense	4	(1,167)	(1,306)
Information technology expenses	4	(3,429)	(2,976)
Fees and commissions	4	(3,601)	(3,650)
Revaluation of investment properties	4	(769)	-
Other expenses	4	(3,450)	(3,143)
Total expenses		(25,182)	(22,238)
<b>Profit before income tax</b>		6,599	9,720
Income tax expense	5	(1,606)	(2,455)
<b>Profit for the year net of tax</b>		4,993	7,265
<b>Other comprehensive income net of tax</b>			
<u>Items that may be reclassified to profit and loss</u>			
Gain/(Loss) on cash flow hedges taken to equity		(1,230)	(619)
<u>Items that will not be reclassified to profit and loss</u>			
Movement in fair value of land and buildings		(814)	237
<b>Other comprehensive income for the year net of tax</b>		(2,044)	(382)
<b>Total comprehensive income attributable to members of the bank</b>		2,949	6,883

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

# Statement of Financial Position

As at 30 June 2024

	Note	2024	2023
		\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	8	47,711	38,762
Investments with other financial institutions	11	171,057	159,669
Other receivables	9	2,226	3,979
Other assets	10	3,220	2,535
Loans and advances	12	900,510	832,238
Financial assets at fair value through other comprehensive income		2	2
Derivatives	13	554	2,239
Investment property	15	3,374	3,089
Property, plant and equipment	14	4,789	4,165
Right-of use assets	17	1,240	1,325
Deferred tax assets	5	1,169	89
Intangible assets	16	320	154
<b>Total assets</b>		<b>1,136,174</b>	<b>1,048,246</b>
<b>Liabilities</b>			
Deposits	18	1,036,622	957,188
Trade and other payables	19	14,048	8,100
Current tax liability	5	(51)	337
Lease liabilities	17	1,078	1,185
Provisions	20	1,286	1,197
<b>Total liabilities</b>		<b>1,052,986</b>	<b>968,007</b>
<b>Net assets</b>		<b>83,188</b>	<b>80,239</b>
<b>Members equity</b>			
Redeemable preference share capital account	21	548	543
Reserves	22	6,300	8,098
Retained earnings		76,340	71,598
<b>Total members equity</b>		<b>83,188</b>	<b>80,239</b>

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



## Statement of Changes in Member Equity

For the Year Ended 30 June 2024

	Redeemable Preference Share Capital Account	General Reserve	Capital Profits Reserve	Hedging Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2022</b>	537	1,376	860	2,132	2,395	2,283	63,773	73,356
Profit for the year	-	-	-	-	-	-	7,265	7,265
Other comprehensive income net of tax	-	-	-	(619)	-	237	-	(382)
Transfers to / from retained earnings:								
- Redeemable preference share account	6	-	-	-	-	-	(6)	-
- Reserve for credit losses	-	-	-	-	(565)	-	565	-
<b>Balance at 30 June 2023</b>	543	1,376	860	1,513	1,830	2,520	71,597	80,239
<b>Balance at 1 July 2023</b>	543	1,376	860	1,513	1,830	2,520	71,597	80,239
Profit for the year	-	-	-	-	-	-	4,993	4,993
Other comprehensive income net of tax	-	-	-	(1,230)	-	(814)	-	(2,044)
Transfers to / from retained earnings:								
- Redeemable preference share account	5	-	-	-	-	-	(5)	-
- Reserve for credit losses	-	-	-	-	245	-	(245)	-
<b>Balance at 30 June 2024</b>	548	1,376	860	283	2,075	1,706	76,340	83,188

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

# Statement of Cash Flows

For the Year Ended 30 June 2024

	Note	2024	2023
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Interest received		58,096	40,561
Other income		8,046	7,218
Interest paid		(27,548)	(9,917)
Payments to suppliers and employees		(22,684)	(27,590)
<b>Movement in operating assets and liabilities</b>			
Net movement in liquid investment balances		(11,388)	57,115
Net movement in loans		(68,033)	(80,978)
Net movement in deposits		79,435	13,453
		14	(10,410)
Income taxes paid		(3,073)	(2,441)
Net cash generated in operating activities	31 (c)	12,851	2,579
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(2,016)	(342)
Payment for investment property		(1,107)	(150)
Payment for intangibles		(254)	-
Proceeds – sale of investment property		-	827
Net cash generated in investing activities		(3,377)	335
<b>Cash flows from financing activities</b>			
Lease principal payments		(479)	(488)
Interest paid		(46)	(18)
Net cash used in financing activities		(525)	(506)
Net change in cash and cash equivalents held		8,949	(2,750)
Cash and cash equivalents at the beginning of the financial year		38,762	41,512
Cash and cash equivalents at the end of the financial year	31 (a)	47,711	38,762

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

## Notes to the Financial Statements

For the year ended 30 June 2024

### Note 1: Statement of Significant Accounting Policies

The general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS's') as issued by the International Account Standards Board ('IASB').

Summerland Financial Services Limited is a public company limited by shares, incorporated and domiciled in Australia. The nature of the bank's operations and principal activities are disclosed in the Directors' Report. The bank is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

#### Basis of preparation

Except for cash flow information, this financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and certain financial assets and financial liabilities for which the fair value basis of accounting has been applied. The statement of financial position has been prepared in order of liquidity. The accounting policies are consistent with the prior year unless otherwise stated.

The bank is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The financial report was authorised for issue on 2 October 2024 by the Board of Directors.

#### REPO Securitisation Trust Consolidation

The bank has a Trust which holds rights to a portfolio of mortgage secured loans to enable the bank to secure funds from the Reserve Bank of Australia (RBA) if required to meet emergency liquidity requirements. The bank 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 bank has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of the bank and are not de-recognised.

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

#### Significant accounting policies

The following provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below.

##### (a) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management base its judgements, estimates and assumption on historical experience and on other factors, including reasonable expectations of future events by way of trend analysis and economic data sourced both externally and within the bank.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### Key estimates

Impairment:	refer to Note 12
Property:	refer to Note 14
Investment property:	refer to Note 15
Intangibles:	refer to Note 16

### Uncertainty around property valuations

All land and buildings were independently valued by Herron Todd White Ltd as at 30 June 2024. These valuations have been conducted on the basis of market value and have been performed through a review of sale and rental values of comparable properties within close proximity.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. An increase/decrease in the net market rent and an increase (softening)/decrease (tightening) in the adopted capitalisation rate could potentially offset the impact to the fair value. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

The key assumptions and estimates used in the valuation approach, include:

- future rental income, based on location, type and quality of property, which are supported by the terms of any existing leases, external evidence such as current market rents for similar properties;
- lease assumption based on current and expected future market conditions;
- the capitalisation rate derived from recent comparable market transactions; and
- assessment of the property on an 'as is' basis including reasonable estimation of capital works to reinstate or repairs to the base building conditions.

The property valuations are based on information available at the reporting date. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the company's properties.

### (b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

### (c) Goods and services tax (GST)

As a financial institution the bank is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where GST is applicable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (d) New or emerging Accounting Standards not yet mandatory

There are currently no new or emerging Accounting Standards amendments materially applicable to the bank.

	<b>2024</b>	<b>2023</b>
	\$'000	\$'000

## Note 2: Interest Revenue and Interest Expense

### Interest revenue

Cash and cash equivalents	1,218	965
Investments with other financial institutions	7,537	5,376
Loans and advances	47,755	33,108
Derivatives	1,893	1,493
<b>Total interest Revenue</b>	<b>58,403</b>	<b>40,942</b>

### Interest expense

Deposits	27,287	11,035
Borrowings	2,911	1,706
Derivatives	343	384
Leases	46	18
<b>Total interest expense</b>	<b>30,587</b>	<b>13,143</b>

## Note 3: Revenue

<b>Interest Revenue</b>	<b>58,403</b>	<b>40,942</b>
-------------------------	---------------	---------------

### Non-interest Revenue

Fees and commissions		
- fee income on loans - other than loan origination fees	686	691
- fee income from customer deposits	703	704
- other fee income	553	590
- insurance commissions	173	174
- other commissions	802	751
	<b>2,917</b>	<b>2,910</b>
Bad debts recovered	4	6
Rental income from property	424	408
Fair value increase - investment property	-	287
Profit on sale of investment property	-	10
Profit on sale of assets	30	64
Insurance proceeds	-	80
Other	590	394
<b>Total non-interest Revenue</b>	<b>3,965</b>	<b>4,159</b>
<b>Total Revenue</b>	<b>62,368</b>	<b>45,101</b>

## Recognition and Measurement

Revenue represents revenue from contracts with customers, where the bank has provided services to a customer in exchange for consideration that is not the provision of a lease, an insurance product or a financial instrument. The following specific criteria must also be met before revenue is recognised.

### Loan Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan accounts on the last day of each month.

### Non-Accrual Loan Interest

While still legally recoverable, loan interest is not brought to account if a loan is classified as non-accrual or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. However accrued interest may be recovered as part of the recovery of the debt.

### Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### Fees and Commissions Revenue

Fees and commissions are brought to account as non-interest income on an accrual basis once a right to receive consideration has been attained (i.e. when the service is provided). The bank's performance obligation is to provide ongoing services related to account maintenance and customer related services, a service from which the customer benefits from as it is provided and is recognised over-time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Unless otherwise discounted and included in the initial measurement of a loan, fees are charged at their stand-alone selling price and recognised as non-interest revenue in the period for which services are delivered.

### Loan Origination Fees Revenue

Loan establishment fees and discounts are initially deferred as part of the loan balance and are brought to account as non-interest revenue over the expected life of the loan. The expected life of loans is reviewed annually and adjusted to reflect changes in trends in the actual life of loans. These adjustments may accelerate or decelerate the amortisation rate of the deferred origination fee 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 and included as part of non-interest revenue.

	Note	2024	2023
		\$'000	\$'000
<b>Note 4: Profit Before Income Tax Expense</b>			
Profit before income tax expense has been determined after:			
<b>Expenses</b>			
Interest expense		30,587	13,143
<b>Non-interest expenses</b>			
Employee benefit expenses			
- net movement in provisions for annual leave		(125)	75
- net movement in provisions for long service leave		(30)	189
- superannuation		1,046	878
- other employee expenses		11,510	9,754
		<u>12,401</u>	<u>10,896</u>
Impairment of assets	12 (c)	(145)	(154)
<b>Depreciation and Amortisation expense</b>			
Depreciation expense			
- buildings		112	77
- plant and equipment		272	365
- right-of-use assets		457	508
Amortisation expense			
- software		88	100
- leasehold improvements		238	256
		<u>1,167</u>	<u>1,306</u>
Revaluation of investment properties		769	-
<b>Other expenses</b>			
Fees and commissions		3,601	3,650
General and administration expenses		437	305
IT expenses		3,429	2,976
Occupancy expenses		510	421
Risk and compliance expenses		1,593	1,621
Other operating expenses		1,420	1,217
		<u>10,990</u>	<u>10,190</u>
<b>Total non-interest expenses</b>		<u>25,182</u>	<u>22,238</u>
<b>Total expenses</b>		<u>55,769</u>	<u>35,381</u>

	2024	2023
	\$'000	\$'000
<b>Note 5: Income Tax</b>		
<b>Income tax expense</b>		
Prima facie tax payable on profit at 30% (2023: 25%)	1,980	2,432
<b>Adjust for tax effect of:</b>		
Adjustment for previous year	(374)	23
Income tax expense attributable to the entity	1,606	2,455
Applicable average effective tax rate	30%	25%
<b>The components of income tax expense comprise</b>		
Current tax	2,275	2,395
Deferred tax	(669)	60
	1,606	2,455
<b>Current and deferred tax recognised directly in equity</b>		
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:		
<b>Franking credits</b>		
Franking credits held by the Bank after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	26,920	24,646
<b>Current tax</b>		
Current income tax (receivable) / payable	(51)	337
<b>Deferred tax assets</b>		
Deferred tax assets comprise temporary differences attributable to:		
<b>Amounts recognised in profit and loss</b>		
Plant and equipment	286	249
Provision for impairment	289	284
Provision for employee benefits	713	475
Accrued expenses	59	188
Carry forward capital loss	94	77
Deferred loan fee asset	95	(122)
Lease Adjustments	386	13
	1,922	1,164
<b>Amounts recognised directly in equity</b>		
Hedge reserve	-	(504)
Land and buildings	-	(79)
Total deferred tax assets	1,922	581



	2024	2023
	\$'000	\$'000
<b>Deferred tax liabilities</b>		
Deferred tax liabilities comprise temporary differences attributable to:		
<b>Amounts recognised in profit and loss</b>		
Investment properties	40	492
Prepayments	169	-
Right of use assets	372	-
<b>Amounts recognised directly in equity</b>		
Land and buildings	44	-
Hedge reserve	128	-
Total deferred tax liabilities	753	492
<b>Net deferred tax assets</b>	1,169	89

## Recognition and Measurement

### Current tax expense

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 substantially enacted at balance date.

### Deferred tax

Deferred tax is accounted for using the Statement of Financial Position 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. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Deferred 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 tax legislation and the anticipation that the bank will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

2024	2023
\$	\$

## Note 6: Remuneration of Auditors

Audit services		
- Auditing of the financial report	110,975	92,700
Other assurance services		
- Regulatory audit of AFSL and APRA prudential audits	34,337	31,930
Other assurance services		
- Taxation compliance services	-	16,995
	145,312	141,625

2024	2023
\$'000	\$'000

## Note 7: Related Party Transactions

### (a) Key management personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the bank, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

KMP has been taken to comprise the Directors, the Company Secretary and the seven executives responsible for the day-to-day financial and operational management of the bank.

### (b) Remuneration of key management personnel

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

Short-term employee benefits	2,555	1,943
Post-employment benefits	213	166
Other long-term benefits	32	52
	2,800	2,161

Remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, short-term performance incentives, value of fringe benefits received, but excludes out of pocket expense reimbursements.

### (c) Related parties

The other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

### (d) Loans to key management personnel and other related parties

The bank's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions that applied to customers for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits Tax, are included in the remuneration in Note 7(b) above.

There are no loans that are impaired in relation to the loan balances with KMP or with their close family relatives.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP.

	2024	2023
	\$'000	\$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	3,055	1,274
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	60	60
Less amounts drawn down and included above	(15)	(12)
Net balance available	45	48
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	548	2,639
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	172	52

### (e) Other transactions with key management personnel and other related parties

KMP and other related parties have received interest on deposits with the bank during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to customers of the bank.

Total value of term and savings deposits from KMP and other related parties	1,978	591
Total interest paid on deposits to KMP and other related parties	50	4

The bank's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to customers for each type of deposit.

There are existing service contracts where KMP or their close family members are an interested party. These contracts see services being provided at arm's length on the same terms and conditions as other contracted services to the bank. The total value of services provided by associated entities of KMP (TNR & Leadersy Management) is \$127k (2023: \$155k). These amounts relate to Director/KMP remuneration which was paid through an associated/related entities.

## Note 8: Cash and Cash Equivalents

Cash on hand	1,417	1,554
Deposits at call	46,294	37,208
	47,711	38,762

### Recognition and Measurement

Cash and cash equivalents include cash on hand and unrestricted short term highly liquid balances held in Authorised Deposit-taking Institutions (ADIs) with maturity less than three months from inception or at call. They are carried at amortised cost which is equal to fair value in the statement of financial position.

The effective interest rate on short-term bank deposits was 4.57% (2023: 2.87%).

2024	2023
\$'000	\$'000

## Note 9: Other Receivables

Accrued interest	1,396	1,090
Other receivables	830	2,889
	<u>2,226</u>	<u>3,979</u>

### Recognition and Measurement

Other receivables are recognised and accounted for as financial assets classified at amortised cost. Refer to Note 26 for recognition and measurement policies.

## Note 10: Other Assets

Prepayments	2,663	1,974
Prepayments - SaaS	557	561
	<u>3,220</u>	<u>2,535</u>

### Recognition and Measurement

#### Prepayments

Any expenses paid prior to the related goods provided or services rendered will be recorded as prepaid expenses.

#### Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the bank with the right to access the cloud provider's application software over the contract period. As such the bank does not receive a software intangible asset at the contract commencement date. Costs are to be recognised as an operating expense over the term of the service contract creating a prepayment including fees for use of application software and customisation costs.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 16 for an outline of accounting for intangible assets.

## Note 11: Investments with Other Financial Institutions

Deposits with financial institutions	133,957	122,069
Government bonds	23,500	21,500
Mortgage-backed securities	13,600	16,100
	<u>171,057</u>	<u>159,669</u>

### Recognition and Measurement

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Included as a deposit with Financial Institutions is \$14.2m (2023: \$6.2m) which represents restricted cash relating to the Repo Securitisation Trust.

	2024	2023
	\$'000	\$'000
Term loans	895,219	825,668
Overdrafts and revolving credit	6,573	8,091
Gross loans and advances	901,792	833,759
Less: Unamortised loan origination fees	(318)	(386)
	901,474	833,373
Less: Provision for impaired loans	(964)	(1,135)
Net loans and advances	900,510	832,238

## Note 12: Loans and Advances

### Recognition and Measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest method less impairment losses.

#### (a) Credit quality – Security held against loans

Secured by mortgage over real estate	889,834	822,443
Partly secured by goods mortgage	6,110	5,627
Cash secured	1,499	1,334
Unsecured	4,349	4,355
Gross loans and advances	901,792	833,759

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

Security held as mortgage against real estate is on the basis of:		
- Loan to valuation ratio of less than or equal to 80%	839,733	761,000
- Loan to valuation ratio of more than 80% but mortgage insured	39,504	51,066
- Loan to valuation ratio of more than 80% and not mortgage insured	10,597	10,377
Total	889,834	822,443

**(b) Concentration of loans****Geographical concentrations**

The values discussed below include on statement of financial position values and off statement of financial position undrawn facilities as described in Note 23.

There are no loans to individual or related groups of customers which exceed 10% of reserves in aggregate.

<b>2024</b>	<b>Housing</b>	<b>Personal</b>	<b>Business</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
NSW – Northern Rivers	617,003	15,856	37,122	669,981
NSW – Other regions	175,261	1,613	2,048	178,922
Other states, territories & jurisdictions	169,867	2,733	1,926	174,526
<b>Total</b>	<b>962,131</b>	<b>20,202</b>	<b>41,096</b>	<b>1,023,429</b>

<b>2023</b>	<b>Housing</b>	<b>Personal</b>	<b>Business</b>	<b>Total</b>
NSW – Northern Rivers	603,959	15,367	39,296	658,622
NSW – Other regions	145,529	1,263	2,169	148,961
Other states, territories & jurisdictions	130,545	2,571	1,892	135,008
<b>Total</b>	<b>880,033</b>	<b>19,201</b>	<b>43,357</b>	<b>942,591</b>

<b>2024</b>	<b>2023</b>
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**(c) Provision on impaired loans****Amounts arising from Expected Credit Losses (ECL)**

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

<b>2024</b>	<b>Gross Carrying Value</b>	<b>ECL Allowance</b>	<b>Carrying Value</b>
	\$'000	\$'000	\$'000
Loans to customers			
- Residential loans and facilities	962,131	(407)	961,724
- Personal loans and facilities	20,202	(88)	20,114
- Business loans and facilities	41,096	(469)	40,627
<b>Total</b>	<b>1,023,429</b>	<b>(964)</b>	<b>1,022,465</b>

<b>2023</b>	<b>Gross Carrying Value</b>	<b>ECL Allowance</b>	<b>Carrying Value</b>
Loans to customers			
- Residential loans and facilities	880,033	(455)	879,578
- Personal loans and facilities	19,201	(95)	19,106
- Business loans and facilities	43,357	(585)	42,772
<b>Total</b>	<b>942,591</b>	<b>(1,135)</b>	<b>941,456</b>

	Stage 1 12 month ECL 2024	Stage 2 Lifetime ECL 2024	Stage 3 Lifetime ECL 2024	Total 2024
	\$'000	\$'000	\$'000	\$'000
<b>Loans to customers</b>				
- Residential loans and facilities	950,908	8,007	3,216	962,131
- Personal loans and facilities	20,087	65	50	20,202
- Business loans and facilities	40,192	375	529	41,096
	1,011,187	8,447	3,795	1,023,429
Loss allowance	(881)	(20)	(63)	(964)
Carrying amount	1,010,306	8,427	3,732	1,022,465
	Stage 1 12 month ECL 2023	Stage 2 Lifetime ECL 2023	Stage 3 Lifetime ECL 2023	Total 2023

<b>Loans to customers</b>				
- Residential loans and facilities	868,539	7,894	3,599	880,032
- Personal loans and facilities	19,091	61	50	19,202
- Business loans and facilities	43,001	255	101	43,357
	930,631	8,210	3,750	942,591
Loss allowance	(1,092)	(20)	(23)	(1,135)
Carrying amount	929,539	8,190	3,727	941,456

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

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loans to customers</b>				
Balance at 1 July 2022	1,242	39	12	1,293
Changes in the loss allowance				
- Transfer to stage 1	27	(31)	-	(4)
- Transfer to stage 2	-	12	(4)	8
- Transfer to stage 3	-	-	14	14
Net movement due to change in credit risk	27	(19)	10	18
Net movement in individual provisions	(177)	-	1	(176)
Write offs	-	-	-	-
Balance at 30 June 2023	1,092	20	23	1,135
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	(2)	(2)
- Transfer to stage 3	-	-	42	42
Net movement due to change in credit risk	-	-	40	40
Net movement in individual provisions	(197)	-	9	(188)
Write offs	(14)	-	(9)	(23)
Balance at 30 June 2024	881	20	63	964
Amounts processed directly to Profit and Loss:				
- Write off of overdrawn accounts (informal credit facilities) not within the ECL framework			(3)	(4)
- Recoveries of amounts previously written off			4	5
Profit increase / (decrease)			1	1

The expense recognised as impairment expense in the profit and loss takes into account the movement in ECL provision for the year.

#### (d) General reserve for credit losses

This reserve records an additional amount over and above specific provisions which, prior to the adoption of ECL based provisions, satisfied Australian Prudential Regulation Authority's (APRA) requirement to demonstrate total loan loss reserves that would be adequate at all times to absorb credit losses in an ADI's business. While that Regulatory requirement no longer exists, at this stage the reserve continues to be maintained in addition to the overall provisions calculated under the ECL methodology by the bank (which itself includes but it is not limited to specific provisions). Under Australian Accounting Standards this reserve does not meet the definition of a provision and consequently is recognised as an appropriation of retained earnings in equity as shown in Note 22.

### Critical accounting estimates and judgements

The outlook in 2024 has changed for several macro-economic indicators when compared to prior years. The key indicators that changed over the year related to the interest rate environment, property market conditions and inflation. The basis for Expected Credit Loss (ECL) modelling in the current year did not significantly change – the model continues to incorporate a considerable degree of judgement in its application and assessment of exposures during different economic cycles.

### Recognition and Measurement

#### Measurement of ECL

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

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

The bank has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

- Residential owner-occupied mortgages, including owner-occupied overdrafts;
- Residential investment mortgages, including investment overdrafts;
- Commercial loans, including commercial overdrafts; and
- Personal loans, including credit cards and personal overdraft facilities.

The approach to determining the ECL includes forward-looking information. The bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio. The bank incorporates forward-looking information into its ECL methodology. Considerations include the impact of future changes in unemployment rates, property prices, regulatory change and external market risk factors. Based on review by the bank's Board and Board Audit Committee and consideration of external information, the bank formulates an 'outlook' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by the Reserve Bank of Australia and other bodies.

The bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the bank for other purposes such as strategic planning and budgeting.



### Credit risk

The provision is reflective of the credit risk in the bank's loan portfolio. Total impairment provision decreased year-on-year by \$171k to \$964k at June 2024.

This decrease recognises particularly changes in current and expected future economic outcomes compared to what existed or was expected in June 2023. In particular, that there is minimal remaining impact on the loan portfolio or impairment provision stemming from the 2022 flood and the current national conditions relating to interest rates, inflation and cost of living are not having a material impact on the performance of the portfolio and provisioning. The impairment was estimated on the facts and circumstances existing at 30 June 2024.

The model overlays forward-looking economic outlooks on the loan portfolio. The provisioning at Stage 1 & 2 decreased in the 2024 year with a small increase in Stage 3 provisioning.

The bank is not required to develop an extensive list of factors in defining a 'significant increase in credit risk'. In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in the bank's current model:

- Loans 30 days or more past due;
- Loans with more than 2 instances of arrears 30 days or more in the previous 12 months; and
- Loans with approved hardship or modified terms, which could include loans affected by the recent flood event.

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

### Restructured Loans

Restructured loans are loans which are subject to renegotiated repayment terms, generally in the process of extending hardship assistance to our customers. Arrears are not diminished and interest continues to accrue to income. Each restructured loan is retained at the full arrears position until the restructured repayment is maintained for 6 months. These loans can then be reinstated as a performing loan, subject to the loan being on the same risk terms as a new loan for its class.

### Bad debts

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. On secured loans the write-off takes place on ultimate realisation of collateral value, or following claim on any mortgage insurance. This is generally the case when the bank 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 bank's procedures for recovery of amounts due.

2024	2023
\$'000	\$'000

## Note 13: Derivatives

### Asset

Interest rate swap contracts - cash flow hedge	554	2,239
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### Recognition and Measurement

The bank transacts interest rate swaps to manage interest rate risk. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or loss are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in other comprehensive income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

### Derivative instruments used by the bank

The bank enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the bank's interest rate risk management policies. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

### Interest rate swap contracts - cash flow hedges

The bank's loans currently bear an average variable rate of interest of 6.11% (2023: 6.13%). It is the bank's policy to hedge loans at fixed rates of interest by entering into interest rate swap contracts under which the bank is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place are timed to expire as loan portfolio repayments fall due. Fixed interest rates range between 0.216% to 1.90% and variable rates range between 4.335% to 4.445% against the 90-day bank bill swap rate which at balance date was 4.445% (2023: 4.350%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Within 1 year	20,000	25,000
1-2 years	2,000	21,000
2-5 years	2,000	4,000
	24,000	50,000

The contracts require settlement of net interest receivable or payable each 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. Below is a schedule indicating, at balance date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2024	Within 1 year	1-2 years	2-5 years
	\$'000	\$'000	\$'000
Cash inflows	462	161	45
Cash outflows	(125)	(65)	(19)
Net cash flows	337	96	26

2023	Within 1 year	1-2 years	2-5 years
	\$'000	\$'000	\$'000
Cash inflows	1,524	557	211
Cash outflows	(305)	(161)	(93)
Net cash flows	1,219	396	118

2024	2023
\$'000	\$'000

## Note 14: Property, Plant and Equipment

Land		
At fair value	197	157
Buildings		
At fair value	3,529	3,254
Leasehold improvements		
At cost	1,762	1,776
Accumulated amortisation	(1,603)	(1,445)
	159	331
Plant and equipment		
At cost	2,962	2,367
Accumulated depreciation	(2,058)	(1,944)
	904	423
Total Property, Plant and Equipment	4,789	4,165

### Recognition and Measurement

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 measured at their fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date, less subsequent depreciation. It is the policy of the bank to have an independent valuation of land and buildings at least every three years in accordance with the requirements of AASB 116 Property, Plant & Equipment. The fair value of the property located at 101 Molesworth Street Lismore was independently valued by Herron Todd White, as at 30 June 2024. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

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.

A revaluation increment is credited to the asset revaluation surplus included within members equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation increment on the same asset in the asset revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

Refer to Note 1 for detail on the valuation and key judgements to be considered for the land and buildings of the bank.

#### Valuation Techniques Used to Derive Fair Values For Property Assets

Land and buildings are fair valued on an annual basis and independently valued every three years. At the end of each reporting period the bank reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The bank determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the bank considers information from a variety of sources, including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

### Discounted cash flow projections based on rental yields

Due to the nature of the bank's property, it is considered to have level 2 valuation inputs in the years where an independent valuation is undertaken.

### Plant and Equipment

Plant and equipment are measured at cost less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

### Depreciation

The depreciable amount of all property, plant and equipment with the exception of freehold land, is depreciated over their useful lives to the bank commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis over the following periods.

	<b>Years</b>		<b>Years</b>
Buildings	40	Motor Vehicles	5
Computer Hardware	3-6	Leasehold Improvements	3
Office Furniture	3	Office Equipment	3

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

## Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

<b>2024</b>	<b>Property</b>	<b>Plant &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year	3,412	422	331	4,165
Net revaluation decrement	(849)	-	-	(849)
Additions	1,222	760	68	2,050
Disposals	-	(6)	(2)	(8)
Depreciation expense	(112)	(272)	(238)	(622)
Change in use adjustment	53	-	-	53
Carrying amount at end of the financial year	3,726	904	159	4,789

<b>2023</b>	<b>Property</b>	<b>Plant &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year	3,044	593	569	4,206
Net revaluation increment	317	-	-	317
Additions	91	233	18	342
Disposals	-	(39)	-	(39)
Depreciation expense	(77)	(365)	(256)	(698)
Change in use adjustment	37	-	-	37
Carrying amount at end of the financial year	3,412	422	331	4,165

	<b>2024</b>	<b>2023</b>
	\$'000	\$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	9,179	6,849
Accumulated depreciation	(4,229)	(4,039)
Net book value	4,950	2,810

Historical cost stated for land and buildings includes both owner-occupied and investment property.

2024	2023
\$'000	\$'000

## Note 15: Investment Property

Investment property includes real estate properties in Australia, which are owned to earn rentals and capital appreciation.

Changes to the carrying amounts are as follows:

Balance at beginning of the financial year	3,089	3,516
Additions	1,107	150
Disposals	-	(827)
Net gain / (loss) from fair value adjustments	(769)	287
Change in use adjustment	(53)	(37)
Carrying amount at end of the financial year	3,374	3,089

### Recognition and Measurement

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined as stated below, and adjusted to reflect the current market value of the property in accordance with the requirements of AASB 140 Investment Property. Changes in fair value of investment property are reflected in the statement of comprehensive income for the year.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively and are recognised as described in Notes 3 and 4.

#### Fair value of investment property

The bank determines the fair value from external valuations conducted by registered valuers and through desktop valuations which consider indexation.

The fair value of the investment property located at 101 Molesworth Street Lismore was independently valued by Herron Todd White, as at 30 June 2024. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

Refer to Note 1 and Note 14 for detail on the valuation techniques and key judgements to be considered for the land and buildings of the bank.

Investment properties are leased out on operating leases. Rental income amounts to \$424,004 (2023: \$407,678) and is included within revenue as shown in Note 3. Direct operating expenses not recovered as outgoings from the tenants of the relevant property were reported within other expenses as shown in Note 4.

The lease contracts are all non-cancellable for either three or five years from the commencement of the lease. Refer to Note 23 for future minimum lease rentals.

2024	2023
\$'000	\$'000

## Note 16: Intangible Assets

### Computer software

At cost	965	965
Accumulated amortisation	(955)	(913)
	10	52

### Other Intangible Assets

At cost	659	437
Accumulated amortisation	(349)	(335)
	310	102

Total Intangible Assets	320	154
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### Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

	Computer Software	Other Intangible Assets	Total
	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	52	102	154
Additions	-	254	254
Disposals	-	-	-
Amortisation expense	(42)	(46)	(88)
Carrying amount at the end of the financial year	10	310	320

## Recognition and Measurement

### Computer Software

Items of computer software which are not integral to the computer hardware owned by the bank are classified as intangible assets. Specifically, costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Computer software is amortised on a straight-line basis over the expected useful life of the software, typically linked to software contracts. These lives range from 3-5 years.

### Other Intangible Assets

Other intangible assets include product development costs and other product establishment costs. Other intangible assets that are deemed to have a definite life are amortised over 5 years.

### SaaS Arrangement Costs

During the financial year, the bank recognised no costs as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

2024	2023
\$'000	\$'000

## Note 17: Leases

### (a) Amounts recognised on the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

#### Right-of-use asset

Property	1,133	1,236
ATM	-	35
Other	107	54
	<u>1,240</u>	<u>1,325</u>

#### Lease liabilities

Current	418	403
Non-current	660	782
	<u>1,078</u>	<u>1,185</u>

The bank has leases for the branch network and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The table below describes the nature of the bank's leasing activities by type of right-of-use asset recognised on the Statement of Financial Position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with termination options
Property	12	0-6 years	2.1 years	3	12
Other	1	0-2 years	5.0 years	-	-

Future minimum lease payments at 30 June 2024 were as follows:

2024	Minimum lease payments due			Total
	Within 1 year	Between 2-5 years	After 5 years	
	\$'000	\$'000	\$'000	\$'000
Lease payments	498	951	-	1,449
Finance charges	(80)	(291)	-	(371)
Net present values	<u>418</u>	<u>660</u>	<u>-</u>	<u>1,078</u>
2023	Within 1 year	Between 2-5 years	After 5 years	Total
	\$'000	\$'000	\$'000	\$'000
Lease payments	438	933	13	1,384
Finance charges	(35)	(156)	(8)	(199)
Net present values	<u>403</u>	<u>777</u>	<u>5</u>	<u>1,185</u>



	2024	2023
	\$'000	\$'000

## (b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

### Depreciation charge of right-of-use asset

Property	435	480
Other	22	28
	<u>457</u>	<u>508</u>
Interest expense (included in interest expense)	46	18

The total cash outflow for leases in 2024 was \$479k (2023: \$488k).

## Recognition and Measurement

At inception of a contract, the bank assesses whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the bank;
- the bank has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the bank has the right to direct the use of the identified asset throughout the period of use. The bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### Bank as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the bank at the end of the lease term or the bank is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the bank's incremental borrowing rate is used, being the rate that the bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the bank obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased (security).

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured when:

- there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the bank's assessment of whether it will exercise a purchase, extension or termination option; or
- if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, unless the right-of-use asset has been reduced to zero in which case the adjustment is recorded in profit or loss.

### Bank as a lessor

The bank's accounting policy under AASB 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

The bank leases out investment properties under operating leases (see Note 15).

### Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within the control of the lessee.

	2024	2023
	\$'000	\$'000
At call deposits (including withdrawable shares)	556,342	586,874
Term deposits	425,030	313,314
Wholesale deposits	55,250	57,000
	1,036,622	957,188

## Note 18: Deposits

At call deposits (including withdrawable shares)	556,342	586,874
Term deposits	425,030	313,314
Wholesale deposits	55,250	57,000
	1,036,622	957,188

### Recognition and Measurement

Deposits are measured at the aggregated amount of money owing to depositors. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of payables.

#### Concentration of deposits

There is no concentration of deposits in excess of 10% of total liabilities.

## Note 19: Trade and Other Payables

Accrued interest payable on deposits and borrowings	7,031	4,038
Sundry creditors and accrued expenses	1,432	1,480
Employee benefits - annual leave	773	803
Trade creditors	314	349
Other creditors	4,498	1,430
	14,048	8,100

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

### Recognition and Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVPL.

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are presented as payables.

	2024	2023
	\$'000	\$'000

## Note 20: Provisions

Employee benefits - long service leave	1,077	1,005
Lease make good	209	192

	1,286	1,197
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### Provision Movement – Lease Make Good

Balance at beginning of the financial year	192	190
Less paid	-	-
Liability (decrease)/increase	17	2
Balance at end of the financial year	209	192

### Analysis of liability

Expected to be settled within 12 months	939	832
Expected to be settled after 12 months	347	365
	1,286	1,197

## Recognition and Measurement

### Other long-term employee benefit obligations

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### Leasehold improvements

A provision is recognised for the estimated make good costs on the operating leases, based on the net present value of the future expenditure at the conclusion of the lease term discounted 2-7%. Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

## Note 21: Redeemable Preference Share Capital Account

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits.

The value of the shares that have been repaid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. For values please refer to the statement of changes in member equity.

2024	2023
\$'000	\$'000

## Note 22: Reserves

### General reserve

The general reserve records funds set aside for future expansion of the bank	1,376	1,376
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### Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments	860	860
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### Asset revaluation surplus

The asset revaluation surplus records revaluations of non-current assets net of income tax	1,706	2,520
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### General reserve for credit losses

The reserve for credit losses records amounts maintained to comply with the APRA Prudential Standards	2,075	1,830
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### Hedging reserve

The hedging reserve records movements in the fair value of effective cash flow hedges net of income tax	283	1,513
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## Note 23: Commitments

### (a) Future capital commitments

At balance date the bank has not entered into material contracts for the purchase of property, plant and equipment.

### (b) Outstanding loan commitments

Loans and credit facilities approved with commitment to fund, but not funded at the end of the financial year:

Loans approved but not funded	16,674	14,785
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Loans and credit facilities with an undrawn portion at the end of the financial year:

Loan amounts available but not yet drawn	5,081	5,068
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Loan redraw facilities available	103,350	89,335
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Undrawn overdraft and credit facilities	14,408	14,429
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	122,839	108,832
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Total outstanding loan commitments	139,513	123,617
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2024	2023
\$'000	\$'000

### c) Operating leases receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

Not longer than 1 year	484	467
Longer than 1 and not longer than 5 years	342	799
	826	1,266

Property leases are non-cancellable leases with a three to five-year term, with rent payable monthly in advance. An option exists to renew the leases at the end of the relevant term for an additional term up to five years.

## Note 24: Contingent Liabilities

### Liquidity Support Scheme

The bank is a member of CUFSS a company limited by guarantee, established to provide financial support to member Australian Mutual ADIs in the event of a liquidity or capital problem. As a member, the bank is committed to maintaining 3.1% of the total assets as deposits with CUSCAL Limited or other ADIs approved by APRA.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Mutual ADI would be 3.1% of the bank's total assets (3% under loans and facilities and 0.1% under the cap on contributions to permanent loans). This amount represents the participating ADIs irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

### Repurchase Obligations (REPO) Trust

To support the liquidity management the bank has entered into an agreement to maintain a portion of the mortgage backed loans as security against any future borrowings from the Reserve Bank of Australia (RBA) as a part of the bank's liquidity support arrangements.

## Note 25: Entity Consolidation

The bank has arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Repurchase Obligation (REPO) trust for securing the ability to obtain liquid funds from the RBA – these loans are not de-recognised from the Statement of Financial Position as the bank retains the benefits of the trust until such time as a drawing is required.

The MTG SCU Trust Repo Series No. 1 trust is a trust established by the bank to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee and was established in June 2020. In the case of the REPO Trust the RBA receives a Note certificate to sell to the bank should the liquidity needs not be satisfied by normal operational liquidity. The Note is secured over residential mortgage-backed securities (RMBS).

The bank has financed the loans and received the net gains or losses from the trust after trustee expenses. The bank has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Notes received. The bank retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

As loan repayments occur, or if a loan becomes ineligible under the Trust criteria, an additional pool of eligible loans will be assigned to the Trust to maintain the Repo facility.

The value of securitised loans that are not de-recognised as at reporting date was \$119,414,748. In each case the loans are variable interest rate loans, hence the book value of the loans equates to the fair value of those loans.

	2024	2023
	\$'000	\$'000

## NOTE 26: Classes of Financial Assets and Liabilities

The following is a summary of the bank's financial instruments by class.

### (a) Financial assets - measured at amortised cost

Cash and cash equivalents	47,711	38,762
Other receivables	2,226	3,979
Loans and advances	900,510	832,238
Investments with other financial institutions	171,057	159,669
Total	1,121,504	1,034,648

### (b) Financial liabilities - measured at amortised cost

Deposits	1,036,622	957,188
Trade and other payables (excluding employee benefits)	14,048	7,299
Total	1,050,670	964,487

### (c) Financial assets - measured at fair value

Financial assets at FVOCI	2	2
Derivatives for hedge accounting	554	2,239
Total	556	2,241

## Recognition and Measurement

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

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

- amortised cost
- fair value through profit or loss (FVPL)
- equity fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented in the statement of profit or loss and other comprehensive income.

Classifications are determined by both:

- the entity's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial assets

### Amortised cost

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI).

Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

### Fair Value through profit or loss

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. Financial assets in this category relate to investments in listed equity securities. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

### Fair value through other comprehensive income (FVOCI)

Financial assets including debt instruments are classified at fair value through other comprehensive income when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In certain circumstances, on initial recognition including for specific equity investments, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Note 27: Risk Management

### Risk management policy and objectives

The bank's risk management focuses on the major areas of interest rate risk, credit risk, liquidity risk and operational risk. Risk management within the bank is designed to mitigate and minimise any unplanned or negative impacts on capital levels. The Board of Directors outline their appetite for risk to enable the bank to achieve its strategic goals through the Risk Appetite Statement (RAS). These risk tolerances are set in measurable terms setting a range that is acceptable to the Board for management to operate within. These risk indicators are known as the RAS KRIs and are reported to the Board and Board Risk Committee at each meeting for monitoring.

### (a) Interest rate risk and hedging policy

Interest rate risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the bank's financial condition or results.

The bank is not exposed to currency risk or other significant price risk and does not trade in the financial instruments it holds on its books. The bank is only exposed to interest rate risk arising from changes in market interest rates in its banking book and manages this through various methods including the use of interest rate swaps.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The bank's exposure to interest rate risk is measured and monitored using the Value at Risk (VaR) methodology of estimating potential losses.

VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99% confidence level and taking into account historical correlations between different markets and rates.

The bank has a VaR limit to capital of 2.50%. The table below sets out the VaR position for the past two years.

	<b>2024</b>	<b>2023</b>
VaR after prepayments and hedges	\$233,784	\$112,174
VaR as % of capital	0.29%	0.14%



## Repricing of financial assets and liabilities

The bank's exposure to interest rate risk on classes of financial assets and financial liabilities is as follows:

	Floating Interest Rate	Within 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Repricing Period at 30 June 2024</b>						
<b>Financial assets</b>						
Cash and cash equivalents	46,294	-	-	-	1,417	47,711
Other receivables	-	-	-	-	2,226	2,226
Derivatives	-	-	-	-	554	554
Financial assets at FVOCI	-	-	-	-	2	2
Investments with other financial institutions	14,198	67,219	89,640	-	-	171,057
Loans and advances	671,437	133,021	96,052	-	-	900,510
<b>Total financial assets</b>	<b>731,929</b>	<b>200,240</b>	<b>185,692</b>	<b>-</b>	<b>4,199</b>	<b>1,122,060</b>
<b>Financial liabilities</b>						
Deposits	610,956	406,249	18,781	-	636	1,036,622
Trade and other payables	-	-	-	-	13,275	13,275
<b>Total financial Liabilities</b>	<b>610,956</b>	<b>406,249</b>	<b>18,781</b>	<b>-</b>	<b>13,911</b>	<b>1,049,897</b>
<b>Off balance sheet items</b>						
Interest rate swaps	-	20,000	4,000	-	-	24,000
Undrawn loan commitments	139,513	-	-	-	-	139,513
<b>Repricing Period at 30 June 2023</b>						
<b>Financial assets</b>						
Cash and cash equivalents	37,207	-	-	-	1,555	38,762
Other receivables	-	-	-	-	3,979	3,979
Derivatives	-	-	-	-	2,239	2,239
Financial assets at FVOCI	-	-	-	-	2	2
Investments with other financial institutions	6,169	35,660	117,840	-	-	159,669
Loans and advances	534,979	166,951	130,308	-	-	832,238
<b>Total financial assets</b>	<b>578,355</b>	<b>202,611</b>	<b>248,148</b>	<b>-</b>	<b>7,775</b>	<b>1,036,889</b>
<b>Financial liabilities</b>						
Deposits	643,250	304,307	9,006	-	624	957,187
Trade and other payables	-	-	-	-	7,299	7,299
Borrowings	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>643,250</b>	<b>304,307</b>	<b>9,006</b>	<b>-</b>	<b>7,923</b>	<b>964,486</b>
<b>Off balance sheet items</b>						
Interest rate swaps	-	25,000	25,000	-	-	50,000
Undrawn loan commitments	123,617	-	-	-	-	123,617

## (b) Credit risk

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

### Maximum credit risk exposure

The bank's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the statement of financial position.

### Loans

In relation to loans, the maximum credit exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, loan funds available but undrawn, redraw facilities, overdraft and credit card facilities). The bank reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to assist in the mitigation of credit risk.

The bank maintains detailed policies relating to lending including: Loans Policy; Business Lending Policy; Credit Control; Large Exposures. Policy formation, credit control and lending compliance functions are segregated from loans origination to ensure credit quality.

### Concentration risk

The bank minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is managed in accordance with the Prudential Standards to reduce the bank's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The geographical concentrations of credit risk on loans is set out in Note 12 (b). The mortgage insurance concentration is 8.09% of the loan portfolio secured by residential mortgage. Refer to Note 12 (a) for further detail.

### Liquid investments

The bank uses the ratings of reputable rating 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 credit quality assessment scale within this Prudential Standard has been complied with.

The table below sets out limits on maximum holdings per rating and counterparty.

<b>Short term S &amp; P Rating</b>	<b>Maximum Holding %</b> <i>(As a percentage of total liquidity portfolio)</i>	<b>Maximum per Counterparty %</b> <i>(As a percentage of total eligible capital)</i>
A-1+	100	25-60*
A-1	100	25
A-2	80	25
A-3	15	25
Unrated	10	10
Unrated – Settlement accounts	35	25-100*

\*Selected counterparties within the A-1+ rating group have a 60% limit and selected counterparties within the Unrated Settlement accounts group have a 100% limit.

The exposure values associated with each credit quality class for the bank's investments are as follows:

Actual Rating	2024	2024	2023	2023
	Balance \$'000	Balance %	Balance \$'000	Balance %
A-1+	94,963	44	82,289	42
A-1	26,700	12	37,742	19
A-2	65,719	30	50,375	26
A-3	-		3,485	2
Unrated	-		6,129	3
Unrated – Settlement accounts	29,969	14	16,857	8
Total	217,351	100	196,877	100

### (c) Liquidity risk

Liquidity risk is the risk that the bank may encounter difficulties raising funds to meet commitments associated with financial instruments

e.g. loan funding or customer withdrawal demands. It is the policy of the Board of Directors that the bank maintains adequate cash reserves and access to wholesale funding options so as to meet the customer withdrawal demands when requested.

The bank manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows
- Monitoring the maturity profile of financial assets and liabilities
- Maintaining adequate cash reserves and liquidity support facilities
- Monitoring the prudential liquidity ratio daily

The bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APS 210 Liquidity. The bank's policy is to apply 13% as liquid assets to maintain adequate funds for meeting customer withdrawals. Should the liquidity ratio fall below this level then management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits and the available borrowing facilities.

The ratio of liquid funds is set out below:

	2024	2023
Liquid funds to total adjusted liabilities:		
- As at 30 June	16.73%	16.78%
- Average for the year	17.75%	18.28%
- Minimum during the year	16.66%	16.78%

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 associated 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. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

## Maturity profile of financial assets and liabilities

This table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement periods for all other financial instruments. As such the amounts disclosed may not reconcile to the statement of financial position.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2024</b>							
<b>Financial assets</b>							
Cash and cash equivalents	46,294	-	-	-	-	1,417	47,711
Other receivables	2,226	-	-	-	-	-	2,226
Derivatives	50	53	234	217	-	-	554
Financial assets at FVOCI	-	-	-	-	-	2	2
Investments with other financial institutions	21,889	28,178	31,350	89,640	-	-	171,057
Loans and advances	2,745	5,535	16,410	86,445	783,797	5,578	900,510
<b>Total financial assets</b>	<b>73,204</b>	<b>33,766</b>	<b>47,994</b>	<b>176,302</b>	<b>783,797</b>	<b>6,997</b>	<b>1,122,060</b>
<b>Financial liabilities</b>							
Deposits	65,407	145,998	264,980	20,693	-	556,342	1,053,420
Trade and other payables	13,275	-	-	-	-	-	13,275
Borrowings	-	-	-	-	-	-	-
	<b>78,682</b>	<b>145,998</b>	<b>264,980</b>	<b>20,693</b>	<b>-</b>	<b>556,342</b>	<b>1,066,695</b>
Undrawn loan commitments	139,513	-	-	-	-	-	139,513
<b>Total financial liabilities</b>	<b>218,195</b>	<b>145,998</b>	<b>264,980</b>	<b>20,693</b>	<b>-</b>	<b>556,342</b>	<b>1,206,208</b>
<b>2023</b>							
<b>Financial assets</b>							
Cash and cash equivalents	37,207	-	-	-	-	1,555	38,762
Other receivables	3,979	-	-	-	-	-	3,979
Derivatives	-	-	1,049	1,190	-	-	2,239
Financial assets at FVOCI	-	-	-	-	-	2	2
Investments with other financial institutions	12,654	7,425	21,750	117,840	-	-	159,669
Loans and advances	2,338	4,702	17,108	89,527	711,632	6,931	832,238
<b>Total financial assets</b>	<b>56,178</b>	<b>12,127</b>	<b>39,907</b>	<b>208,557</b>	<b>711,632</b>	<b>8,488</b>	<b>1,036,889</b>
<b>Financial liabilities</b>							
Deposits	54,978	114,052	196,133	15,252	-	586,875	967,290
Trade and other payables	7,299	-	-	-	-	-	7,299
Borrowings	-	-	-	-	-	-	-
	<b>62,277</b>	<b>114,052</b>	<b>196,133</b>	<b>15,252</b>	<b>-</b>	<b>586,875</b>	<b>974,589</b>
Undrawn loan commitments	123,617	-	-	-	-	-	123,617
<b>Total financial liabilities</b>	<b>185,894</b>	<b>114,052</b>	<b>196,133</b>	<b>15,252</b>	<b>-</b>	<b>586,875</b>	<b>1,098,206</b>

## (d) Operational risk

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

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

## (e) Capital management

Under the APRA Prudential Standards capital is determined in three components being Credit Risk, Interest Rate Risk (trading book) and Operational Risk.

The bank is required to maintain a minimum regulatory capital level of 8% as compared to the risk weighted assets at any given time. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The interest rate risk component is not required as the bank is not engaged in a trading book for financial instruments.

To manage the bank's capital, the bank reviews the capital ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and APRA if the capital ratio falls below 13%. Further, a 3-year forward projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level, as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

The capital required for any change in the bank's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board using capital forecasting models to assess the impact upon the overall capital position of the bank.

The bank's regulatory capital comprises two tiers:

### Tier 1 Capital

Tier 1 Capital consists of:

1. Common Equity Tier 1 Capital (CET1) - which comprises the highest quality components that satisfy the following characteristics:
  - Provide a permanent and unrestricted commitment of funds
  - Are freely available to absorb losses
  - Do not impose any unavoidable servicing charge against earnings
  - Rank behind the claims of depositors and other creditors in the event of winding-up the issuer

It typically consists of retained earnings, accumulated income, other disclosed reserves and revaluation reserves.

2. Additional Tier 1 Capital - the only difference to CET1 is that these instruments provide for fully discretionary capital distributions and rank behind claims of depositors and more senior creditors.

### Tier 2 Capital

Tier 2 Capital includes other components of capital that fall short of the quality of Tier 1 capital but still contribute to the overall strength of an ADI and its capacity to absorb losses, such as subordinated debt and reserve for credit losses.

The capital structure as at the end of the financial year, for the past two years is as follows:

Capital structure	2024	2023
	\$'000	\$'000
Net Tier 1 Capital	78,919	76,166
Net Tier 2 Capital	2,075	1,829
Total Capital Base	80,994	77,995
Total Risk Weighted Assets	417,984	400,681
Total Capital Ratio	19.38%	19.47%
Tier 1 Capital Ratio	18.88%	19.01%

## Note 28: Valuation of Financial Instruments

### Fair value of assets and liabilities

The bank measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the bank would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in the highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

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.

### Fair value estimate for financial assets and liabilities

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

	2024		2023	
	Carrying value	Net fair value	Carrying value	Net fair value
	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and cash equivalents	47,711	47,711	38,762	38,762
Other receivables	2,226	2,226	3,979	3,979
Derivatives	554	554	2,239	2,239
Financial assets at FVOCI	2	2	2	2
Investments with other financial institutions	171,057	171,057	159,669	159,669
Loans and advances	900,510	898,755	832,238	826,371
<b>Liabilities</b>				
Deposits	1,036,622	1,040,651	957,188	958,279
Trade and other payables	14,048	14,048	8,100	8,100

### Fair value hierarchy

The bank measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Quoted market price (unadjusted) in an active market for an identical asset or liability.

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active
- Other valuation techniques where all significant inputs are directly or indirectly observable from market data

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

Fair values for financial instruments or non-financial assets or liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The table below categorises financial instruments and non-financial assets, measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>2024</b>				
<i>Recurring fair value measurements</i>				
Land and Buildings	-	3,726	-	3,726
Investment properties	-	3,374	-	3,374
Derivatives	-	554	-	554
Financial assets at FVOCI	-	-	2	2
<b>2023</b>				
<i>Recurring fair value measurements</i>				
Land and Buildings	-	3,411	-	3,411
Investment properties	-	3,089	-	3,089
Derivatives	-	2,239	-	2,239
Financial assets at FVOCI	-	-	2	2

There have been no significant transfers into or out of each level during the year ended 30 June 2024.

### Disclosed fair values

The bank has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows as the current market interest rate on similar loans offered in the marketplace. The carrying amount of variable interest loans and advances approximate their fair value.

The fair value of financial liabilities such as deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the bank for similar financial instruments.

## Note 29: Economic dependency

The bank has an economic dependency on the following suppliers of service:

### (a) Fiserv

This entity processes direct entry transactions and also operates the electronic switching network used to link customer card transactions on ATMs and other approved POS devices with merchants, and to the bank's core banking system.

### (b) Data Action Pty Ltd

This entity provides and maintains the banking application software for the bank (i.e. core banking system).

### (c) Australian Settlements Ltd

This entity provides settlement services for chequing.

### (d) Indue Limited

This entity provides settlement services for New Payment Platform (NPP) transactions, BPAY, card transactions, direct entry, RTGS (high value irrevocable transactions) and Mobile Payments and provides fraud transactional monitoring services.

## Note 30: Events occurring after the reporting period

On 2 October, Summerland Bank signed a Memorandum of Understanding with Regional Australia Bank which sets out an agreed timetable under which the two organisations will undertake a process which may lead to merger. Subject to executing the terms of the Memorandum of Understanding including due diligence, the current timeline for the merger to be effective is 1 July 2026 following approval by the Australian Prudential Regulation Authority (APRA) and also the members of each bank. Members of both organisations will have the opportunity to vote on the proposed merger at the respective annual general meetings (AGMs) or special general meetings (SGMs) in late 2025.

There has been no other matter or significant event that has arisen after reporting date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.



2024	2023
\$'000	\$'000

## NOTE 31: Statement of Cash Flows

### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	47,711	38,762
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### (b) 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:

- deposits into and withdrawals from savings, money market and other deposit accounts
- sales and purchases of maturing certificates of deposit
- short-term borrowings; and
- provision of loans and the repayment of such loans

### (c) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	4,993	7,265
Non-cash flows in profit after income tax:		
Net Profit / (Loss) on sale of assets	8	39
Revaluation of investment property	769	(287)
Depreciation and amortisation	1,166	1,305
Provision for loan impairment	(171)	(158)
Changes in assets and liabilities:		
Increase / (decrease) in provisions	89	103
Increase / (decrease) in interest payable	3,039	3,226
(Increase)/ decrease in interest receivable	(307)	(381)
Increase / (decrease) in income taxes payable	(387)	139
(Increase) / decrease in deferred tax assets	(1,341)	(20)
Increase / (decrease) in deferred tax liability	261	(104)
(Increase) / decrease in other assets	(685)	334
Increase / (decrease) in trade and other payables	3,343	(6,520)
(Increase) / decrease in other receivables	2,060	2,890
	12,837	7,831
Net movement in liquid investment balances	(11,388)	57,115
Net movement in loans	(68,033)	(80,978)
Net movement in deposits	79,435	13,453
Net cash provided by/(used in) operating activities	12,851	(2,579)

## Note 32: Bank details

The registered office of the bank and the principal place of business is:

**Summerland Financial Services Limited**  
**101 Molesworth Street Lismore NSW 2480**

## Consolidated Entity Disclosure Statement

Name of Entity	Type of Entity	Trustee, partner or participant in joint venture	% of share capital held	Country of Incorporation	Australian resident of foreign resident (for tax purpose)	Foreign jurisdiction(s) of foreign residents
Summerland Financial Services Ltd	Body Corporate	n/a	n/a	Australia	Australian	n/a
MTG SCU Trust Repo Series No. 1	Trust	Trustee	n/a	Australia	Australian	n/a

### Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporation Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with *AASB 10 Consolidated Financial Statements*.

## Declaration by Directors

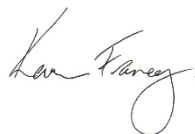
The Directors of Summerland Financial Services Limited declare that:

In the opinion of the Directors:

1. (a) The financial statements and notes of the bank are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the financial position of the bank as at 30 June 2024 and of its performance for the year ended on that date, and
    - ii) complying with Accounting Standards and the Corporations Regulations 2001;
  - (b) There are reasonable grounds to believe that the bank will be able to pay its debts as and when they become due and payable.
- 
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.  
This declaration is made in accordance with a resolution of the Board of Directors.
  
  3. The Consolidated Entity disclosure statement is true and correct.



**Colin Sales**  
Chair



**Kevin Franey**  
Chair Audit Committee

Signed and dated on 2 October 2024

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## Independent Auditor's Report

### To the Members of Summerland Financial Services Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Summerland Financial Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement 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 2024 and of its performance for the year ended on that date; 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 *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.

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### Information other than the financial report and auditor's report thereon

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

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

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

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

### Responsibilities of the Directors' for the financial report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.




Grant Thornton Audit Pty Ltd  
Chartered Accountants



Liam Te-Wierik  
Partner – Audit & Assurance

Sydney, 2 October 2024

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[summerland.com.au](http://summerland.com.au)