Annual Report 2023

Dnister Ukrainian Credit Co-operative Limited

ABN 59 087 651 394 | AFSL 240673

Contents

Our Origins and Commitment

Origins

Dnister is an Australian Member owned financial institution who is a true success story.

Dnister began in 1951 as a self-help lending group under the name of Self Reliance with the goal to provide financial help to newly arrived migrants.

Over time as the banking industry regulations evolved this resulted in the establishment of the Dnister Ukrainian Credit Co-operative Ltd on September 21, 1959 as a member owned Credit Society.

Since then, Dnister has united with other credit unions:

- Kalyna Ukrainian Credit Union Society Ltd (Perth, registered 1978) on June 30, 2000.
- Hoverla Ukrainian Credit Co-operative Ltd (Adelaide, registered 1961) on May 1, 2008.
- Latvian Australian Credit Co-operative Society Ltd (Melbourne, registered 1960) on September 1, 2016.

Each of these credit unions and Co-operatives grew from the determination of communities to build a secure future for themselves and future generations in Australia.

Today Dnister operates across all of Australia, has over 8,700 members and total assets of $250m. Dnister is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA). We are Australian owned and operated.

Dnister has branches in Melbourne and Adelaide, a service centre in Geelong and agencies in Sydney and Perth.

Dnister provides a full range of retail banking services which gives our members access to their funds on a 24/7 basis. This includes digital banking online and App, eftpos and Visa Debit. Our members have free access to over 3,000 ATMs and the Bank@Post service which has over 3,500 Australia Post Outlets. Our Australian based Call-centre operates 6 days a week.

Our product suite includes Home, Personal and Business Loans. Everyday banking, savings and investments.

Vision, & Mission

Our Vision is to be the financial services provider of choice for our members and their communities.

Dnister is committed to serving our Members fairly, honestly and compassionately.

We achieve this by:

- Ensuring we are a sustainable and well managed financial institution.
- Gaining the confidence and trust of our members.
- Understanding members financial needs and assisting them to achieve their goals.
- Delivering timely and high-quality customer service.
- Continually striving to enhance our members’ financial security and welfare by providing competitive products and services.
- Sharing profits among members and their communities.
- Promoting equity and fairness among members, for the benefit of members.

Chairmans Report

On behalf of the Board of Directors, Executive and Staff of Dnister Ukrainian Credit Co-operative Ltd, I am pleased to present our Annual Report for the year ended 30 June 2023.

As of June 30 2023:

- Dnister has over 8,700 Members located across all Australian states and territories:
  - Members of Ukrainian and Latvian heritage and their families
  - Members outside of the Ukrainian and Latvian communities introduced to Dnister by existing Members
- Dnister has branches and agencies in Perth, Adelaide, Melbourne, Geelong and Sydney
- Dnister manages:
  - Assets: $249.5 M +$15.8 M
  - Members deposits: $215.6 M +$13.5 M
  - Loans to Members: $185.1 M +$15.6 M
  - Members Equity: $27.1 M +$1.0 M
- Dnister generated a profit before tax for FY2022-23 of $1.058m.

Dnister continues to respect and honour its heritage through an ongoing commitment to providing competitive products and services to our Members and providing valuable support to their communities.

Community Support provided in the 2022-23 financial year totaled $581k (2022: $402k), delivered as:

- $475k of fees and charges absorbed by Dnister through our member loyalty fee rebate program.
- $15k supporting schools and playgroups that bank with Dnister.
- $39k provided as Beneficiary Payments to Community Organizations participating in Dnister Community Benefit Program and nominated by Members operating My Community Saver accounts.
- $52k in sponsorship of events & Praznyks held by community groups.

The support provided in the last year brings the total Community Support provided by Dnister in the last ten years to $3.11 million!

The Board's intent is to ensure that Dnister maintains itself as a strong and viable provider of services, constantly monitoring a rapidly changing financial services industry. Dnister is committed to adapting itself to a changing world, strengthening itself as an organisation and meeting the needs of both current and future generations.

Corporate governance continues to be a priority for your Board of Directors with our strategic plan being continually reviewed and updated. Dnister continues to strive to satisfy its regulatory and compliance obligations.

On behalf of the Board, I thank our staff and Executive team for all their hard work and dedication to serving you our Members and for the achievement of these results. I thank my fellow Directors for their valuable contributions throughout the year. I wish to thank Dnister long-standing member of the Board, Mr. Michael Kwas, who has decided to retire after many years of continual service.

Most importantly, I thank you, our Members, for your continued loyalty and support. I encourage you to fully utilise the products and services that Dnister offers to continue building the strength of your Co-operative. You can help Dnister grow and prosper by using Dnister as your main financial services provider and encouraging friends and family to do the same.

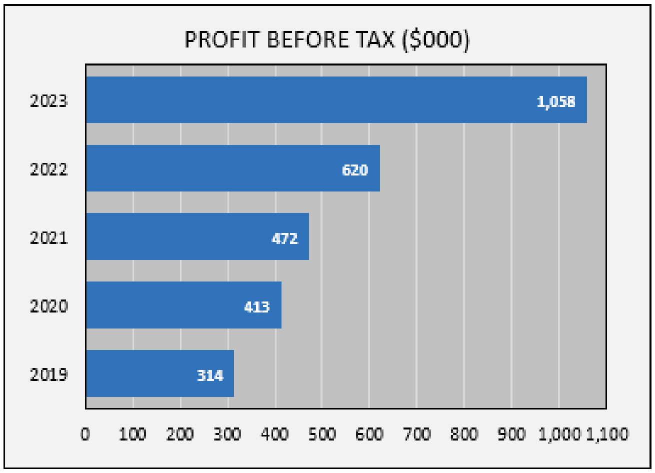
Dnister and its Members will continue to face challenges including cost of living pressures caused by inflation and higher interest rates. Rest assured, the Board of Directors, staff and Executive team are focused on ensuring Dnister continues to deliver products and services that add value to you, our Members.

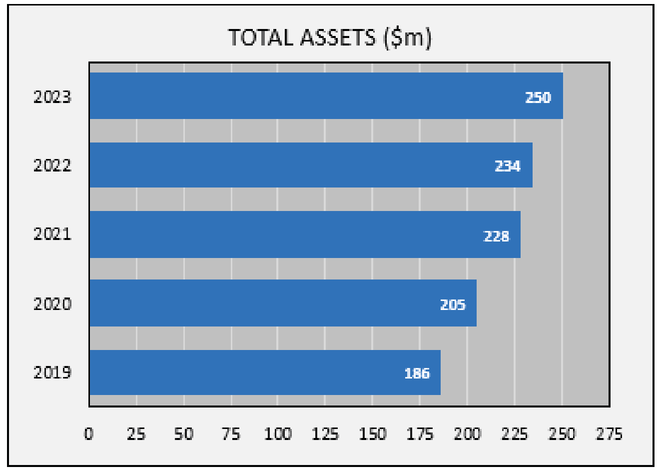
Over the next 12 months Dnister will continue to invest in new products and services including NPP PayTo, Digital Wallet & fraud monitoring technology.

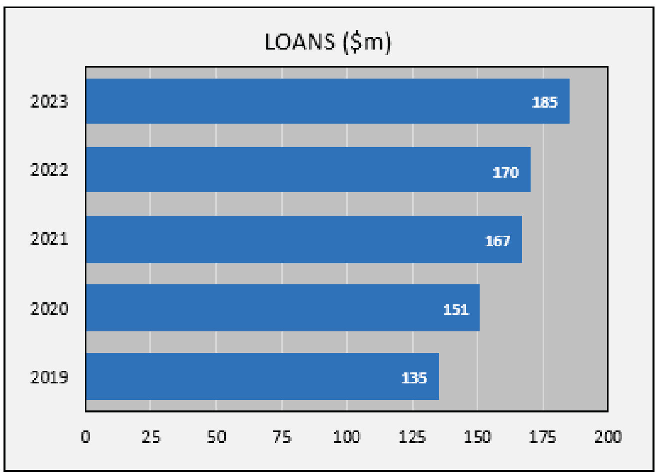
Strength in Unity!

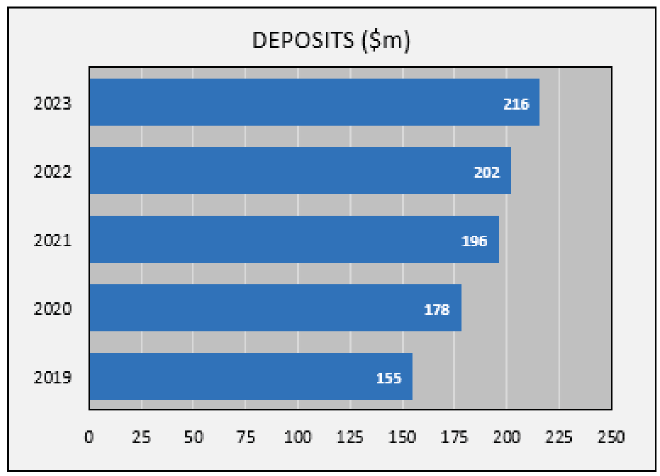
Bohdan Wojewidka
Chair

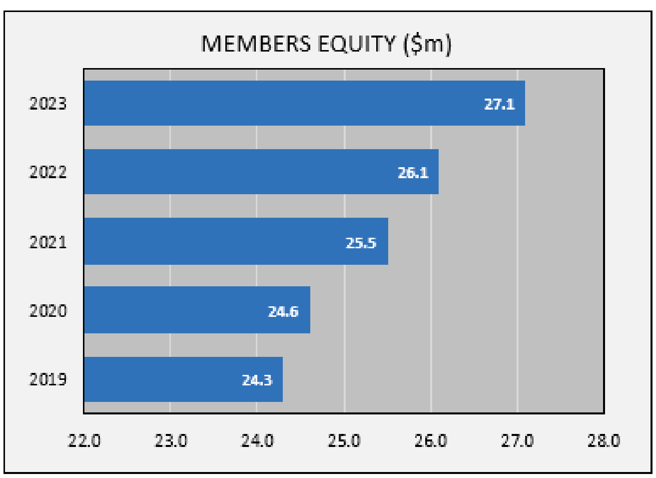
Financial Highlights

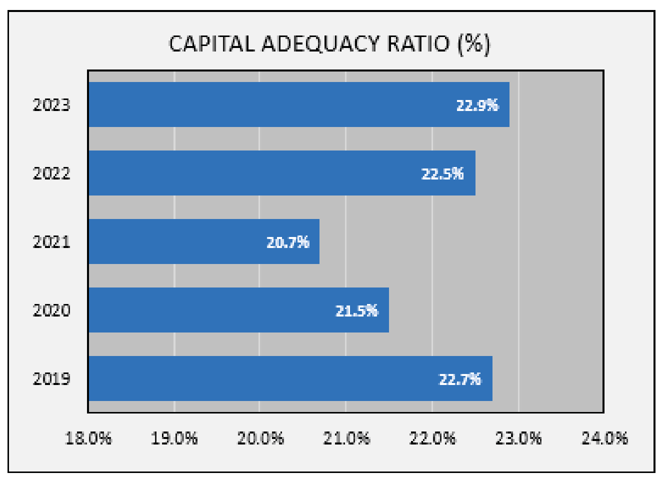












Directors' Report

Your Directors submit their report for the year ended 30 June 2023.

DIRECTORS

The names and details of the Co-operative's Directors in office during the financial year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

BOHDAN WOJEWIDKA (Chair from 15 July 2022; Deputy Chair until 15 July 2022)

B.App. Sc (Comp. Sci), MBA, GAICD.

Non-Executive Chair, Corporate Governance Committee Chair (from 15 July 2022) and Risk Committee Member.

Bohdan has an extensive background as a Chief Information Officer / General Manager for major Australian corporations. His most recent position was General Manager – Technology at People's Choice Credit Union. Bohdan's previous roles were at ABB Grain Ltd as Executive Manager Business Process and Information Systems, South Australian Chamber of Mines and Energy as Assistant Chief Executive and Newmont Australia Executive General Manager Business Information and Communications Technology.

Bohdan has served as President of Plast Ukrainian Scouts in South Australia and is presently Vice-President of the Association of Ukrainians in South Australia and a non-executive Director on the Plast National Board. He served as Chair of the Dnister Community Advisory Committee in South Australia in 2008.

Bohdan was a Non-Executive Director of the Co-operative between 2011 - 2015 and rejoined the Board in November 2017.

ANDREW PAVUK (Deputy Chair from 6 November 2022, Director until 6 November 2022)

B.Arts, Dip of Ed, B Law, Solicitor and Member of the Law Society of NSW MAICD.

Non-Executive Deputy Chair, Risk Committee Chair.

Andrew established Pavuk Legal in 2007 and with over 25 years' experience is a specialist in the areas of Financial Services, Corporate Law, Taxation, Life Insurance, Superannuation, Managed Funds, Estate Planning and Succession. Andrew has acted for Plast K P S Executive, the Ukrainian Catholic Church in Australia, various parishes, priests and Charitable Funds.

Andrew has been a Non-Executive Director of the Co-operative since May 2015.

JOHN LIPKIEWICZ (Deputy Chair until 6 November 2022; Director from 6 November 2022)

BA (Eco.), MBA, MAICD.

Audit Committee Chair and Corporate Governance Committee Member.

John is an experienced executive having worked with large national and international companies in the Banking and Financial Services Industry. His most recent role was Executive General Manager Professional Services, with Beyond Bank Australia (formerly a Credit Union) and was responsible for Business Banking, Insurance, Wealth and Advice Services. John's areas of strength and expertise include strategy, leadership, corporate governance, risk and compliance, change management, and financial outcomes. He was also responsible for the Bank's wholly owned Wealth Management subsidiary reporting directly to a separate Board. In addition, he was a Responsible Manager on two Australian Financial Services Licences. John was also the founding CEO of a start-up master trust business Personal Choice Pty Ltd. He was previously a Non-Executive Director of the Co-operative from 2009 till 2012 and was Director/Acting Deputy Chair of Hoverla Credit Union from 1998 to 2004.

John has been a Non-Executive director of the Co-operative since November 2019.

WALENTYN MYKYTENKO (Director until 6 November 2022)

B.E., Post Grad Dip. Eng.Mgt., Dip. Elec.Eng., Dip. Financial Services, AMP (MUBS), FAMI and MAICD.

Non-Executive Director, Risk Committee and Corporate Governance Committee Member.

Wal is a retired General Manager of a multi-national aviation company. Wal has been a Non-Executive Director of the Co-operative since July 2004, including nine years as Chair of the Board.

Directors' Report

Continued.

DAVID HASSETT (Chair until 15 July 2022; Director until 6 November 2022)

B.Sc (Hons), Ph D, Grad Dip App Sci (Comp Sci) MAICD.

Non-Executive Director

David trained as a scientist and worked for Universities in Australia and the United States before co-founding an IT and Business Services Consultancy in 1997. A key focus of David's work is the smooth integration of IT systems with business processes and aiding clients to streamline and improve existing business processes. David has served as Parish Treasurer for the Cathedral of St Peter and Paul, was on the state Committee of Plast Ukrainian Scouts in Victoria (2005 – 2017) and has been member of the National Plast Board (Rada) since 2017. David served as Chair of the Dnister Community Advisory Committee (Melbourne) from 2003-2008. David has been a Non-Executive Director of the Co -operative since February 2015, including almost 5 years as Board Chair.

MICHAEL KWAS (Director)

B.Bus (Acc), MAICD.

Non-Executive Director, Audit Committee and Corporate Governance Committee Member.

Michael is a retired Accountant and has well over forty years' experience in the industry. Michael has been involved in numerous community organisations such as: a Scout Leader for over twenty-seven years for the Plast Ukrainian Scouts Association (State and Federal Executive), a member of the Ukrainian Golf Club, a member of the Association of Ukrainians in Victoria and Sunshine and the Ukrainian Church in Ardeer.

Michael has been a Non-Executive Director of the Co-operative since November 2011.

NICHOLAS BUGRYN (Director from 6 November 2022)

B.Comm (Fin, Eco & Intl Trade),

Non-Executive Director, Audit Committee and Risk Committee Member.

Nichloas is a Financial Services professional with over fifteen years' experience in the industry. Nicholas is currently investment specialist with AMP. Prior to that Nicholas held roles as Director within the Global Markets division of NAB, Regional Manage r of Advice, Portfolio Manager and Investment Analyst with CommSec. Nicholas has been involved in numerous community organisations and has a strong passion for sport and exercise including coaching and a member of the junior committee.

COMPANY SECRETARY

ANDREW JAMES Chief Executive Officer

MBA (Melb), Post Grad Dip. Bus.

DIRECTORS' MEETINGS

The number of Directors' meetings held, attended and the number of meetings Directors were eligible to attend for the financial year were as shown in the table below:

		Board Committee Meetings Held		
	Board Meetings Held 13	Audit Committee 4	Risk Committee 4	Corporate Governance 5
D Hassett	5 (of 5)			1 (of 1)
B Wojewidka	13 (of 13)	2 (of 2)	2 (of 2)	5 (of 5)
M Kwas	13 (of 13)	2 (of 4)	2 (of 2)	3 (of 3)
J Lipkiewicz	13 (of 13)	4 (of 4)		5 (of 5)
A Pavuk	12 (of 13)		4 (of 4)	1 (of 2)
W Mykytenko	5 (of 5)		2 (of 2)	2 (of 2)
N Bugryn	7 (of 8)	2 (of 2)	2 (of 2)	

Directors' Report

Continued.

PRINCIPAL ACTIVITIES

During the year there were no significant changes to the principal activities of the Co-operative, these being the provision of retail financial services, which includes receiving funds on deposits, advancing loans, providing insurance products, and the leasing of Dnister property.

OPERATING AND FINANCIAL REVIEW

The Co-operative`s net profit before income tax for the year ending 30 June 2023 is $1,058,000 (2022: $620,000).

Total Assets increased by $15.8m to $249.5m with Members' Equity increasing by $1.0m to $27.1m. The loan portfolio increased by $15.6m to $185.1m and the deposit portfolio increased by $13.5m to $215.6m.

There were no significant changes in the operations of the Co-operative. The impact of the Coronavirus (COVID-19) pandemic continued to ease over the year including the response by Governments, regulators and industry sectors.

DIVIDENDS

In accordance with the constitution, no dividend is paid in respect of any shares.

BOARD MONITORING OF PERFORMANCE

Management and the Board monitor the Co-operative's overall performance from the implementation of the mission statement and strategic plan through to the performance of the company against budget. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs and reviews performance against them monthly. Directors receive KPIs for review prior to each Board meeting allowing all Directors to actively monitor the Co- operative's performance.

LIQUIDITY AND FUNDING

The Co-operative has a short-term overdraft facility of $350,000 (2022: $350,000). The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co- operative to take advantage of favourable short-term funding when required. The Co-operative has a $2.7m term funding facility with the Reserve Bank of Australia.

RISK MANAGEMENT

The Co-operative takes a pro-active approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Co- operative's objectives are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks and opportunities identified by the Board. These include the following:

- Board approval of the Strategic Plan, which encompasses the Co- operative's vision, mission and goals, designed to meet Members' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budget, including the establishment and monitoring of KPIs of both a financial and non- financial nature.
- The establishment of committees to report on specific business risks.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date to be brought to the attention of Members for the financial year ended 30 June 2023.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The operations of the Co-operative are expected to continue in line with current objectives and strategies.

INDEMNITY AND INSURANCE

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

Directors' Report

Continued.

COMMITTEE MEMBERSHIP

As at the date of this report, the Co-operative had an Audit Committee, Risk Committee and Corporate Governance Committee. Members of the Board acting on the committees of the Board at the date of this report are:

AUDIT COMMITTEE

J Lipkiewicz (Chair)
M Kwas
N Bugryn

RISK COMMITTEE

A Pavuk (Chair)
B Wojewidka
N Bugryn

CORPORATE GOVERNANCE COMMITTEE

B Wojewidka (Chair)
J Lipkiewicz
M Kwas

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 10 of the financial report.

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Dnister Ukrainian Credit Co-operative Limited

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

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

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

Crowe

CROWE MELBOURNE

Bradley D BOHUN
Partner

26 September 2023
Melbourne

Non-Audit Services

The following non-audit services were provided by the entity`s auditor Crowe Melbourne. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Crowe Melbourne received or are due to receive the following amounts for the provision of non-audit services:

Tax Compliance Service	$ 7,595

The report is signed in accordance with a resolution of the Directors of the Co-operative.

On behalf of the Board

Bohdan Wojewidka
Chairman of the Board
26 September 2023

John Lipkiewicz
Chairman of the Audit Committee
26 September 2023

Corporate Governance Statement

The Board of Directors of Dnister Ukrainian Credit Co-operative Limited are responsible for the corporate governance of the Co-operative. The Board guides and monitors the business and affairs of the Co-operative on behalf of the Members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investments Commission (ASIC).

The key responsibilities of the Board include:

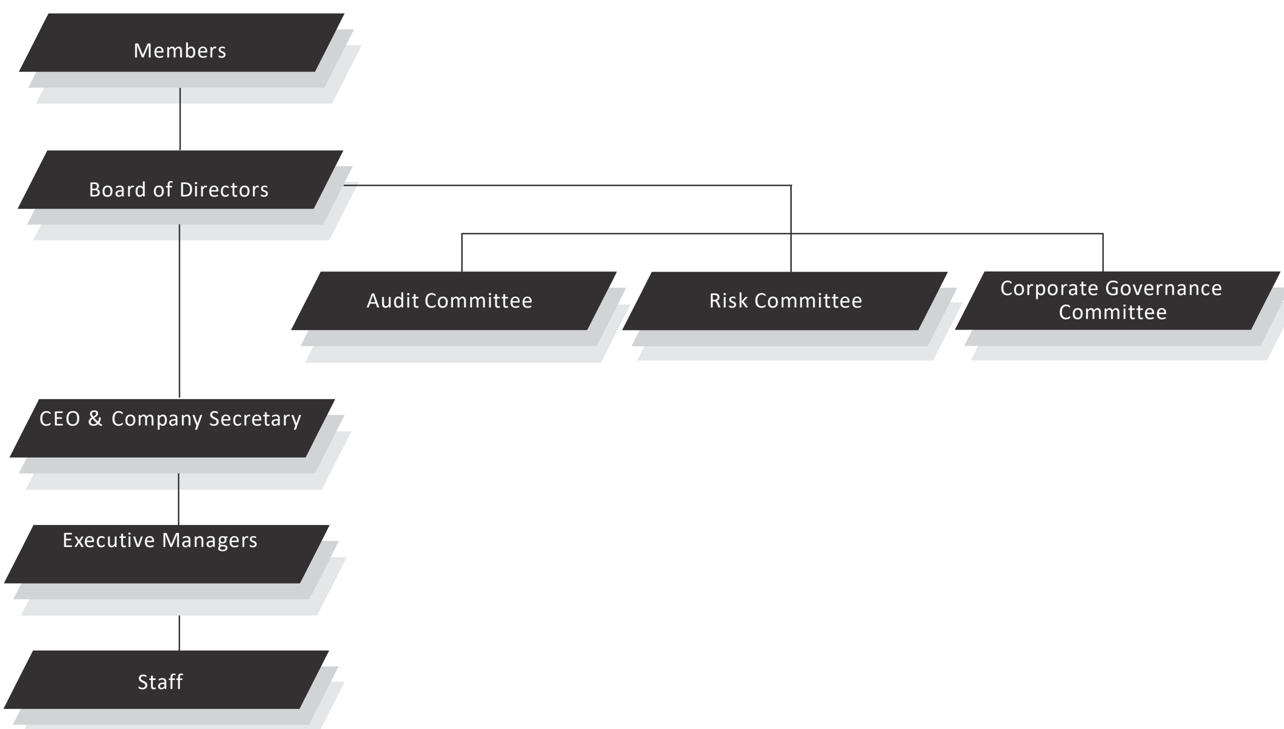
- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Co-operative.
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring the Co-operative meets its legal and statutory obligations.

The Board of Directors undertook the annual Board performance assessment for the year ended 30 June 2023. The key outcomes of this review are:

- Identification of skill enhancements
- Further training requirements for the Board Members

STRUCTURE OF THE BOARD

Directors of the Co-operative are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with, the exercise of their unfettered and independent judgement.



Corporate Governance Statement

Continued.

AUDIT COMMITTEE

The Board has an Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists in the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Members of the Audit Committee at the end of the year were:

J Lipkiewicz (Chair)
M Kwas
N Bugryn

RISK COMMITTEE

The Board has a Risk Committee which operates under a charter approved by the Board. The Board has delegated the responsibility for the establishment and maintenance of a risk framework to the Risk Committee.

The Members of the Risk Committee at the end of the year were:

A Pavuk (Chair)
B Wojewidka
N Bugryn

CORPORATE GOVERNANCE COMMITTEE

The Board has a Corporate Governance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that there is sound and prudent management of the Co- operative. The Board has delegated the responsibility for the establishment and maintenance of principles of Good Corporate Governance and Best Practice to the Corporate Governance Committee.

It is the Co-operative's objective to provide maximum stakeholder benefit through the retention of an Executive team by remunerating key executives fairly and appropriately with reference to employment market conditions. The Co-operative does not pay any performance-based bonuses.

The Members of the Corporate Governance Committee at the end of the year were:
B Wojewidka (Chair)
J Lipkiewicz
M Kwas

The term in office held by each Director at the date of this report is as follows:

M Kwas	12 years
A Pavuk	8 years
B Wojewidka	6 years
J Lipkiewicz	4 years
N Bugryn	1 year

Resigned Directors (until 6 November 2022):

W Mykytenko	18 years
D Hassett	8 years

Financial Statements

Notes

NOTES TO THE FINANCIAL STATEMENTS

Directors' Declaration

for the year ended 30 June 2023

In accordance with a resolution of the Directors of Dnister Ukrainian Credit Co-operative Limited, we state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Co-operative are in accordance with the *Corporations Act 2001* including:

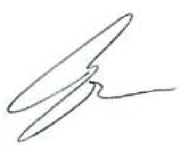
   - giving a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
   - complying with Accounting Standards in Australia and the *Corporations Regulations 2001*;

   (b) there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable; and

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2023.

On behalf of the Board



Bohdan Wojewidka
Chair of the Board
26 September 2023

John Lipkiewicz
Chair of the Audit Committee
26 September 2023

Dnister Ukrainian Credit Co-operative Limited

Independent Auditor's Report to the members of Dnister Ukrainian Credit Co-operative Limited

Opinion

We have audited the financial report of Dnister Ukrainian Credit Co-operative Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Dnister Ukrainian Credit Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe

CROWE MELBOURNE

Bradley D BOHUN
Partner

26 September 2023
Melbourne

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Notes	2023	2022
		$'000	$'000
INCOME			
Interest income	3	9,742	5,560
Interest expense	4	(3,769)	(775)
Net interest income		5,973	4,785
Fees and commission income	5	186	179
Other operating income	6	1,193	1,143
Total operating income		7,352	6,107
Credit loss expense	7	(50)	(80)
Net operating income		7,302	6,027
Salaries and associated costs		(2,707)	(2,309)
Depreciation and amortisation	14.1 & 14.2	(121)	(158)
Community sponsorships, support and beneficiary contributions	23	(106)	(68)
Other operating expenses	8	(3,310)	(2,872)
Total operating expenses		(6,244)	(5,407)
Profit before tax		1,058	620
Income tax benefit/(expense)	9(a)	(263)	(33)
NET PROFIT ATTRIBUTABLE TO MEMBERS		796	587
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Fair value revaluation of FVOCI investments		292	(544)
Adjustment to deferred tax due to temporary differences on revalued assets		(73)	617
Other comprehensive income for the period, net of tax		219	73
Total comprehensive income for the period		1,015	660

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2023

ASSETS	Note	2023 $'000	2022 $'000
Cash and cash equivalents	10	8,897	9,497
Financial investments – Term & Negotiable Certificates of Deposits	11.1	10,248	12,748
Financial investments – Bonds and Shares	11.2	28,428	25,246
Loans and advances to Members	12	185,116	169,510
Investment properties	13	3,968	3,968
Property & equipment	14.1	11,631	11,597
Intangibles	14.2	42	107
Deferred tax asset	9	417	402
Other financial investments	15	544	465
Other assets	16	241	199
Total Assets		249,533	233,739
LIABILITIES			
Member deposits	17	215,636	202,190
Current tax liabilities		64	142
Borrowings	18	2,737	2,737
Other liabilities	19	2,353	1,011
Provisions	20	475	418
Deferred tax liabilities	9	1,137	1,126
Total Liabilities		222,402	207,624
NET ASSETS		27,130	26,115
Retained earnings	21	13,844	12,851
Credit loss reserve	21	631	828
Business combination reserve	21	4,436	4,436
Asset revaluation reserve	21	8,126	8,126
FVOCI investments reserve	21	93	(126)
TOTAL MEMBERS EQUITY		27,130	26,115

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2023

	Retained Earnings $'000	Other Reserves see (note 21) $'000	Total $'000
TOTAL AT 1 JULY 2022	12,851	13,264	26,115
Net profit attributable to Members	796	-	796
Other comprehensive income	-	219	219
Total comprehensive income	13,647	13,483	27,130
Decrease in general reserve for credit losses	197	(197)	-
TOTAL AT 30 JUNE 2023	13,844	13,286	27,130

	Retained Earnings $'000	Other Reserves see (note 21) $'000	Total $'000
TOTAL AT 1 JULY 2021	12,275	13,180	25,455
Net profit attributable to Members	587	-	587
Other comprehensive income	-	73	73
Total comprehensive income	12,862	13,253	26,115
Increase in general reserve for credit losses	(11)	11	-
TOTAL AT 30 JUNE 2022	12,851	13,264	26,115

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
OPERATING ACTIVITIES			
Profit before tax		1,058	620
Adjustments for:			
- Changes in operating assets	22	(57)	(163)
- Changes in operating liabilities (including tax payable)	22	1,415	(948)
- Non-cash items included in profit before tax	22	171	238
- Income tax paid		(418)	(89)
- Net increase in member deposits		13,445	6,311
- Net increase in loans and advances		(15,656)	(3,078)
Net cash flows from/(used in) operating activities		(42)	2,891
INVESTING AND FINANCING ACTIVITIES			
Net term & negotiable certificate deposit investments sold/(purchased)		2,500	(6,500)
Net purchase of financial investments – bonds and shares		(2,969)	(135)
Net increase/(decrease) in wholesale borrowings		-	-
Purchases of property and equipment and intangible assets		(89)	(96)
Net cash flows used in investing and financing activities		(558)	(6,731)
Net increase/(decrease) in cash and cash equivalents		(600)	(3,840)
Cash and cash equivalents at 1 July		9,497	13,337
Cash and cash equivalents at 30 June		8,897	9,497
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest received		9,742	5,560
Interest and other costs of finance paid		(3,769)	(775)
Dividends received		9	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

1. CORPORATE INFORMATION

Dnister Ukrainian Credit Co-operative Limited is a company incorporated in Australia.

Dnister is a member owned Co-operative specialising in serving the financial needs of the Australian communities of Ukrainian and Latvian descent. The nature of the operations and principal activities of the Co-operative are described in the Directors' Report.

The financial report of the Co-operative for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of Directors on 26 September 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared as a 'for profit entity' as per AASB1054.8. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings and FVOCI investments, which have been measured at fair value.

In accordance to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

2.2 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Co-operative's accounting policies, Management has used its judgements and made estimates in determining amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

FAIR VALUE OF FINANCIAL INSTRUMENTS
Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES
Significant judgements and estimates are applied by management in assessing impairment of loans and advances with regards to the expected credit loss modelling, including:

- Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Co-operative takes into account qualitative and quantitative reasonable and supportable forward-looking information;
- Choosing appropriate models and assumptions for the measurement of expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

PROPERTY
Some of the Co-operative's property is leased out on a commercial basis. Those buildings that are fully leased are now classified as investment properties. The main 'banking building' is still classified as owner-occupied because a significant section of the property is used by the Co-operative for its banking activities. These judgments are consistent with AASB140 Investment Property classification.
The Directors have used an income capitalisation methodology and cross-checked using the using the Direct Comparison method derived from analysis of comparable sales. A market capitalization rate of between 4.0% to 7.5% has been used to estimate the fair value using current rental yields.

TAXATION
The Co-operative's accounting policy for taxation requires Management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future sales volume, operating costs, restoration costs, capital expenditure, dividends and other Capital Management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Other Comprehensive Income

GOING CONCERN
The current economic environment includes a number of risks including a tightening interest rate cycle, increased credit risk, higher inflation rate, strained global supply chains and cost of living increases.
The impact on the Co-operative's operations has been subject to close consideration in preparing these financial statements. In particular, there has been an increased focus on the budget impacts of a rising interest rate cycle to provide comfort that there is no material uncertainty in terms of the Co-operative as a "going concern". The budget scenarios produced indicate that key metrics such as Capital Adequacy and Liquidity are able to be maintained at levels above both statutory requirements and internal benchmarks for the forecasting period.

Based on this, the financial statements have therefore been prepared on a going concern basis.

2.4.1 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) DATE OF RECOGNITION

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date i.e. the date that the Co-operative commits to purchase or sell the asset.

(i) CLASSIFICATION OF FINANCIAL ASSETS

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

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

- amortised cost
- fair value through profit or loss (FVPL)
- 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 within other expenses.

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.

(ii) SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Co-operative's cash and cash equivalents, trade receivables fall into this category of financial instruments as well as NCDs.

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

(iii) FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – Indue Ltd and Shared Service Partners Pty Ltd. Investments in FRNs are also measured at FVOCI, with subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

2.4.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Co-operative has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either:
  a) the Co-operative has transferred substantially all the risks and rewards of the asset, or
  b) the Co-operative has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.4.3 IMPAIRMENT OF FINANCIAL ASSETS

(i) LOANS AND ADVANCES TO MEMBERS

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the "expected credit loss model" (ECL).

The Co-operative considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:

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

Measurement of ECL

The Co-operative applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.

- 12-months ECL (Stage 1) - The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – not impaired (Stage 2) - ECL associated with the probability of default events occurring throughout the life of an instrument.
- Lifetime ECL – impaired (Stage 3) - Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

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

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

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

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

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost of effort at the reporting rate about past events, current conditions and forecasts of future economic conditions.

Critical accounting estimates and judgments in the ECL

A number of significant judgments are required in applying the accounting requirements for measuring ECL, which are detailed below:

Assumptions used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the Co-operative defines default as occurring when a loan obligation is past 30 days due. The definition of default largely aligns with that applied by APRA for regulatory reporting purposes, and the criteria used for internal credit risk management purposes.

Assessment of significant increase in credit risk

In determining whether the risk of default has increased significantly since recognition, the Co-operative considers both quantitative and qualitative factors. These include:

- When a loan reaches 30 days past due;
- Loan with approved hardship or modified terms.

Calculation of expected credit losses

Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are derived from industry standards and historical loss models.

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised. The EAD represents the expected exposure at default.

The 12-months ECL is equal to the sum over the next 12-month PD multiplied by LGD and EAD. Lifetime ECL is calculated using the sum of PD over the full remaining life multiplied by LGD and EAD.

Grouping of loans for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Co-operative has elected to use the following segments when assessing credit risk for Stage 1 of the ECL model:

- Mortgage loans – under 80% LVR or LMI insured
- Mortgage loans – above 80% LVR without LMI
- Loans secured by funds
- Personal loans – secured and unsecured

2.4.4 RECOGNITION OF INCOME AND EXPENSES (AASB 15 disclosures)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-operative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) INTEREST AND SIMILAR INCOME

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) FEE AND COMMISSION INCOME

Fee Income
Loan, account and transaction fee income relate to fees that are not deemed to be an integral part of the effective interest rate.
Fee income relating to deposit or loan accounts is either:
Transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
Related to performance obligations carried out over a period of time, therefore recognised on a systemic basis over the life of the agreement as the services are provided

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

Loan Fee - Loan fees and charges are recognised at the point in time when the transaction takes place.

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

Commissions
Commission income is recognised when the performance obligation is satisfied.

Other commission - Revenue is recognised at the point in time when it is received as that is when the service has occurred.

(iii) DIVIDEND INCOME

Revenue is recognised when the Co-operative's right to receive the payment is established.

(iv) RENTAL INCOME

Rental income arising from investment and other properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Profit or Loss in 'other operating income'.

2.4.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The amounts included in cash are held for the purpose of meeting short term cash deposits.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and net of outstanding bank overdrafts.

2.4.6 INVESTMENT PROPERTIES

The Co-operative holds certain properties as investments to earn rental income, for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the Statement of Financial Position date. Gains or losses arising from changes in the fair values of investment properties are included in 'other operating income' in the year in which they arise. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Co-operative, and to market-based yields for comparable properties.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Profit or Loss in the year of retirement.

2.4.7 PROPERTY, EQUIPMENT & INTANGIBLE ASSETS

(i) COST

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value less any impairment losses recognised after the date of revaluation.

Under Australian Accounting Standards, items of computer software which are not integral to the computer hardware owned by the Co-operative are classified as intangible assets.

(ii) IMPAIRMENT

The carrying values of equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired.

(iii) REVALUATIONS

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Other Comprehensive Income.

Any revaluation decrease is recognised in Profit or Loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the Statement of Financial Position date.

(iv) DERECOGNITION AND DISPOSAL

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss in the year the asset is derecognised.

(v) DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Furniture and equipment – 6-7 years
- Computer hardware - 4 years

(vi) AMORTISATION

Computer software held as intangible assets is amortised over the expected useful life of the software on a straight-line basis over 3 years.

In line with the recognition criteria of AASB 138, the Co-operative has expensed items that do not meet the definition of an intangible asset.

2.4.8 RECEIVABLES

Receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in Profit or Loss when the receivables are derecognised or impaired.

Expected future payments are discounted.

2.4.9 PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid and arise when the Co-operative becomes obliged to make future payments in respect of these goods and services. The payables are not secured and are generally paid within 30 days of recognition.

(i) PROVISIONS

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions include:

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

LONG SERVICE LEAVE

The liability for long service leave 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 reporting date using the projected unit credit method. 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 reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.4.10 MEMBER DEPOSITS AND SHORT-TERM BORROWINGS

(i) MEMBER DEPOSITS

Member deposits are classified under the categories of at call and fixed term. The rate of interest offered on member deposits is dependent on the amount, the period invested/availability of funds and the nature of the deposit facility used. Member deposits are available for withdrawal subject to the advertised constraints of the facility.

For example, at call accounts can be accessed at any time, whereas no withdrawals can be made from a standard fixed term deposit without penalties.

(ii) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(iii) MEMBERSHIPS

Members must purchase shares to the value of $10 in the Co- operative to open their account. Once a member has purchased shares, they may open multiple accounts. When a member cancels or resigns their Membership, they are entitled to be refunded their initial $10 investment. No interest or dividends are payable on the shares issued because they are withdrawn on the closure of Membership. They are therefore recorded as a liability in the financial accounts as part of deposits at call, rather than as equity.

2.4.11 TAXES

(i) CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

(ii) DEFERRED TAX

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in Profit or Loss.

(iii) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred from the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

2.4.12 NEW OR AMENDED ACCOUNTING STANDARDS ADOPTED

There are no new accounting standards or interpretations applied since 1 July 2022.

2.4.13 NEW OR AMENDED ACCOUNTING STANDARDS NOT YET MANDATORY

There are no new accounting standards or interpretations expected to have any significant impact on the Co-operative's financial report that are issued and not yet applicable.

	2023 $'000	2022 $'000
3. INTEREST INCOME		
Loans and advances to Members	8,377	5,256
Deposits with other financial institutions	1,319	303
Regulatory deposits	46	2
	9,742	5,560
4. INTEREST EXPENSE		
Member deposits	3,769	775
	3,769	775
5. FEES AND COMMISSION INCOME		
Other fees received	186	179
	186	179
6. OTHER OPERATING INCOME		
Dividend income	9	7
Rental income	1,105	1,072
Change in fair value of investment property	-	-
Other	79	64
	1,193	1,143
7. CREDIT LOSS EXPENSE		
Bad Debts and Impairment Allowance	50	80
	50	80
8. OTHER OPERATING EXPENSES		
Marketing, printing & postage	101	149
Other tenancy expenses	466	452
Corporate governance, audit & compliance	459	466
Subsidised member transaction expenses	475	334
Data & communications	1,270	677
Other	539	794
	3,310	2,872

9. INCOME TAX

	2023 $'000	2022 $'000
(a) Income tax expense/(benefit)		
The major components of income tax expense are:		
Statement of Profit or Loss and Other Comprehensive Income		
Current Income Tax		
Current Income tax charge	342	207
Adjustments in respect of current income tax of previous years	(2)	(130)
Deferred Income Tax		
Relating to origination and reversal of temporary differences	(78)	(44)
Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income	263	33
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Unrealised movement on land and buildings, net of tax	-	477
Unrealised movement on FVOCI investments, net of tax	(73)	139
Income tax expense reported in equity	(73)	616
(c) Reconciliation between aggregate tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Profit before tax	1,058	620
At the Company's statutory income tax rate of 25% (2022:25%)	265	155
Under/(over) provided in prior years	(2)	(130)
Increase/(decrease) in deferred tax balances	-	8
Income tax expense on pre-tax profit	263	33
(d) Recognised deferred tax assets and liabilities		
Amounts recognised in the Statement of Financial Position:		
Deferred tax asset	417	402
Deferred tax liability	(1,137)	(1,126)
Deferred Net Tax Liabilities	(719)	(724)

9. INCOME TAX
Continued.

	2023	2022
Deferred income tax	$'000	$'000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Prepayments	(16)	(26)
Depreciable assets	-	-
Investment properties	(316)	(316)
Land and buildings	(704)	(704)
Financial Investments – FVOCI	(101)	(80)
Deferred tax liabilities	(1,137)	(1,126)
Deferred tax assets		
Allowance for Impairment	98	85
Provisions and accruals	249	194
Financial Investments – FVOCI	70	123
Deferred tax assets	417	402

10. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	146	228
Deposits at call	8,751	9,269
	8,897	9,497

11.1. FINANCIAL INVESTMENTS – Term and NCDs

	2023	2022
Term and negotiable certificates of deposits with banks (fully redeemable), not longer than 3 months	10,248	10,748
Term and negotiable certificates of deposits with banks (fully redeemable), longer than 3 months and not longer than 12 months	-	2,000
	10,248	12,748

11.2. FINANCIAL INVESTMENTS – Bonds

	2023	2022
Fixed Interest Bonds and Floating Rate Notes (fully redeemable), longer than 12 months	28,428	25,246
	28,428	25,246

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

12. LOANS AND ADVANCES TO MEMBERS

	2023	2022
	$'000	$'000
Overdraft and revolving credit	6,632	5,948
Term loans	178,876	163,904
Gross loans and advances*	185,508	169,852
Less: Allowance for impairment losses	(392)	(342)
	185,116	169,510
(a) BY MATURITY		
Overdrafts	6,632	5,948
Not longer than 3 months	2,285	-
Longer than 3 months and less than 12 months	10,502	2,548
Longer than 12 months and less than 5 years	6,448	13,974
Longer than 5 years	159,640	147,382
	185,508	169,852
(b) BY PRODUCT TYPE		
Residential mortgages	160,550	148,721
Consumer lending	2,534	2,047
Corporate & small business lending	22,424	19,084
	185,508	169,852
(c) BY CONCENTRATION		
Loans in Victoria	131,935	118,478
Loans in South Australia	21,233	18,924
Loans in New South Wales	13,432	13,001
In other states	18,907	19,449
	185,508	169,852
(d) BY SECURITY		
Secured by mortgage	184,816	168,448
Secured by Other	530	648
Unsecured	162	755
	185,508	169,852
(e) BY LVR		
Less than 80%	161,726	146,180
Greater than 80% with LMI	21,734	16,918
Greater than 80% no LMI	2,048	6,754
	185,508	169,852
IMPAIRMENT ALLOWANCE FOR LOANS AND ADVANCES TO MEMBERS		
A reconciliation of the allowance for impairment losses for loans and advances is as follows:		
(I) Total Provision	392	342
(II) Movement in total provision		
Balance at the beginning of the year	342	262
Charge for the year (Note 7)	50	80
Balance at the end of the year	392	342

* At 30 June 2023 there were 8 loans totaling $27.6 m which each exceeded 10% of the Co-operative's Tier 1 capital (2022: 9 loans totaling $23.9m).

12. LOANS AND ADVANCES TO MEMBERS

Continued.

	2023	2022
(III) The loans provision consists of:	$'000	$'000
Provision	392	342
	392	342
(Iv) Impaired loans written off:		
Charge / (recovery)	-	-
	392	342

(f) Loans Past Due or Impaired

	2023			2022		
	Past Due	Impaired	Collateral Held	Past Due	Impaired	Collateral Held
	$'000	$'000	$'000	$'000	$'000	$'000
HOUSING LOANS						
30 days and less than 60 days	393	-	530	1,148	-	2,980
60 days and less than 90 days	629	-	788	81	-	395
90 days and less than 182 days	151	-	280	408	-	780
182 days and less than 273 days	405	-	875	-	-	-
273 days and less than 365 days	127	-	450	-	-	-
365 days and over	696	-	3,085	571	-	2,500
	2,401	-	6,008	2,209	-	6,655
PERSONAL AND COMMERCIAL LOANS						
30 days and less than 60 days	-	-	-	-	-	-
60 days and less than 90 days	-	-	-	-	-	-
90 days and less than 182 days	-	-	-	-	-	-
182 days and less than 273 days	-	-	-	-	-	-
273 days and less than 365 days	-	-	-	-	-	-
365 days and over	-	-	-	-	-	-
	-		-	-	-	-
OVERDRAFTS						
less than 14 days	10	-	-	-	-	-
14 days and less than 90 days	-	-	-	-	-	-
90 days and less than 182 days	-	-	-	-	-	-
182 days and over	-	-	-	-	-	-
	10	-	-	-	-	-
	2,411		6,008	2,209	-	6,655

12. LOANS AND ADVANCES TO MEMBERS

Continued.

(g) Loans Past Due or Impaired

Reconciliation of allowance for impairment

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

2023:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	$000	$000	$000	$000
Balance as at 1 July 2022	97	245	-	342
Transfers between stages	245	(245)	-	-
Movement due to increase in loans & advances	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	50	-	-	50
Balance as at 30 June 2023	**392**	**-**	**-**	**392**

2022:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	$000	$000	$000	$000
Balance as at 1 July 2021	17	244	1	262
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	80	1	(1)	80
Balance as at 30 June 2022	**97**	**245**	**-**	**342**

(h) Sensitivity Analysis

Large Exposures:

As part of the assessment of the current economic conditions, the Co-operative has considered the impact on its large borrowing exposures. The Co-operative has observed that none of these facilities are currently past due or impaired or are considered to have experienced a material deterioration in collateral values. As a result, the Co-operative does not consider that any of these exposures have experienced a significant deterioration in credit quality. The Co-operative will continue to monitor these exposures prudently.

The Co-operative also holds a credit loss reserve as an additional allowance for bad debts. Refer to Note 21 for details on this.

13. INVESTMENT PROPERTIES

	2023 $'000	2022 $'000
At 1 July	3,968	3,968
Net change from fair value adjustment	-	-
	3,968	3,968

14.1 PROPERTY AND EQUIPMENT	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2022	11,447	386	1,429	13,262
Additions	-	87	1	88
Disposals	-	-	-	-
Net change from revaluation	-	-	-	-
At 30 June 2023	11,447	473	1,430	13,350
Accumulated depreciation:				
At 1 July 2022	-	356	1,309	1,665
Disposals	-	-	-	-
Net Change from Revaluation	-	-	-	-
Depreciation charge for the year	-	29	26	55
At 30 June 2023	-	385	1,335	1,719
At 30 June 2023				
Cost or fair value	11,447	473	1,430	13,350
Less: Accumulated depreciation	-	385	1,335	1,719
Net carrying amount	11,447	89	96	11,631

	2023	2022
	$'000	$'000
If land and buildings were measured using the cost model, the carrying amounts would be:	3,894	3,894

Valuations:
The 2023 Directors' Valuation was performed in the year following the COVID-19 pandemic with limited market activity and low sale volumes. The valuation report considers the economic outlook for Australia as a whole, and Victoria and South Australia given the location of the properties involved. This outlook includes a number of risks including a tightening interest rate cycle, increased credit risk, higher inflation rate, strained global supply chains and cost of living increases.

The current valuation is based on specific assumptions that appear reasonable based on current local sentiment and forecasts, notwithstanding the market uncertainty resulting from the current economic environment.

14.1 PROPERTY AND EQUIPMENT Continued.	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2021	11,447	392	1,343	13,182
Additions	-	10	86	96
Disposals	-	(16)	-	(16)
Net change from revaluation	-	-	-	-
At 30 June 2022	11,447	386	1,429	13,262
Accumulated depreciation:				
At 1 July 2021	-	345	1,290	1,635
Disposals	-	(16)	-	(16)
Net Change from Revaluation	-	-	-	-
Depreciation charge for the year	-	27	19	46
At 30 June 2022	-	356	1,309	1,665
At 30 June 2022				
Cost or fair value	11,447	386	1,429	13,262
Less: Accumulated depreciation	-	356	1,309	1,665
Net carrying amount	11,447	30	120	11,597

14.2 INTANGIBLES

	2023 $'000	2022 $'000
a. Intangible Assets Comprise:		
Asset at cost	842	842
Amortisation	(800)	(735)
	42	107
b. Movement in the intangible asset balances during the year was:		
Opening balance	107	220
Additions	-	
Less: Write-downs	-	
Less: Amortisation charge	(66)	(113)
	42	107

	2023 $'000	2022 $'000
15. OTHER FINANCIAL INVESTMENTS		
Shares – Shared Service Partners Pty Ltd	20	20
Shares – Indue Ltd	524	445
	544	465

16. OTHER ASSETS

Accrued interest receivable	175	95
Prepayments	66	104
	241	199

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it policy to transfer (on-sell) receivables to special purpose entities.

17. MEMBER DEPOSITS

Call deposits	92,061	101,260
Term deposits	123,575	100,930
	215,636	202,190
BY CONCENTRATION		
Deposits in Victoria	141,231	142,372
Deposits in New South Wales	33,741	24,369
Deposits in South Australia	27,833	24,741
In other states	12,831	10,708
	215,636	202,190

18. BORROWINGS

Repurchase agreements	2,737	2,737
	2,737	2,737

The Co-operative utilised the RBA Term Funding Facility (TFF). Under the TFF the Reserve Bank of Australia offered three year funding to Authorised Deposit Taking Institutions (ADI's) through repurchase transactions at a fixed pricing rate of 10 basis points per annum.

(a) BY MATURITY		
Not longer than 3 months	-	-
Longer than 3 months and less than 12 months	2,737	-
Longer than 12 months and less than 5 years	-	2,737
Longer than 5 years	-	-
	2,737	2,737

19. OTHER LIABILITIES

	2023 $'000	2022 $'000
Interest payable on deposits	1,411	297
Trade creditors and accruals	942	714
	2,353	1,011

20. PROVISIONS

	2023	2022
Current provisions for employee entitlements		
Long service leave	165	149
Annual leave	270	236
	435	385
NON-CURRENT PROVISION FOR EMPLOYEE ENTITLEMENTS		
Long service leave	40	32
	40	32

A reconciliation of the provisions is as follows	Annual Leave	Long Service Leave	Total
As at 1 July 22	237	181	418
Payments Made	(145)	-	(145)
Additional Provisions	178	24	202
As at 30 June 23	270	205	475
As at 1 July 21	249	237	486
Payments Made	(136)	(71)	(207)
Additional Provisions	124	15	139
As at 30 June 22	237	181	418

21. RETAINED EARNINGS AND RESERVES

	Retained Earnings	Credit Loss Reserve	Financial Instruments classified as Fair Value through Other Comprehensive Income (FVOCI)	Business Combination Reserve	Asset Revaluation Reserve	Total Reserve
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2022	12,851	828	(126)	4,436	8,126	13,264
Decrease in statutory amount set aside for potential losses on loans & advances	197	(197)	-	-	-	(197)
Net profit attribute to Members	796	-	-	-	-	-
Net change from revaluation of FVOCI investments, net of tax	-	-	219	-	-	219
Net change from revaluation of asset, net of tax					-	-
As at 30 June 2023	13,844	631	93	4,436	8,126	13,286
As at 1 July 2021	12,275	817	279	4,436	7,649	13,181
Increase in statutory amount set aside for potential losses on loans & advances	(11)	11	-	-	-	11
Net profit attribute to Members	587	-	-	-	-	-
Net change from revaluation of FVOCI investments, net of tax	-	-	(404)	-	-	(404)
Net change from revaluation of asset, net of tax					477	477
As at 30 June 2022	12,851	828	(126)	4,436	8,126	13,264

CREDIT LOSS RESERVE

The credit loss reserve is used to record the Co-operative's provisions held against non-defaulted exposures that represent a purely forward-looking amount for future losses that are, presently unidentified. It represents 0.6% of total credit risk-weighted assets calculated under the APS 112 Capital Adequacy Standardised Approach to Credit Risk. An appropriation of retained earnings as further Tier 2 capital held against credit losses.

FVOCI RESERVE

The FVOCI reserve is used to record increments and decrements in the fair value of FVOCI investments, bonds & Indue Ltd shares held.

BUSINESS COMBINATION RESERVE

The business combination reserve is used to record increments and decrements in equity as a result of mergers with other businesses.

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings, net of tax, to the extent that they offset one another.

	2023 $'000	2022 $'000
22. ADDITIONAL CASH FLOW INFORMATION		
CASH AND CASH EQUIVALENTS		
Cash on hand	146	228
Deposit at call	8,751	9,269
	8,897	9,497
CHANGE IN OPERATING ASSETS		
Net change in interest receivable	(80)	(35)
Net change in debtors	-	-
Net change in prepayments	38	36
Net change in future tax receivable	(15)	(164)
	(57)	(163)
CHANGE IN OPERATING LIABILITIES		
Net change in interest payable	1,114	20
Net change in creditors and accruals	233	(272)
Net change in future tax payable	10	(627)
Net change in provisions	58	(69)
	1,415	(948)
NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX		
Depreciation of property and equipment	121	158
Losses on disposal of property and equipment	-	-
Net impairment losses on financial assets	50	80
Net Revaluation of investment property	-	-
	171	238
23. COMMUNITY SPONSORSHIPS, SUPPORT AND BENEFICIARY CONTRIBUTIONS		
Community Sponsorship	47	22
School Support	15	16
Church Praznyk	5	9
Community Access Accounts Beneficiary Contributions	39	21
	106	68

Dnister Ukrainian Credit Co-operative Ltd makes payments to the Ukrainian & Latvian Community via Beneficiary Contributions and sponsorships. In addition, Dnister staff may provide support services to community organisations free of charge.

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value	Fair Value
	$'000	$'000
ASSETS 2023		
Financial Assets		
Cash & balances with bank	8,897	8,897
Financial investments - Amortised Cost	10,248	10,242
Financial investments - FVOCI	28,428	28,428
Loans and advances to Members	185,116	185,111
Other financial investments	544	544
Accrued interest receivable	175	175
Other receivables and prepayments	66	66
Total 2023	233,474	233,463
LIABILITIES 2023		
Financial Liabilities		
Member deposits and wholesale borrowings	215,636	215,392
Borrowings repurchase agreements	2,737	2,737
Total 2023	218,372	218,129
ASSETS 2022		
Financial Assets		
Cash & balances with bank	9,497	9,497
Financial investments - Amortised Cost	12,748	12,740
Financial investments - FVOCI	25,246	25,246
Loans and advances to Members	169,510	168,259
Other financial investments	465	465
Accrued interest receivable	94	94
Other receivables and prepayments	105	105
Total 2022	217,665	216,406
LIABILITIES 2022		
Financial Liabilities		
Member deposits and wholesale borrowings	202,190	201,892
Borrowings repurchase agreements	2,737	2,737
Total 2022	204,927	204,629

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued.

FAIR VALUE HIERARCHY

All Financial Instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that is unadjusted) for identical assets or liabilities
Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Co-operative determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2023, the Co-operative held the following classes of financial instruments measured at (AASB13) fair value:

	30 June 23	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2023				
Financial investments – FVOCI	28,428	-	28,428	-
Other Financial Investments – Shares Held	544	-	-	544

	30 June 22	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2022				
Financial investments – FVOCI	25,246	-	25,246	-
Other Financial Investments – Shares Held	465	-	-	465

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued.

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

CASH AND LIQUID ASSETS

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The carrying values of deposits with financial institutions are categorised within the fair value hierarchy based on net present values.

LOANS AND ADVANCES

The carrying values of loans and advances are net of the total provision for doubtful debts. Interest rates on loans both fixed and variable equate to comparable products in the marketplace. The carrying values of loans and advances to Members are categorised within the fair value hierarchy based on net present values.

MEMBER DEPOSITS

The carrying values of member deposits are categorised within the fair value hierarchy based on net present values.

OTHER INVESTMENTS

The carrying amount of other investments is at fair value as these shares are FVOCI.

ACCRUED INTEREST RECEIVABLE

The net fair value of accrued interest receivables represents the carrying amount. This represents the interest that has accrued to date on deposits with financial institutions.

OTHER RECEIVABLES

The net fair value of other receivables represents the carrying amount. This mainly represented rent owed to the Co-operative from the investment properties.

25.RISK MANAGEMENT

25.1 INTRODUCTION

Risk is inherent in the Co-operative's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Co-operative's continuing profitability and each individual within the Co-operative is accountable for the risk exposure relating to his or her responsibilities. The Co-operative is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

RISK MANAGEMENT STRUCTURE

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there is a Risk Committee. This Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

INTERNAL AUDIT

Risk management processes throughout the Co-operative are audited annually by the internal audit function, which examines both the adequacy of procedures and the Co-operative's compliance with the procedures. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Audit Committee.

25.2 CREDIT RISK

Credit risk is the risk that the Co-operative will incur a loss because a counterparty failed to discharge their obligations. The Co-operative manages and controls risk by setting limits on the amount it is willing to accept for debtors and loan categories, and by monitoring exposures to such limits.

With respect to credit risk arising from other financial assets of the Co-operative, the Co-operative's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. Future movements in fair value would increase or reduce that exposure.

Credit ratings are those published by Standards and Poor's, Moody's and Fitch which aligns with APRA recognised external credit assessment institutions ECAI (APS 112 Attachment F).

25. RISK MANAGEMENT

Continued.

The table below shows the credit quality by class of asset **ASSETS** Financial Assets	2023 $'000 Total	2023 $'000 High Grade	2023 $'000 Other Grade*	2023 $'000 Past Due or Impaired
Loans and advances	185,116	182,705	-	2,411
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	8,897	6,914	-	1,983
Financial investments - Amortised Cost	10,248	8,500	-	1,748
Financial investments - FVOCI	28,428	21,424	7,005	-
Other financial investments	544	-	-	544
Accrued interest receivable	175	175	-	-
Other receivables and prepayments	66	-	-	66
Total	48,358	37,012	7,005	4,341

ASSETS Financial Assets	2022 $'000 Total	2022 $'000 High Grade	2022 $'000 Other Grade	2022 $'000 Past Due or Impaired
Loans and advances	169,510	167,301	-	2,209
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	9,497	4,926	1,502	3,069
Financial investments Amortised Cost	12,748	6,000	4,000	2,748
Financial investments FVOC	25,246	21,247	3,001	998
Other financial investments	465	-	-	465
Accrued interest receivable	94	94	-	-
Other receivables and prepayments	104	-	-	104
Total	48,154	32,267	8,503	7,384

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. As per APRA provisioning, a Housing Loan is determined to be past due at 30 days or greater and impaired after 90 days. Personal and commercial loans are determined to be past due between 30 days or greater and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

Financial assets that are neither past due or impaired are classified between those assets that are high grade and not high grade (other grade). To define what is a high-grade financial asset, Dnister has referred to the prudential standards issued by the Australian Prudential Regulation Authority (APRA) in particular APS 112 which categorises the risk likelihood of default. APS 112 applies risk-weight percentages to indicate the quality of assets. A risk-weight of 50% or less indicates higher quality assets and this has been applied to define high grade assets for the table provided.

*Other grade also consists of assets or liabilities which have not been rated or are of a non-rated nature.

All interest-bearing securities were issued by Australian entities including Australian branches of overseas ADIs.

25. RISK MANAGEMENT

Continued.

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for mortgage lending, mortgages over residential properties.
- for commercial lending, charges over real estate properties, inventory and trade receivables.

Management monitors the market value of collateral, requests collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Co-operative's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Co-operative does not occupy repossessed properties for business use.

IMPAIRMENT ASSESSMENT

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than the specified period or there are any known difficulties in the cash flows of Members, credit rating downgrades, or infringement of the original terms of the contract.

25.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Co-operative will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In addition to its member deposit base, the Co-operative manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Co-operative has a $350,000 overdraft facility which allows for the day to day fluctuations in the settlement account with Indue Ltd. The overdraft allows the settlement account to be overdrawn for one or two business days in the event that the withdrawals are greater than the settlement account balance. The Co-operative will then deposit within one or two business days the required funds to return the account to credit.

The Co-operative maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Co-operative is required by the Australian Prudential Regulatory Authority to hold a minimum level of high-quality liquid assets at any given time. The liquidity position is assessed giving due consideration to stress factors relating to both the market in general and specifically to the Co-operative. Net liquid assets consist of cash, short term bank deposits or negotiable certificate of deposits available for immediate sale.

The total liquidity ratio at the end of the year was:

2023	2022
%	%
17.6	**19.1**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

25. RISK MANAGEMENT
Continued.

25.3a MATURITY PROFILE OF FINANCIAL LIABILITIES

The tables below summarises the maturity profile of Dnister`s financial liabilities at balance date based on contractual undiscounted repayment obligations. Dnister does not expect the majority of Members to request repayment on the earliest date that Dnister could be required to pay and the tables do not reflect the expected cash flows indicated by Dnister`s deposit retention history.

	Less than 30 days	Less than 3 months	3-12 months	Subtotal less than 12 months	1 -5 years	Over 5 years	Subtotal over 12 months	Total
2023								
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Member deposits	111,546	23,924	78,939	214,410	1,226	-	1,226	215,636
Borrowings repurchase agreements	-	-	2,737	2,737	-	-	-	2,737
Total	111,546	23,924	81,676	217,146	1,226	-	1,226	218,372
2022								
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Member deposits	116,460	32,918	50,646	200,025	2,166	-	2,166	202,190
Borrowings repurchase agreements	-	-	-	-	2,737	-	2,737	2,737
Total	116,460	32,918	50,646	200,025	4,902	-	4,902	204,927

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

25. RISK MANAGEMENT
Continued.

25.3b MATURITY PROFILE OF COMMITMENTS

The table below shows the contractual expiry of the maturity of Dnister`s credit commitments and lease expenditure commitments. Dnister expects that not all of the commitments will be drawn before the expiry of the commitments. There were no lease expenditure commitments at year end.

	Within 12 months	More than 1 year	Total
2023			
Liabilities			
	$'000	$'000	$'000
Approved but undrawn loans	4,700	-	4,700
Undrawn line of credit	6,131	-	6,131
Total	10,832	-	10,832
2022			
Liabilities			
	$'000	$'000	$'000
Approved but undrawn loans	1,115	-	1.115
Undrawn line of credit	6.384	-	6.384
Total	7,499	-	7,499

25.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. The Board has set limits on the level of market risk that may be accepted. The Co-operative has significant interest rate risk, but not excessive given the nature of our business. The level of interest rate risk is managed through maturity repricing analysis and limits the exposure based on a 2% interest rate movement, which is set by the Board and reported monthly to the Board. The Co-operative only deals in Australian Dollars and therefore is not exposed to currency risk. The Co-operative does not hold any investments which are subject to equity movement and therefore is not exposed to equity risk.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

25. RISK MANAGEMENT
Continued.

INTEREST RATE RISK

Interest rate risk is the risk that fair value or future cash flow of the Co-operative's financial instruments will fluctuate because of changes in market interest rate.

2023	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	$'000	1 year or less $'000	+1 to 5 years $'000	$'000	$'000
FINANCIAL ASSETS					
Cash & balances with bank	8,751	-	-	146	8,897
Financial investments - Amortised Cost	-	10,248	-	-	10,248
Financial investments - FVOCI Shares	22,352	2,003	4,074	-	28,428
Shares – Shared Service Partners Pty Ltd	-	-	-	20	20
Shares – Indue Ltd	-	-	-	524	524
Other receivables	-	-	-	175	175
Loans and advances to Members	165,880	13,031	6,205	-	185,116
FINANCIAL LIABILITIES					
Member deposits	92,069	122,341	1,226	-	215,636
Borrowings repurchase agreements	2,737	-	-	-	2,737

2022	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	$'000	1 year or less $'000	+1 to 5 years $'000	$'000	$'000
FINANCIAL ASSETS					
Cash & balances with bank	9,269	-	-	228	9,497
Financial investments - Amortised Cost	-	12,748	-	-	12,748
Financial investments – FVOCI Shares	18,957	1,001	5,288	-	25,246
Shares – Shared Service Partners Pty Ltd	-	-	-	20	20
Shares – Indue Ltd	-	-	-	445	445
Other receivables	-	-	-	198	198
Loans and advances to Members	152,988	2,548	13,974	-	169,510
FINANCIAL LIABILITIES					
Member deposits	101,260	98,765	2,166	-	202,190
Borrowings repurchase agreements	2,737	-	-	-	2,737

25. RISK MANAGEMENT
Continued.

INTEREST RATE SENSITIVITY

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates to post tax profit and equity.

		Post Tax Profit Higher / (Lower)	
2023	2022	2023	2022
		$'000	$'000
+2.00% (200 Basis Points)	+2.00% (200 Basis Points)	4,144	2,173
-1.00% (100 Basis Points)	-1.00% (100 Basis Points)	(2,072)	(1,087)

		Equity Higher / (Lower)	
2023	2022	2023	2022
		$'000	$'000
+0.50% (50 Basis Points)	+0.50% (50 Basis Points)	1,036	543
-0.25% (25 Basis Points)	-0.25% (25 Basis Points)	(518)	(272)

The above interest rate risk sensitivity is unrepresentative of the risks inherent in the financial assets and financial liabilities, as the sensitivity analysis does not reflect the maturing of fixed interest financial assets and financial liabilities within the next 12 months.

26. CAPITAL

The Co-operative maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Co-operative's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulatory Authority (APRA). The capital ratio of 22.9% as at 30 June 2023 exceeds the APRA minimum requirement. Should capital fall to or below 18% a 3 year forecast is performed to ensure that the capital is monitored closely and starts to trend upwards. The capital ratio is reported to the Board at the monthly Board Meetings and more frequently during periods of volatility or when the capital ratio falls below 18%. During the past the year, the Co-operative has complied in full with all its internally and externally imposed capital requirements.

The capital ratio is derived by dividing the capital base by the risk weighted assets. The Co-operative adheres to the regulations set down by APRA in regard to which capital items can or cannot be included and also the different risk weightings put on the various assets. These risk weightings are set by APRA and are based on the risk associated with each different asset class.

CAPITAL MANAGEMENT

The primary objectives of the Co-operative's capital management are to ensure the Co-operative complies with internally and externally imposed capital requirements and that the Co-operative maintains strong credit and healthy capital ratios in order to support its business and maximize member value.

An important component of the of the capital standards is the public disclosure of regulatory information. These requirements are outlined in APRA Prudential Standard APS 330 Public Disclosure. The standard sets minimum requirements for the public disclosure of information on the Co-operative's risk profile, risk management, capital adequacy, capital instruments and remuneration practices. The Co-operative publishes the required information on our website.

REGULATORY CAPITAL	2023 $'000	2022 $'000
Capital base	26,544	25,543
Risk weighted assets	115,908	113,581
Total Capital Ratio %	22.9%	22.5%

27. RELATED PARTY DISCLOSURES

a. DETAILS OF KEY MANAGEMENT PERSONNEL

The following list of persons includes Directors of the Co-operative holding office during the financial year and the Chief Executive Officer:

B. Wojewidka
J. Lipkiewicz
D. Hassett until 6 November 2022
A Pavuk
W. Mykytenko until 6 November 2022
M. Kwas
N. Bugryn from 6 November 2022

A. James CEO

b. COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE

	2023 $'000	2022 $'000
Short-term employment benefits - salaries	279	329
Post employment - superannuation contributions	29	26
Long term benefits - LSL expense	-	-
	308	355

c. DIRECTORS' REMUNERATION

	2023 $'000	2023 $'000
Aggregate remuneration of Directors	60	63

27. RELATED PARTY DISCLOSURES

Continued.

d. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE

The Co-operative enters into transactions, arrangements and agreements involving Directors and the Chief Executive Officer in the ordinary course of business.

The following table provides the aggregate value of loan, investment and deposit products to the Chief Executive Officer, Directors, spouses and related entities:

	2023 $'000	2022 $'000
Loans:		
Opening balance owing	513	2,258
New loans advanced	-	-
Net repayments	(23)	(973)
Net Movement associated with former Key Management Personnel	(490)	(772)
Balance owing at 30 June	-	513
Savings and term deposits:		
Amounts deposited at 30 June	267	596

All loans disbursed are approved on the same terms and conditions applied to Members generally for each class of their loan.
All other transactions between the Key Management Personnel and the Co-operative were conducted on normal commercial terms and there has been no breach of these terms.

28. CONTINGENCIES AND COMMITMENTS

To meet the financial needs of Members, the Co-operative does enter into irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Co-operative.

The total outstanding commitments and contingent liabilities are as follows:	2023	2022
	$'000	$'000
CONTINGENT LIABILITIES		
Financial guarantees	291	591
COMMITMENTS		
Undrawn commitments to lend	4,700	1,115
Unused overdraft facilities of Members	6,131	6,384
Total	11,123	8,090

CONTINGENT LIABILITIES

Letters of credit and guarantees commit the Co-operative to make payments on behalf of Members in the event of a specific act. Guarantees and standby letters of credit carry the same risk as loans.

CREDIT UNION FINANCIAL SUPPORT SCHEME LIMITED

The Co-operative has volunteered to participate in the Credit Union Financial Support Scheme (CUFSS). CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Co-operative may be required to advance funds up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support. The Co-operative agrees, in conjunction with other Members, to fund the operating costs of CUFSS.

UNDRAWN COMMITMENTS TO LEND

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon Members maintaining specific standards.

OPERATING LEASE COMMITMENTS RECEIVABLES - CO-OPERATIVE AS LESSOR

Leases in which the Co-operative retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the lease term on the same basis as rental income.

The Co-operative has entered into commercial property leases on its investment portfolio, consisting of the Co-operative's surplus office buildings.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis.

28. CONTINGENT LIABILITIES AND COMMITMENTS

Continued.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2023 $'000	2022 $'000
Within one year	949	756
After one year but not more than three years	620	325
After three years but not more than five years	115	44
Total minimum lease payments	1,684	1,125

LEGAL CLAIMS

The Co-operative had no material unresolved legal claims made against it as at 30 June 2023 (2022: none).

ECONOMIC DEPENDENCY

The Co-operative has service contracts with, and has an economic dependency on, the following organisations:

(a) Indue Ltd - This entity supplies the Co-operative with services in the form of settlement with bankers for ATM transactions, member cheques and direct entry services and the production of debit cards for use by Members.

(b) First Data International - This company operates the computer switch used to process transactions from the use of Co-operative's debit cards through approved ATM and EFTPOS networks.

(c) Data Action - This company provides and maintains core banking software utilised by the Co-operative. Data Action is a major supplier of software to financial institutions throughout Australia.

29. REMUNERATION OF EXTERNAL AUDITORS

During the years the auditors of the Co-operative earned the following remuneration:	2023 $'000	2022 $'000
Audit of Financials	66	52
Regulatory Audit	13	22
Taxation Compliance Service	7	6
Total	86	80

30. SUBSEQUENT EVENTS

Directors are not aware of any other matter or circumstances since the end of the financial year which has significantly affected or may significantly affect the operations of the Co-operative.

31. SEGMENT INFORMATION

The principal activities of the Co-operative during the year were for the provision of retail financial services to all Members and the Ukrainian and Latvian Communities of Australia. This takes form of deposit taking facilities and loan facilities as prescribed by the Constitution. The entity operates primarily in one geographical area, Australia.

Corporate Directory

ESTABLISHED	Dnister was incorporated in Victoria under the Co-operative Act on 21 September 1959
REGISTERED OFFICE	Head Office: 912 Mt Alexander Road, Essendon VIC 3040
BRANCHES & AGENCIES	Adelaide: 62 Orsmond St, Hindmarsh SA 5007 Geelong: 21-23 Milton Street, Bell Park VIC 3215 Perth: 20 Ferguson Street, Maylands WA 6051 Strathfield: 32-34 Parnell Street, Strathfield NSW 2135
EXTERNAL AUDITORS	Crowe Melbourne, Level 42, 600 Bourke Street, Melbourne VIC 3000
INTERNAL AUDITORS	Grant Thornton Australia Ltd, Collins Square, Tower 5 Level 22, 727 Collins Street, Melbourne VIC 3008
LEGAL CORPORATE ADVISORS	Wisewould Mahony Lawyers, 419 Collins Street, Melbourne VIC 3000
BANKERS	Indue Ltd, Level 3, 601 Coronation Drive Toowong QLD 4066
INSURERS	Primarily Zurich Insurance Group Ltd, Level 2, 82 Pitt Street, North Sydney NSW 2059

Dnister Ukrainian Credit Co-operative Limited

ABN 59 087 651 394 | AFSL 240673