Annual Report 2024

BankVic

For police, emergency and health workers

Since 1974
50 years

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Certified B Corporation
This company meets the highest standards of social and environmental impact

CUSTOMER OWNED BANKING ASSOCIATION

Since 1974 50 Years

Celebrating 50 Years

Our origin story

Not so long ago, police were considered risky prospects for lending by traditional banks, owing to levels of pay and the nature of the job – overtime wasn't taken into account when assessing loan applications, for example. This made it challenging for police of the day to purchase a home and deal with unexpected financial challenges, and the force was growing increasingly frustrated.

Like all good people who experience or see a problem, a number of police officers set to work and on 28 August 1974, around fifty police officers gathered in the auditorium of the Russell St police headquarters, and voted to establish a credit co-operative that would recognise the unique circumstances of police, and provide loans and other financial benefits to members of the force.

That gathering also appointed the inaugural Board of Directors. The name 'Police Association Credit Co-operative Limited' was adopted and formally registered on 5 September, 1974.

Directors included Senior Sergeant Morrie Buchan, Sergeant John Clooney, Senior Sergeant Jack Cook, Senior Sergeant Bryan Kelly, Senior Sergeant Tim King, Sergeant Peter Ryan, and Sergeant Ron Clapton, who was also the Co-Op's inaugural Manager.

In 1974, the Co-op established an office in a converted storeroom in the Police Association building on 2 December, and received its first cheque on 5 December, 1974.

In 1978, the co-op's first computer was purchased, an 'AWA Reality Computer' at a cost of $250,000 (equivalent to $1.2 million in today's dollars).

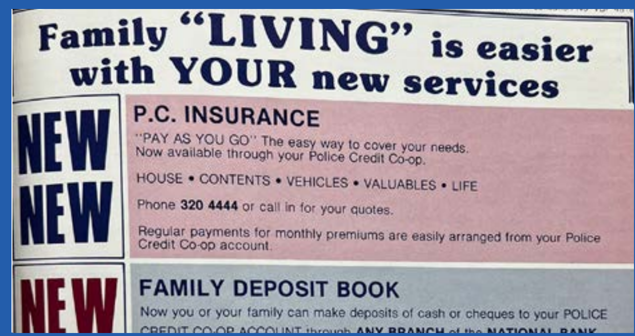
In 1976, the very first (and still hugely-popular) home and station calendars were first published.

In 1979, membership was opened to people working in Victoria's firefighting services.

In December 1980, the first Co-op branch was opened at the Police Academy in Glen Waverley. Free office space was provided to Victoria Police Legacy, a close partnership we proudly continue.

In 1982, we moved to 326 William Street in Melbourne's CBD. It was 'our own home', a building designed for and owned by the Police Credit Co-op. And we joined the Victorian Credit Cooperatives Association.

In 1984, we launched 'PC Insurance', offering members cover for house, contents, vehicles, and life.


Family "LIVING" is easier with YOUR new services

NEW NEW NEW

P.C. INSURANCE

"PAY AS YOU GO" The easy way to cover your needs. Now available through your Police Credit Co-op.

HOUSE • CONTENTS • VEHICLES • VALUABLES • LIFE

Phone 320 4444 or call in for your quotes.

Regular payments for monthly premiums are easily arranged from your Police Credit Co-op account.

FAMILY DEPOSIT BOOK

Now you or your family can make deposits of cash or cheques to your POLICE

In 1985, the iconic 'Little Copper' money box was first introduced. Today, Little Copper membership encourages children to develop good savings habits.

From our humble beginnings in a disused storeroom of the police association offices, today we celebrate fifty years of solidarity with our community of police, families, and like-minded partner organisations, with 108,000 members and $3 billion in assets.

BankVic

For police, emergency and health workers

Scan the QR code to see our interactive timeline of our journey over the past five decades

A message from our Chair and CEO

August 2024 marked 50 years since a group of Victoria Police officers voted to establish a Credit Co-operative that was owned by – and for – the benefit of police. In the years since, we have welcomed members from emergency services and health, and our core bonds remain as strong as ever.

The leadership and service of such a member-focussed organisation is made possible by a wonderful team.

Our Board of directors represent our members, and our people – some of whom have been with us for decades – are proud and committed to providing you, our members, with products and services designed especially for you.

Remembering our roots

Over the course of the year we have been celebrating and commemorating our history. Those fond memories remind us of just how fortunate we are to be your bank - founded by police, a bond that is sacred to us.

Highlights from our history are shared in this Annual Review, celebrating the work we do for and with our community of members.

To the BankVic team, being member-focussed is at the core of everything we do. It is a way of operating for us – Being BankVic.

Building on our past

Over this past financial year we have done a lot of work to continue evolving and refining the way we work, what we do, and how we serve you. Some key initiatives and achievements are detailed later in this Annual Review.

It's all for you

A great source of delight and pride is the number and nature of community initiatives BankVic supports. Across the police, emergency services and health sectors this past year alone, we have supported and partnered with a wide number of organisations, events, scholarships and community-building opportunities:

- Victoria Police
- The Police Association Victoria
- Victoria Police Legacy
- Blue Light Victoria
- Blue Ribbon Foundation
- Crime Stoppers Victoria
- Law Enforcement Torch Run
- Wall to Wall Ride
- Angela Taylor Memorial Walk/Run
- Rainbow Families Day
- Past and Present Women's Police Association
- Victoria Police Women's Football Club
- Victoria Police Amateur Sports and Welfare Society
- Ambulance Victoria
- Victorian Ambulance Union
- TLC Ambulance
- Eastern Health Foundation
- Western Health Foundation
- Northern Health Foundation
- Royal Melbourne Hospital Foundation.

Supporting these organisations, and the people they support, is part of our ongoing commitment to serving the people who serve and protect us. Our team regularly volunteers at these events and lives our values of being a meaningful part of our communities.

BankSafe with BankVic

We know there are more and more scammers, who are increasing in sophistication. It is an area we continually invest in operationally, and we are helping you be more aware and protective of your money and information.

The trust you place in us is not taken lightly. To ensure we stay ahead of these threats, we continually test and enhance our protections, responsiveness, and adaptability.

Our BankSafe with BankVic online hub contains a whole host of useful resources and top tips. Our number 1 #BankSafe Tip is 'if you're not 100% sure, call us'. It is too important not to.

Preparing for the future

Our systems, technology, and processes have been undergoing a transformation in recent years and we are seeing the benefits come to life.

The time taken to review loan applications has decreased significantly, improving the member experience. We are continually listening to your feedback and regularly review the way we work, to identify further refinements and initiatives to best serve you.

We have partnered with Specialist Financial Group to enable members who prefer to use brokers for home loans, to do so with BankVic.

In our 50th year we reaffirm our values and commitment to you, and we look forward to the years ahead, working for the benefit of our members.

Lucinda Nolan
Chair

Anthony De Fazio
Chief Executive Officer

Image: Board of Directors, L–R Michael Liu, Lucinda Nolan APM, Rhyll Gardner, David Cowan, Debra Robertson, Faith Page and Tony Long.

Board of Directors

Lucinda Nolan APM

Chair

Master of Arts, Bachelor of Arts (Hons), Grad Dip PSM, Advanced Management Program (Harvard University), GAICD.

Lucinda was elected to the Board in 2016.

Lucinda has over 30 years' experience in the police and emergency services sector and has served as Deputy Commissioner with Victoria Police.

Lucinda was the first female CEO of the Country Fire Authority and was CEO of the Ovarian Cancer Research Foundation from 2016 to 2023.

Lucinda is currently interim CEO of the Southern Metropolitan Cemeteries Trust (from 12 February 2024).

Lucinda is also a Director of:

* the Alkira Institute
* the Melbourne Archdiocese Catholic Schools Board, and
* Cleo Diagnostics.

Lucinda is a member of the Governance, Remuneration & Nominations Committee.

Debra Robertson APM

Deputy Chair

Advanced Diploma of Public Safety (Investigation), Corporate Boards, Harvard Business School, GAICD, CF.

Debra was elected to the Board in 2017.

Debra retired from Victoria Police in 2024 at the rank of Commander with over 41 years' service with Victoria Police.

Debra was Vice President of The Police Association Victoria (TPAV) for two years, has served as a Director of the Police Federation Australia (PFA) and was a recipient of a Churchill Fellowship in 2017.

Debra is a former Chair of Blue Light (Victoria). She sits on advisory boards for RMIT and Latrobe University and is a member of the Police Registration and Services Board (Victoria). She is a recipient of the Australian Police Medal (2015), a graduate of the Australian Institute of Company Directors (AICD) and completed the AICD Board Mastery Course in 2021. Debra is also Deputy President (Registration) of the Police Registration & Services Board (Vic), appointed in November 2023.

Debra is a member of the Audit Committee, and a member of the Governance, Remuneration & Nominations Committee.

David Cowan

Director

Master of Studies in Criminology (Cambridge), Graduate Diploma Executive Leadership (PES), and Senior Executives in Government Program (Harvard).

David was elected to the Board in November 2020.

David has been a member of Victoria Police for over 30 years and currently serves as a Detective Superintendent, Organised Crime Division, Crime Command at Victoria Police.

David is the President of the Australia and New Zealand Society of Evidence Based Policing and is an advocate for rigorous research and collaboration with academia.

David has undertaken several organisational reviews and held positions in corporate planning and risk management.

David has been awarded a Churchill Fellowship to investigate evidence–based policing worldwide.

David is a member of the Audit Committee, a member of the Risk Committee, and a member of the Digital Transformation & Cyber Committee.

Rhyll Gardner

Director

Global Executive Master of Business Administration from INSEAD, Master of Arts, Master of Applied Finance, Bachelor of Economics, Bachelor of Commerce, FAICD, FFin.

Rhyll was appointed to the Board in November 2022.

Rhyll is a highly experienced non–executive director with over 15 years of board and committee experience.

Rhyll's 35 years of senior executive roles in banking and finance include Managing Director/CEO of Foresters Group, and Group Head of Strategy and Mergers & Acquisitions at the Bank of Queensland.

During her 20–year career at St George Bank, Rhyll held executive and senior management roles in retail and business banking, product and marketing, risk, strategy, and business development.

Rhyll is a non–executive director at Identitii Ltd where she chairs the Audit and Risk Committee, InterFinancial Ltd where she sits on the Compliance Committee, and at Manufacturing Skills Australia, where she is Chair of the Finance, Audit & Risk Committee. She is also a non–executive director at Foodbank (Qld) where she chairs the Governance and Risk Committee.

Rhyll is Chair of the Audit Committee and a member of the Risk Committee.

Michael Liu

Director

Bachelor of Laws (Honours) and Bachelor of Commerce (University of Melbourne).

Michael was appointed to the Board in November 2018.

Michael has over 25 years of financial services experience, including governance, risk, and board experience. He is currently a non–executive director on the Board of WCM Global Growth (WQG – ASX listed), where he is Chair of the Audit and Risk Committee. Michael is a non–executive director and Deputy Chair on the Board of Foresters Financial, where he is also Chair of the Investment Committee and a member of the Audit and Compliance Committee. He is also a non-executive director on the Board of Defence Health, where he is a member of the Investment Committee. Michael is also a non-executive director on the Board of the Law Institute of Victoria, and a member of its Investment Committee.

Having commenced his career as a lawyer at Allens Arthur Robinson, Michael has held senior executive positions at UBS Investment Bank, Macquarie Bank, leadership roles at a global fintech headquartered in London and a venture capital firm established in Singapore.

Michael is the Chair of the Digital Transformation & Cyber Committee, and a member of the Governance, Remuneration & Nominations Committee.

Tony Long

Director

Graduate Certificate in Applied Management, Diploma of Business in Frontline Management, Certificate III in Information Technology for Software Applications, GAICD and GIA (Affiliate).

Tony was elected to the Board in November 2020.

Tony is a member of Victoria Police with over 40 years' experience across operations, investigations, strategic and management roles.

Tony has an extensive history of community service volunteerism. He is currently the Vice President of the Westgate Branch of the Blue Ribbon Foundation and is a Life Member of Apex Australia.

Tony is the Chair of the Governance, Remuneration and Nominations Committee and a member of the Digital Transformation & Cyber Committee.

Faith Page

Director

Bachelor of Science (Economics and Computer Science), GAICD, CGEIT, CISA.

Faith was appointed to the Board in November 2018.

Faith has over 30 years' experience in banking and financial services, working with several of Australia's high profile financial institutions. Faith advises boards and audit and risk committees on the governance of their digital initiatives, and operational, information security, technology, and cyber risk management.

Faith is a highly experienced senior executive with expertise in operational, technology, information security and cyber risk management, as well as assurance, regulatory compliance, and digital transformation. She views technology-enabled change through an experienced risk lens to enable organisations to optimise outcomes.

Faith has extensive experience with global professional services firms (Ashurst, BDO, EY, Deloitte, and IBM)

Faith is also a member of the Australian Institute of Company Directors (AICD) Gippsland Committee.

Faith is the Chair of the Risk Committee and a member of the Digital Transformation & Cyber Committee.

Auditors KPMG, Tower Two, 727 Collins Street, Melbourne, 3008
Board membership as at 30 June 2024. Committee membership is stated on pages 17-18.

Image: Executive Team, L–R, Michelle Arundel, James Haviland, Karl Holden, Penny Maroulis, Rachel Morley, Anthony De Fazio, Rebecca Boissezon and Shane Kuret.

Executive Team

Anthony De Fazio

Chief Executive Officer

BCom, FCPA.

Anthony has been BankVic's Chief Executive Officer since April 2018, having joined BankVic in January 2017 as Chief Financial Officer. A financial services executive with over 30 years' experience in the banking, superannuation and investment sectors, Anthony has worked across multiple functions including finance, investment, business intelligence, and company secretariat functions.

Anthony is a Non–Executive Director of Indue Limited and Non–Member Director of Victoria Police Legacy.

Karl Holden

Chief Financial Officer

BCom, CA, GAICD.

With over 20 years' experience in financial operations, Karl brings with him a wealth of experience in financial operations, having led finance functions in ANZ's international banking operations for seven years. Karl's previous role was as ANZ's Chief Financial Officer for North Asia and was previously ANZ's Chief Financial Officer for Greater Mekong.

Karl's experience includes treasury, mergers and acquisitions, financial/regulatory reporting, broker commission structures, and design and implementation of process improvement programs and business efficiency initiatives.

Michelle Arundel

Chief People & Culture Officer

BBus, Dip Human , GAICD.

Michelle joined BankVic in March 2018 and is responsible for building our culture, employee engagement and workforce performance.

Michelle brings extensive people leadership, coaching and performance management experience and has held senior positions at Westpac, AustralianSuper and IAG. Michelle is also the Chair of Blue Light Victoria and is a Graduate of the Australian Institute of Company Directors (AICD).

Penny Maroulis

Company Secretary

Bachelor of Laws (Honours), Bachelor of Arts (Honours) University of Melbourne, FGIA, MAICD, FGIA.

Penny was appointed Company Secretary in October 2017 and is responsible for corporate governance and matters relating to the Board.

Prior to joining BankVic, Penny held the role of advisor to the Chief Commissioner of Victoria Police. She has over 18 years' experience in senior public sector roles.

Charity board representation by BankVic executives

- Anthony De Fazio, Chief Executive Officer, is a Non–Member Director of Victoria Police Legacy.
- Michelle Arundel, Chief People & Culture Officer, is the Chair of Blue Light Victoria.

Rachel Morley

Chief Growth & Experience Officer

Bachelor of Commerce University of Melbourne, Certificate of Executive Leadership AGSM, GFIN.

Rachel joined BankVic in January 2023 and is responsible for BankVic's growth and member experience functions. She is an experienced senior Executive with experience across retail banking and institutional transaction banking, strategy and program development.

Rachel has held leadership positions at ANZ, Esanda, Westpac and most recently Bank of Melbourne, where she played a key role in the creation of the retail business proposition and network expansion. Rachel has a deep passion for people leadership and service excellence.

James Haviland

Chief Risk Officer

GAICD, GIA (Affiliated).

James is a seasoned executive with over two decades of experience, specialising in risk, assurance and governance. His primary focus has been in the financial services sector, including banking, funds management and superannuation, including international experience across the UK, Europe, and Asia.

James has held senior positions at ANZ Bank, Equip Super, ME Bank and Ernst & Young. He is passionate about informed decision making, optimising responses to challenges and adopting new technologies to improve enterprise performance, risk outcomes and member value.

Shane Kuret

Chief Information Officer

Shane joined BankVic in 2022 and is responsible for leading BankVic's technology and information security functions. He has over 15 years' experience within the banking and finance industry, having held senior technology roles at ME Bank, MyLife MyFinance and Equip Super.

Shane has extensive experience across a broad range of technology capabilities including strategy, information security, architecture, vendor management and digital transformation.

Rebecca Boissezon

Chief Product & Marketing Officer

Rebecca was appointed Chief Product & Marketing Officer in 2023, after joining BankVic in 2009. Rebecca leads BankVic's marketing, communications, product, partnerships and community functions. She has previously worked across multiple functions including member service, sales development, business intelligence and operations.

Rebecca has extensive experience leading teams to deliver exceptional service through cultivating lasting relationships and innovation. She is dedicated to understanding and exceeding member expectations through a commitment to genuine member and partner engagement, excellence, and continuous improvement.

Directors' report

Corporate governance statement

BankVic is a member–owned mutual bank, an Australian public company registered under the Corporations Act 2001 (Cth) and regulated by the Australian Securities and Investments Commission (ASIC).

As an authorised deposit–taking institution (ADI) we are regulated by the Australian Prudential Regulation Authority (APRA). BankVic has a strong and continuing focus on enhancing governance, financial strength, and security.

Our Board, led by Chair Lucinda Nolan, comprises four member–elected Directors and three Board–appointed Directors. Collectively the Board has the full range of skills and experience required to direct and oversee BankVic's operations.

The Board strives to ensure that BankVic's reputation and business ethics are of the highest standard. We regularly review our corporate governance structure to ensure appropriate development, prioritisation, and delivery of BankVic's business strategies.

As the responsible regulator for BankVic, APRA has prescribed prudential standards relating to the fitness and propriety of Directors and other responsible persons. These include an assessment of their character, integrity, judgement and their ability and capacity to perform the duties of a Director of an ADI.

As such, all candidates for the position of Director are required to undertake extensive reference and administrative checks.

Directors participate in ongoing Director professional development through formal training, information sessions on industry and regulatory developments and attendance at industry forums.

Board performance

The Board is accountable to BankVic members and aims to ensure BankVic operates ethically and responsibly in delivering a real alternative to other profit driven competitors.

The Board adheres to strong corporate governance principles, underpinned by the following duties carried out by the Board:

- Setting and monitoring the bank's strategy
- Approving the budget, plans, and organisational policies
- Setting strategic directions, targets and monitoring the performance of executive management
- Monitoring and enhancing the performance of each Board member, of the Board as a whole and of each Board Committee
- Ensuring appropriate Board renewal and succession planning
- Identifying and monitoring the principal business and prudential risks of BankVic
- Monitoring the financial performance of BankVic
- Ensuring compliance with BankVic's corporate and legal responsibilities, and
- Ensuring business operations are undertaken in an honest, open, and ethical manner.

The Board has delegated responsibility for management of the day–to–day activities of BankVic to the Chief Executive Officer and Executive Committee.

Board assessment

The Board assesses its effectiveness through an annual Board assessment, conducted independently, and includes:

- Documented performance evaluation and review of each Director and their contributions
- Documented evaluation of Board Committees and the Board's performance and effectiveness as a whole
- The appropriateness of meeting schedules and assessment of the relevance, content, and standard of Board material
- The identification and appropriate management of business and prudential risks facing BankVic, and
- Assessment of the necessary range and standard of skills needed at Board level through a Board skills analysis process.

Additionally, the Board annually assesses the performance of the CEO and Executives against agreed objectives and key performance criteria.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board currently has the following committees:

- Audit Committee
- Risk Committee
- Governance, Remuneration & Nominations Committee
- Digital Transformation & Cyber Committee.

Audit Committee

Chair: Rhyll Gardner (from 1 January 2024) David Cowan (to 1 January 2024)
Members: Debra Robertson, Rhyll Gardner (to 1 January 2024), David Cowan (from 1 January 2024)

The principal responsibilities of the Audit Committee are to:

- Oversee and appraise the quality of the audits conducted by the bank's external auditors (KPMG) and internal auditors (Deloitte)
- Maintain open lines of communication among the Directors, the internal auditors, and the external auditors to exchange views and information
- Review the financial information presented to members and regulators
- Determine the adequacy of the company's administrative, operating, and internal financial controls, and
- Review annually internal audit and other policies as required.

Risk Committee

Chair: Faith Page
Members: David Cowan, Rhyll Gardner

The principal responsibilities of the Risk Committee are to:

- Maintain the risk appetite statement as defined by the Board
- Approve the risk management strategy
- Oversee the major policies relevant to the risk management framework
- Oversee prudential standards relating to the fitness and propriety of officers and employees
- Oversee the compliance of responsible managers with their statutory obligations, and
- Monitor and review all material key financial and non–financial risk areas, including credit risk, market risk, liquidity risk, operational risk (including digital and cyber risks), strategic risk, compliance risk and reputational risks.

Digital Transformation & Cyber Committee

Chair: Michael Liu
Members: Tony Long, Faith Page, David Cowan (from 1 January 2024)

The key responsibilities of the Digital Transformation & Cyber Committee are to assist the Board in ensuring the delivery of BankVic's digital strategy, through:

- Review of the digital strategy, products and services to ensure they remain relevant to BankVic's members and to the environment in which BankVic operates
- Oversight of the bank's prioritisation and funding of projects pertaining to delivery of the digital strategy
- Monitoring the agreed program of work to deliver the digital strategy, and
- In conjunction with the Risk Committee, monitoring BankVic's digital, information technology and cyber risk profile.

Governance, Remuneration & Nominations Committee

Chair: Tony Long
Members: Michael Liu, Lucinda Nolan, Debra Robertson

The key responsibilities of the Governance, Remuneration & Nominations Committee are to support effective and integrated decision-making in the governance of BankVic.

This includes key governance, remuneration, people and culture, and Board renewal and nominations functions.

The Committee drives the programme of work including:

- Oversighting the annual board assessment and evaluation
- Developing recommendations on Board renewal and succession planning, including Board composition
- Reviewing Director elections communications and nominations processes
- Oversighting the BankVic people and culture strategy
- Reviewing Executive Committee succession planning
- Reviewing people & culture and ethical health framework reporting
- Recommending the remuneration of the Chief Executive Officer and Executive Committee to the Board
- Recommending to the board the level of Directors' remuneration
- Oversighting the completion of Director induction programmes
- Monitoring financial accountability regime compliance
- Managing conflicts of interest, administrative, operating, and internal financial controls, and reviewing policies as required.

Directors' report

Interests in the shares of the Company and related bodies corporate:
Police Financial Services Limited $1 withdrawable shares

Mr D Cowan	10
Ms R Gardner	10
Mr M Liu	10
Mr T Long	10
Ms L Nolan	10
Ms F Page	10
Ms D Robertson	10

Directors' meetings

8 Board of Directors meetings
4 Governance, Remuneration & Nominations Committee meetings
4 Audit Committee meetings
5 Digital, Transformation & Cyber Committee meetings
4 Risk Committee meetings
1 Strategy Day Board and Executive meeting.

Director	Board meetings		Risk Committee meetings		Audit Committee meetings		Digital, Transformation & Cyber Committee		Governance, Remuneration & Nominations Committee	
	A	B	A	B	A	B	A	B	A	B
Ms L Nolan	8	8	–	–	–	–	–	–	4	4
Ms D Robertson	8	7	–	–	4	4	–	–	4	4
Mr D Cowan	8	7	4	3	4	2	2	2	–	–
Ms R Gardner	8	8	4	4	4	4	–	–	–	–
Mr M Liu	8	7	–	–	–	–	5	5	4	4
Mr T Long	8	8	–	–	–	–	5	5	4	4
Ms F Page	8	7	4	4	–	–	5	5	–	–

A = Meetings held during Director's tenure
B = Meetings attended.

Principal activities

During the year there were no significant changes to the principal activities of the Company, these being the provision of deposit taking facilities, credit facilities and related financial services.

Results of operations

Profit after tax of the Group for the financial year was $14.1m (2023: $15.4m).

Total income was in line with the previous year with balances growth being offset by a reduction in margins, as funding costs increased with deposit repricing increasing at a faster rate than home loans and following the repayment of the RBA's term funding facility provided to Australian banks during COVID.

Total expenses for the year were $53.5 million, an increase of 1.9% compared to the previous year.

In financial year 2024 BankVic achieved home lending growth of $190 million. This was supported by deposit growth of $85 million.

Capital adequacy and liquidity

As a mutual financial institution, BankVic uses it's retained earnings as the major source of its capital. Therefore, maintenance of adequate capital over time depends on balancing profit after tax with growth in risk–weighted assets.

Capital adequacy ratio in financial year 2024 was 20.3% (19.5% in financial year 2023). BankVic manages liquidity to facilitate the business strategy of supporting members to purchase their homes, and ensure there are sufficient funds in place to support member withdrawal needs and fund operating expenses.

This minimum liquidity holdings ratio at 30 June 2024 was 18.2% (21.1% in financial year 2023).

Both capital and liquidity levels remain significantly above the minimum levels required to be maintained as determined by the Board's risk appetite and APRA Prudential Standards.

Dividends

No dividends have been paid or declared since the end of the previous financial year (2023 $ nil).

Share issues

The only shares issued by the Company during the year were 26,510 $1 redeemable preference shares, issued to members in the normal course of business.

State of affairs

There remains significant uncertainty in the global and local economy. While inflation appears to be slowing, unemployment has increased, and significant numbers of Australians are reported as experiencing financial stress. While globally several central banks have reduced official interest rates, the timing for any reduction in Australian interest rates remains uncertain. Despite the uncertainty on interest rates and stress in the economy, credit losses have remained low.

BankVic members play a critical role in our society. With the majority of BankVic members employed within the emergency services sector, this mitigates potential downside exposures in an uncertain environment. When interest rates increased, BankVic supported members by not passing on the full impact of rate rises to home loans. BankVic will continue to support members impacted by the challenging economic environment.

Directors' benefits

Neither during the financial year nor since the end of the financial year, has a Director received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received, or due and receivable, by Directors shown in the Company financial statements) because of a contract made by the Company, or a related body corporate with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial interest.

Rounding off

Amounts in the financial statements have been rounded to the nearest thousand dollars (unless otherwise stated) in accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.

Environmental regulation

The Bank's operations are not subject to significant environmental regulation under both commonwealth and state legislation in relation to its principal business and operating activities.

Events subsequent to balance date

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

Likely developments

The Directors are not aware of any other likely developments in financial years subsequent to 30 June 2024 that may significantly affect the operation and expected results of the Company.

Indemnification 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, Company Secretary, and employees.
In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.
No insurance contract has been provided for the benefit of the auditors of the Company.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' report for the financial year ended 30 June 2024.

Signed this 2nd day of October 2024 in accordance with a resolution of the Board of Directors.

Lucinda Nolan
Chair

Debra Robertson
Deputy Chair

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Police Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Police Financial Services Limited for the financial year ended 30 June 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Joshua Pearse

Partner

Melbourne

2 October 2024

Financial statements

Consolidated statement of comprehensive income

For the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Interest income*	4a	**154,707**	114,223
Interest expense	4b	**(87,998)**	(48,250)
Net interest income		**66,709**	65,973
Other income*	4c	**7,132**	7,907
Total income		**73,841**	73,880
Impairment (charge)/reversal on loans and advances, net of recoveries	4d	**(391)**	(788)
Salaries and related expenses		**(24,463)**	(23,299)
Card and payment expenses		**(9,476)**	(9,483)
Other expenses	4e	**(19,240)**	(18,970)
Total expenses		**(53,570)**	(52,540)
Profit before income tax expense		**20,271**	21,340
Income tax expense	5	**(6,144)**	(5,955)
Profit for the period		**14,127**	15,385
Other comprehensive income		**–**	–
Total comprehensive income		**14,127**	15,385
Total comprehensive income available to members		**14,127**	15,385

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes from pages 38-39.
*Amortised fees reclassified from Other Income to Interest Income (Note 4) in the prior year.

Consolidated statement of financial position

As at 30 June 2024

	Note	2024 $'000	2023 $'000
Assets			
Cash and cash equivalents	6	**83,527**	105,580
Receivables due from other financial institutions	7	**523,994**	615,594
Accrued receivables and other assets	8	**4,359**	6,182
Loans and advances (net)*	9	**2,474,683**	2,284,217
Investments	21	**2,205**	2,205
Property, plant and equipment	10	**7,468**	5,936
Intangible assets	11	**58**	109
Deferred tax asset	5	**352**	788
TOTAL ASSETS		**3,096,646**	3,020,611
Liabilities			
Deposits	12	**2,805,424**	2,720,087
Payables and other liabilities	13	**39,978**	28,850
Borrowings	14	**–**	34,482
Current tax liability		**200**	99
Provisions	15	**3,580**	3,755
TOTAL LIABILITIES		**2,849,182**	2,787,273
NET ASSETS		**247,464**	233,338
Members' funds			
Reserves		**15,000**	22,910
Redeemed capital reserve		**549**	549
Retained earnings		**231,915**	209,879
TOTAL MEMBERS' FUNDS		**247,464**	233,338

The above consolidated statement of financial position should be read in conjunction with the accompanying notes from pages 40-48.
*Capitalised acquisition expense was reclassified from "Other assets" to "Loans and advances" (Note 9) in the prior year.

Consolidated statement of changes in equity

As at 30 June 2024

	General reserve	General reserve for credit losses	Redeemed preference share capital account	Retained earnings	Total member funds
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2022	15,000	7,413	545	194,995	217,953
Change in reserve during the year	–	497	–	(497)	–
Transfer from retained earnings	–	–	4	(4)	–
Profit or loss	–	–	–	15,385	15,385
Balance as at 30 June 2023	15,000	7,910	549	209,879	233,338
Balance as at 1 July 2023	**15,000**	**7,910**	**549**	**209,878**	**233,337**
Change in reserve during the year	**–**	**(7,910)**	**–**	**7,910**	**–**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**–**
Profit or loss	**–**	**–**	**–**	**14,127**	**14,127**
Balance as at 30 June 2024	**15,000**	**–**	**549**	**231,915**	**247,464**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

General reserve for credit losses (GRCL) is used to recognise an additional allowance for credit losses. From 2024 onwards, the provision in the books of BankVic representing a GRCL was reclassified to retained earnings. The concept of a GRCL is no longer a requirement of APRA prudential standards and no longer included in tier 2 capital.

Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**155,586**	112,652
Interest paid		**(81,729)**	(38,228)
Other income received		**5,090**	8,008
Cash payments to suppliers and employees		**(51,401)**	(52,626)
Net increase in loans and advances		**(190,586)**	(308,134)
Net increase in deposits		**85,337**	220,093
Net increase in receivables due from other financial institutions		**91,600**	138,569
Income tax paid		**(4,775)**	(5,843)
Net Increase in settlement accounts		**4,938**	(669)
Net cash inflow/(outflow) provided by operating activities	16(ii)	**14,060**	73,822
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment – remove		**–**	28
Payments for property, plant, equipment and intangibles		**(66)**	(636)
Net cash outflow used in investing activities		**(66)**	(608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in member shares		**–**	4
Payment of lease liabilities		**(1,565)**	(1,597)
Repayment of borrowings*		**(34,482)**	(51,472)
Net cash outflow provided by financing activities		**(36,047)**	(53,065)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(20,053)**	20,150
Cash and cash equivalents at beginning of financial year		**105,580**	85,431
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	16(i)	**83,525**	105,580

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes page 48-49.

*During 2024, repayment of borrowings was reclassified from 'cash flows from operating Activities' to 'cash flows from financing activities' to reflect more appropriate classification under AASB 107 Cash Flow Statements. Comparative amounts in the consolidated statement of cash flow were reclassified for consistency

1. Reporting entity

Police Financial Services Limited (the "Company"), trading as BankVic, is a company domiciled in Australia.

The Company is a for profit entity which primarily is involved in the raising of funds as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the application of those funds in providing financial products to members.

2. Basis of preparation

a. Statement of compliance :

Corporations Act 2001 (Cth) The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 (Cth). The financial report of the Consolidated Company also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The consolidated financial position and performance are equal to the Parent, except for Cash (refer to Note 24).

The financial statements were authorised for issue by the Directors on 2 October 2024.

b. Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

c. Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. Amounts in the financial statements have been Rounded to the nearest thousand dollars (unless otherwise stated) in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The Balance sheet is stated in order of liquidity.

d. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 9 – Provision for impairment of loans and advances
- Note 15 – Provisions
- Note 20 – Financial instruments

3. Material accounting policies

The group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. These amendments did not result in any significant changes to the accounting policy.

Certain comparative amounts in the statement of profit and loss and balance sheet have been reclassified relating to acquisition revenue and cost.

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (referred to as "the Group" in these financial statements). Control is achieved when the Company, has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

All intra-group transactions balances, income and expenses are eliminated in full on consolidation.

b. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight- line basis over the estimated useful lives of each part of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment (including right of use assets): 4–25 years
- Leasehold improvements: 5–10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

c. Non-derivative financial instrument

i Recognition and initial measurement

The Company initially recognises loan receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through the profit or loss) and financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable with a significant financing component) or financial liability is initially measured at fair value plus, for an item not fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii Classification of financial assets

On initial recognition, the Company classifies its non-derivative financial assets except investment in equity securities, as measured at amortised cost. Investment in equity securities are measuredat fair value through other comprehensive Income (FVOCI).

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held in a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates on cash flows that are solely payment of principal and interest (SPPI) on principal outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and any impairment charge are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

iii Classification of financial liabilities

Financial liabilities are classified as measured at amortised cost on initial recognition. Subsequently, these are measured at amortised cost using effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains and losses on derecognition are also recognised in profit or loss.

d. Investments

All purchases and sales of investments are recognised on the trade date i.e. the date that the Company commits to purchase or sell the assets. Investments are initially recognised at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs.

Investments in equity securities are designated as FVOCI.

Subsequent to initial recognition, they are measured at fair value with changes therein recognised directly in equity. When an investment is de–recognised, the cumulative gain or loss in equity is transferred from equity to the retained earnings.

Investments in debt securities are classified at amortised cost as these are held to collect the contractual cash flows solely from payments of principal and interest. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method and are assessed for impairment under the expected credit loss impairment model.

Securities sold subject to repurchase agreements are considered to be transferred assets that do not qualify for derecognition when substantially all the risks and rewards of ownership remain with the Company. An associated liability is recognised for the consideration received from the counterparty.

e. Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short–term bills and call deposits, with maturities of less than three months and are measured at amortised cost using effective interest rate method. Cash equivalents are readily convertible to cash and are subject to an insignificant risk of change in value.

g. Loans and advances

Loans and advances include home loans, commercial loans, personal loans and other forms of retail lending. Loans and advances are initially recorded at fair value, including direct and incremental transaction costs. They are subsequently measured at amortised cost using the effective interest method as these are held to collect contractual cash flows solely from payments of principal and interest.

The Impetus Funding Trust No. 1 was established in September 2012 for the purpose of creating a Special Purpose Entity (SPE) for contingent liquidity purposes. A portion of the loan portfolio has been internally securitised specifically to create residential mortgage–backed securities that are eligible for repurchase agreement (repo) with the Reserve Bank of Australia (RBA). These loans are treated as on–balance sheet financial assets for reporting purposes. The terms of the transfer agreement is an equitable assignment to receive all the future income the mortgages generate but not a legal transfer of ownership.

In applying its policies on securitised financial assets, the Company has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Company over the other entity:

- When the Company, in substance, controls the entity to which financial assets have been transferred, the entity is included in these financial statements and the transferred assets are recognised in the Company's balance sheet; and
- When the Company has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognised in the Company's balance sheet.

Securitised assets are included on the balance sheet of the Company, in accordance with this policy.

h. Impairment

i. Financial assets

An expected credit loss impairment model is applied to all the Company's financial assets, except for those which are FVPL, and equity securities designated as at FVOCI, which are not subject to impairment assessment. The expected credit loss model recognises provisions and may also result in more sensitive provisioning levels depending on the economic cycle – refer Note 21.

ii Non–financial assets

The carrying amount of the Company's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

i Derecognition of financial assets and liabilities

i. Financial assets

Loans and advances (or, where applicable, a part of loan and advance or part of a group of similar loans and advances) are derecognised when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass–through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risk and rewards of the asset; or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

ii. Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

j. Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine whether the cash flows of the modified asset are substantially different. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date.

Where a modification is considered non–substantial, the existing financial asset is not derecognised. In this case, the gross carrying value of the financial asset is recalculated and the amount arising from adjusting the carrying amount is recognised as modification gain or loss.

k. Loans and advances and borrowings

All loans and advances and borrowings (where they are interest–bearing) are initially recognised at fair value less directly attributable transaction costs. Interest–bearing loans and advances and borrowings are subsequently measured at amortised cost using the effective interest method with any d ifference between the costs and redemption value recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

l. Employee benefits

i Long–term service benefits

The Company's net obligation in respect of long–term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related oncosts and expected settlement dates, and is discounted using the rates attached to the corporate bonds at the balance date which have maturity dates approximating to the terms of the Company's obligations.

ii. Wages, salaries, annual leave and non–monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related oncosts, such as workers compensation insurance and payroll tax. Non–accumulating non–monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

iii. Superannuation

Obligations for contributions to superannuation are expensed as the related service is provided.

m. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle an obligation and the amount can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n. Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non–interest bearing and are normally settled on 30–day terms.

o. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST is included as a current asset or liability in the balance sheet.

q. Revenue

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of AASB 9 and partially in the scope of AASB 15. If this is the case, then the Group first applies AASB 9 to separate and measure the part of the contract that is in the scope of AASB 9 and then applies when the performance obligations have been satisfied to the extent that it is probable that the economic benefits will flow to the entity and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

i. Interest income

Interest income is recognised as interest accrued using the effective interest method, in accordance with AASB 9. 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 discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Interest receivable is included in the amount of accrued receivables in the balance sheet. Interest earned on loans and advances is calculated and accrued on the daily outstanding balance and is charged to a member's loan on the last day of each month.

Loan establishment fees (or fee discounts) and Upfront broker commissions will initially be deferred as part of the loan balance and will be brought to account as income (or expense) over the expected life of the loan. The amounts brought will be included as part of interest revenue.

ii. Lending fees

Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are recognised upon completion of the performance obligation.

iii. Other non–interest income

Service charges are recognised as income when services are rendered and charged to the member. Insurance and other commission is recognised as income upon the provision of services.

r. Expenses

i. Interest expense

Interest is calculated on the daily balance and posted to the accounts systematically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis. The amount of the accrual is shown as part of payables.

ii. All other operating expenses

Operating expenses are recognised when the Company has incurred the liability for goods and services purchased.

s. Intangible assets

Intangible assets, which consist of computer software, are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight–line basis over the estimated useful lives of intangible assets, which is between 3 and 6 years.

t. Redeemed capital reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999. The Corporations Act 2001 (Cth) requires redemption of shares to be made out of profits. The value of the shares redeemed has been paid to members in accordance with the constitution of the Company.

u. Leases

i. Leased assets

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone price. The Company recognises a right–of–use asset and a lease liability at the lease commencement date. The right–of–use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right–of–use asset is subsequently depreciated using the straight–line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right–of–use asset reflects that the Company will exercise a purchase option. In that case the right–of–use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right–of–use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on the index or a rate; initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in–substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right–of–use asset, or is recorded in profit or loss if the carrying amount of the right–of– use asset has been reduced to zero.

ii. Short–term leases and leases of low–value assets

Some property leases contain extension options exercisable by the Company up to a number of years before the end of the non–cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

iii. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Prior to 30 June 2023 the Company entered into a contract to lease a new head office premises. As there is no right to use the premises in the 2023 financial year, the contract is not recorded as a lease in this period. A lease and right of use asset will be recognised in the Balance Sheet and disclosed in Note 11 during the 2024 financial year.

v. New standard not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted however, the Company has not early adopted them in preparing these consolidated financial statements.

The following amended standards are not expected to have a significant impact on the Company's consolidated financial statements.

- AASB 2020–1 amendments to Australian Accounting Standards – Classification of Liabilities as Current or non–current.
- AASB 2020–6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non–current deferral of effective date.

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

	2024 $'000	2023 $'000
Note 4: Profit		
Profit before income tax has been determined after:		
a. Interest income		
Loans and advances	**126,918**	90,298
Other financial institutions	**27,789**	23,925
Total interest income	**154,707**	114,223
b. Interest expense		
Deposits	**87,973**	48,101
Borrowings	**25**	149
Total interest expense	**87,998**	48,250
c. Other income		
Fees and commissions	**6,997**	7,725
Other income	**135**	182
Total other income	**7,132**	7,907
d. Impairment charge/(reversal) on loans and advances, net of recoveries		
Bad debts written off: member loans and advances	**344**	115
Charge/(reversal) in provision for impairment	**50**	684
Bad debts recovered	**(3)**	(11)
Total impairment losses on loans and advances, net of recoveries	**391**	788
e. Other expenses		
Depreciation and amortisation	**679**	1,889
Interest expense	**160**	–
Employee entitlements	**64**	828
Product and marketing costs	**2,045**	2,174
Information technology costs	**9,459**	6,024
Occupancy costs	**1,173**	1,370
Directors' fees	**648**	635
Write-off of non-current assets*	**–**	398
Other expenses	**5,012**	5,652
Total other expenses	**19,240**	18,970

*Write off of non–current assets moved from revenue to expense
** During 2024, the Group modified the classification of amortized fee to reflect more appropriately the way in which economic benefits are derived from its use. Comparative amounts in the statement of profit or loss and OCI were reclassified for consistency. As a result, $1.2 million was reclassified from fees and commission income to interest income.

	2024 $'000	2023 $'000
Note 5: Income tax		
Income tax expense recognised in the statement of comprehensive income		
Current tax expense	**5,707**	5,661
Under/(over) provided in prior year	**1**	–
	5,708	5,661
Deferred tax expense		
Utilisation/(recognition) of temporary differences	**436**	294
Total income tax expense in income statement	**6,144**	5,955
Numerical reconciliation between tax expense and pre–tax profit		
Profit before tax	**20,271**	21,340
Income tax using the domestic corporation tax rate of 30% (2023: 30%)	**6,081**	6,401
Increase in income tax expense due to:		
– Non–deductible expenses and other permanent differences	**211**	436
Decrease in income tax expense due to:		
– Non–assessable / lower tax income	**(149)**	(882)
	6,143	5,955
Under/(over) provided in prior year	**1**	–
Income tax expense on pre–tax profit	**6,144**	5,955

All movements recognised in the profit and loss.

	Assets 2024 $'000	Assets 2023 $'000	Liabilities 2024 $'000	Liabilities 2023 $'000	Net 2024 $'000	Net 2023 $'000
Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable						
To the following:						
Provision for impairment	**(904)**	(889)	**–**	–	**(904)**	(889)
Lease liability	**(2,182)**	(1,784)	**–**	–	**(2,182)**	(1,784)
Right of use asset	**–**	–	**2,047**	1,561	**2,047**	1,561
Property, plant and equipment	**(28)**	(33)	**–**	–	**(28)**	(33)
Payables	**(133)**	(226)	**1,923**	1,710	**1,790**	1,484
Employee entitlements	**(1,074)**	(1,127)	**–**	–	**(1,074)**	(1,127)
Net tax (assets)/liabilities	**(4,321)**	(40,059)	**3,970**	3,271	**(352)**	(788)

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

	2024 $'000	2023 $'000
Note 6: Cash and cash equivalents		
Cash on hand	**687**	752
Deposits at call	**82,840**	104,828
	83,527	105,580
Note 7: Receivables due from other financial institutions		
Negotiable certificates of deposit	**1,981**	61,272
Floating rate notes *	**293,287**	315,476
Term deposits	**33,776**	33,776
Fixed rate bonds	**194,950**	205,070
	523,994	615,594
a. Maturity analysis		
Up to 3 months	**47,444**	68,861
From 3 months to 1 year	**48,600**	70,783
From 1 year to 5 years	**296,150**	395,215
Later than 5 years	**131,800**	115,300
	523,994	615,594
b. Market value		
Negotiable certificates of deposits, floating rate notes and term deposits	**505,983**	593,584

In 2024, frns and bank term deposits have an average maturity of 1,005 days (2023: 1,132 days) with effective interest rates of 0.50% To 6.22% (2023: 0.00% To 5.94%) P.A

	2024 $'000	2023 $'000
Note 8: Accrued receivables and other asset		
Interest receivable	**2,937**	3,569
Other**	**1,422**	2,613
	4,359	6,182
Note 9: Loans and advances		
Continuing credit facilities	**17,293**	16,465
Other loans and advances *	**2,457,839**	2,268,340
Directors and director-related parties	**553**	619
	2,475,685	2,285,424
Provision for impairment	**(6,409)**	(6,228)
Capitalised acquisition expense**	**5,407**	5,021
Net loans and advances	**2,474,683**	2,284,217

*As at 30 June 2024 $516m (2023: $478m) of loans have been internally securitised via the Impetus Funding Trust No. 1. These loans are treated as on balance sheet.

Refer note 3 (f)

**Capiltalised acquisition expense was previously recognised in other assets and is now recognized in loans and advances and aligns to AASB 9 in the prior period. As a result, $5 million was reclassified from 'other assets' to 'loans and advances'.

	2024 $'000 Gross loans	2023 $'000 Gross loans
Note 9: Loans and advances (continued)		
a. Maturity analysis		
Up to 3 months	**8,486**	22,222
From 3 months to 1 year	**62,243**	60,641
From 1 year to 5 years	**331,570**	318,010
Later than 5 years	**2,073,386**	1,884,551
	2,475,685	2,285,424
b. Loans by security		
Secured by mortgage*	**2,445,143**	2,252,877
Secured other	**11,114**	13,505
Unsecured	**19,428**	19,042
	2,475,685	2,285,424
c. Loans by purpose		
Residential	**2,445,143**	2,252,877
Personal	**30,542**	32,547
	2,475,685	2,285,424

*The loan to value of the collateral for loans secured by mortgage as at 30 June 2024 was 33.3% (2023: 32.1%).

Effective interest rate ranges for loans and advance is 1.75% – 18.95% (2023: 1.75% – 14.95%).

	2024 $'000	2023 $'000
d. Concentration of risk		
i. As at 30 June 2024 there was no loan to any individual member which represents 10% or more of capital.		
ii. The customer or industry concentration of loans which represent in aggregate 10% or more of total loans are set out below:		
Victoria Police	**1,025,668**	935,281
Health	**476,424**	425,283
iii. The geographic concentration of loans in the state of Victoria	**95.63%**	94.74%
e. Provision for impairment of loans and advances		
Balance at beginning of the year	**6,228**	5,544
Net charge/(reversal) for the year	**391**	788
Bad debts recovered	**3**	11
Bad debts written off	**(213)**	(115)
Balance at the end of the year	**6,409**	6,228

f. Expected credit loss (ecl) provision

	Gross loans & advances $'000	Provision stage 1 (0–29 days) $'000	Provision stage 2 (30–89 days) $'000	Provision stage 3 (90+ Days) $'000	Total provisions $'000
2024					
Secured by mortgage	**2,445,144**	**1,824**	**480**	**2,460**	**4,764**
Secured other	**11,114**	**80**	**8**	**70**	**158**
Unsecured	**19,427**	**749**	**96**	**512**	**1,357**
	2,475,685	**2,653**	**584**	**3,042**	**6,279**
2023					
Secured by mortgage	2,252,877	2,363	12	1,592	3,967
Secured other	13,505	96	–	110	206
Unsecured	19,042	1,503	9	542	2,054
	2,285,424	3,962	21	2,244	6,227

Expected credit loss (ecl) movement	Provision stage 1 (0–29 days) $'000	Provision stage 2 (30–89 days) $'000	Provision stage 3 (90+ days) $'000	Total provisions $'000
2024				
Balance as at 1 July 2023	**3,962**	**22**	**2,244**	**6,228**
Charge/(reversal) during the year	**(1,310)**	**562**	**799**	**49**
Closing as at 30 June 2024	**2,652**	**584**	**3,041**	**6,279**
2023				
Balance as at 1 July 2022	3,543	14	1,986	5,543
Charge/(reversal) during the year	419	8	258	685
Closing as at 30 June 2023	3,962	22	2,244	6,227

g. Gross loans by expected credit loss (ecl) stage	Gross loans & advances $'000	Stage 1 (0–29 days) $'000	Stage 2 (30–89 days) $'000	Stage 3 (90+ days) $'000
2024				
Secured by mortgage	**2,445,144**	**2,425,556**	**3,941**	**15,647**
Secured other	**11,114**	**10,980**	**25**	**109**
Unsecured	**19,427**	**18,875**	**95**	**457**
	2,475,685	**2,455,411**	**4,061**	**16,213**

	Gross loans & advances $'000	Stage 1 (0–29 days) $'000	Stage 2 (30–89 days) $'000	Stage 3 (90+ days) $'000
2023				
Secured by mortgage	2,252,215	2,237,886	3,212	11,117
Secured other	13,505	13,324	23	158
Unsecured	19,704	18,952	131	621
	2,285,424	2,270,162	3,366	11,896

h. Allowance for expected credit losses	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
1 Jul 2022	**1,687**	**394**	**1,571**	**3,652**
Transfer to stage 1	614	–	(614)	–
Transfer to stage 2	(1)	11	(10)	–
Transfer to stage 3	(7)	(4)	11	–
New and increased provisions (net of releases)	(514)	(6)	834	314
New overlays assessed / reversed including changes	7	(1)	233	239
30 June 2023	**1,786**	**394**	**2,025**	**4,205**
Transfer to stage 1	**527**	**(6)**	**(521)**	**–**
Transfer to stage 2	**(3)**	**165**	**(162)**	**–**
Transfer to stage 3	**(10)**	**(2)**	**12**	**–**
New and increased provisions (net of releases)	**(497)**	**(150)**	**1,261**	**614**
New overlays assessed / reversed including changes	**22**	**78**	**(156)**	**(56)**
30 June 2024	**1,825**	**479**	**2,459**	**4,763**

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

h. (Cont.) Allowance for expected credit losses – secured by other and not secured	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
1 July 2022	**1,060**	**145**	**686**	**1,891**
Transfer to stage 1	52	(2)	(50)	–
Transfer to stage 2	(3)	3	–	–
Transfer to stage 3	(2)	(1)	2	(1)
New and increased provisions (net of releases)	104	4	(20)	88
New overlays assessed / reversed including changes	5	35	4	44
30 June 2023	**1,216**	**184**	**622**	**2,022**
Transfer to stage 1	**84**	**(4)**	**(80)**	**–**
Transfer to stage 2	**(2)**	**22**	**(20)**	**–**
Transfer to stage 3	**(2)**	**(2)**	**4**	**–**
New and increased provisions (net of releases)	**(452)**	**(19)**	**50**	**(421)**
New overlays assessed / reversed including changes	**(17)**	**(77)**	**8**	**(88)**
30 June 2024	**827**	**104**	**584**	**1,515**

	2024 $'000	2023 $'000
Note 10: Property, plant and equipment		
Leasehold improvements at cost	**484**	1,158
Less accumulated depreciation	**(387)**	(1,013)
	97	145
Right of use (ROU) asset	**9,849**	11,287
Less accumulated depreciation	**(3,026)**	(6,084)
	6,823	5,203
Plant and office equipment at cost	**840**	4,314
Less accumulated depreciation	**(295)**	(4,311)
	545	3
Capital work in progress	**3**	585
Total	**7,468**	5,936

	Right of use assets* $'000	Leasehold improvements $'000	Plant and office equipment $'000	Capital work in progress $'000	Total $'000
2024					
Movement in the carrying amounts for leasehold improvements and plant and office equipment					
balance at 1 July 2023	**5,203**	**145**	**3**	**585**	**5,936**
Additions	**5,895**	**–**	**62**	**3**	**5,960**
Transfers from capital work in progress	**–**	**–**	**585**	**(585)**	**–**
Disposals	**(3,800)**	**–**	**–**	**–**	**(3,800)**
Depreciation expense	**(475)**	**(48)**	**(105)**	**–**	**(628)**
Carrying amount at 30 June 2024	**6,823**	**97**	**545**	**3**	**7,468**

*The lease at 215 Spring Street was derecognised and the lease at 505 Little Collins Street was recognised as a right of use asset. There is no income from subleasing right-of use assets, and gains or losses arising from sale and leaseback transactions. There are no leases to which have not yet commenced to with the company is exposed.

	Right of use assets* $'000	Leasehold improvements $'000	Plant and office equipment $'000	Capital work in progress $'000	Total $'000
2023					
Movement in the carrying amounts for leasehold improvements and plant and office equipment					
Balance at 1 July 2022	6,383	703	25	–	7,111
Additions	–	–	949	585	1,534
Recognition of ROU asset	515	–	–	–	515
Transfers from capital work in progress	–	–	–	–	–
Disposals	–	(427)	(903)	–	(1,330)
Depreciation expense	(1,695)	(131)	(67)	–	(1,893)
Carrying amount at 30 June 2023	5,203	145	4	585	5,937

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

	2024 $'000	2023 $'000
Note 11: Intangible assets – software		
At cost	**2,517**	2,517
Accumulated amortisation	**(2,459)**	(2408)
Net carrying amount	**58**	109
Carrying amount at the beginning of the year	**109**	160
Additions	**–**	–
Disposals	**–**	–
Amortisation expense	**(51)**	(51)
Carrying amount at the end of the year	**58**	109
Note 12: Deposits		
Call deposits	**1,808,174**	1,825,842
Term and at notice deposits (retail)	**589,438**	518,522
Term and at notice deposits (wholesale)	**406,762**	374,673
Redeemable preference shares	**1,050**	1,050
	2,805,424	2,720,087

Effective interest rate ranges for call deposits is 0.01% – 4.55% (2023: 0.01% – 4.05%)

	2024 $'000	2023 $'000
a. Maturity analysis		
Deposits are repayable over the following terms:		
On call	**1,808,174**	1,825,842
Up to 3 months	**325,830**	312,315
From 3 months to 6 months	**334,923**	264,322
From 6 months to 1 year	**268,579**	273,720
From 1 year to 5 years	**66,868**	42,838
	2,804,374	2,719,037
b. Concentration of risk		
i. As at 30 June 2024 there was no member who individually held deposits which represents 10% or more of total liabilities		
ii. The customer or industry concentration of deposits which represented in aggregate 10% or more of total liabilities are:		
Victoria Police	**486,089**	453,066
Health	**302,797**	306,151
iii. The geographic concentration of deposits in the state of Victoria	**83%**	92%

	2024 $'000	2023 $'000
Note 13: Payables and other liabilities		
Accrued deposit interest	**17,446**	11,176
Creditors and accrued expenses	**3,281**	4,688
Lease liabilities (refer to note 3u)*	**7,274**	5,947
Settlement accounts	**11,977**	7,039
	39,978	28,850

*Interest on lease liabilities is $0.2m and payments for lease liabilities is $1.5m during the year.

	2024 $'000	2023 $'000
Note 14: Borrowings		
Repurchase agreements	**–**	34,482
Other loans	**–**	–
	–	34,482

The company utilised the rba term funding facility. The term funding facility to support lending to Australian businesses (tff) was announced on 19 March 2020 as part of a package of measures to support the Australian economy. The final amount was repaid to the rba in April 2024.

	2024 $'000	2023 $'000
Maturity analysis		
Borrowings will be repaid under current repayment conditions over the following periods:		
Up to 3 months	**–**	–
From 3 months to 1 year	**–**	34,482
From 1 year to 5 years	**–**	–
Later than 5 years	**–**	–
	–	34,482

Changes in liabilities arising from financing activities

	Repurchase agreements $'000
1 July 2022	85,955
Proceeds of repurchase agreements	(51,473)
Payments of repurchase agreements	**–**
30 June 2023	**34,482**
Proceeds from repurchase agreements	**–**
Payments of repurchase agreements	**34,482**
30 June 2024	**–**

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

	2024 $'000	2023 $'000
Note 15: Provisions		
Employee entitlements	**3,580**	3,755
	3,580	3,755

In arriving at the employee entitlements the following variables were used:

Long service leave

- Accrued at the rate of 13 weeks per 10 years of completed continuous service, and 1.3 Weeks per year thereafter.
- Current $1.7m (2023: $1.4m), non current $0.5m (2023: $1.0m).
- Probability factor of 18% in year 1 increasing to 100% from 7 years onwards.
- Future increases in wage and salary rates including related oncosts of 2% per annum.
- Discounted using corporate bond rates, which have maturity dates approximating the terms of the company's obligations.

Annual leave

- Current $1.3m (2023: $1.3m)
- Annual leave liabilities are expected to be settled within 12 months and are calculated at undiscounted amounts based on current wage and salary rates including related oncosts at balance date.

	2024 $'000	2023 $'000
Note 16: Statement of cash flows		
Reconciliation of profit after income tax to net cash flow from operating activities		
i. Reconciliation of cash and cash equivalents		
Cash on hand	**687**	752
Deposits at call	**82,840**	104,.828
	83,527	105,580
ii. Reconciliation of operating profit after income tax to net cash provided by operating activities		
Profit after income tax	**14,127**	15,385
Adjustments for:		
(Profit)/loss on sale of non-current assets	**–**	426
Bad debts written off	**341**	115
Amounts set aside to provide for impairment	**50**	677
AASB16	**160**	–
AASB9	**(602)**	–
Depreciation and amortisation	**679**	1,889
Net cash provided by operating activities before changes in working capital and provision	**14,755**	18,492
Decrease/(increase) in deferred tax assets	**436**	485
(Increase)/decrease in interest receivable	**632**	(1563)
(Increase)/decrease in other assets	**1,048**	(3,064)
(Increase)/decrease in prepayments	**(88)**	–
(Increase)/decrease in interest payable	**6,270**	10,022
(Increase)/decrease in creditors and accrued expenses	**(391)**	(491)
(Decrease)/increase in provision for employee entitlements	**(175)**	451
(Decrease)/increase in taxes payable	**102**	(369)

	2024 $'000	2023 $'000
ii. Reconciliation of operating profit after income tax to net cash provided by operating activities (continued)		
Increase in loans and advances	**(190,586)**	(308,134)
Net increase in deposits	**85,337**	220,093
Increase in receivables due from other financial institutions and investments	**91,782**	138,569
Net increase/(decrease) in settlement accounts	**4,938**	(669)
Net cash flows from operating activities	**14,060**	73,822

	2024 $'000	2023 $'000
Note 17: Contingent liabilities and credit commitments		
i. Binding commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Many of the commitments are expected to expire without beingdrawn upon.		
Approved but undrawn loans	**57,651**	70,944
Undrawn continuing line of credit commitments	**62,215**	60,892
Balance available for redraw under redraw facilities of term loans	**380,189**	354,892

	2024 $	2023 $
Note 18: Auditors' remuneration		
Auditors of the company – kpmg australia		
Audit and related services		
Audit of financial report	**193,545**	159,390
Other regulatory audit services	**153,698**	137,075
Non audit services		
Taxation services	**20,542**	22,898
	367,785	319,363

Note 19: Related parties

A. Ultimate controlling party

The companies related parties consist of Impetus Funding Trust No.1, its key management personnel and its directors. There have been no transactions outside of those consolidated between the company and Impetus Trust, please refer to note 19(b) for transactions with key management personnel

B. Transactions with key personnel

a. Directors

The names of the persons who were Directors of the Company at any time during the financial year were as follows:
L. J. Nolan, D.L. Robertson, F. Page, M. Liu, T. Long, D, Cowan, and R Gardner.

b. Other key management personnel

The names of the persons who were other key management personnel (other KMP) of the Company at any time during the financial year were as follows: A. De Fazio, Chief Executive Officer; M. Arundel, Chief People and Culture Officer; R. Boissezon, Chief Product & Marketing Officer; J. Haviland, Chief Risk Officer; K. Holden, Chief Financial Officer; S. Kuret, Chief Information Officer; P. Maroulis, Company Secretary; R. Morley, Chief Growth and Experience Officer; S. Barnes, Chief Product & Marketing Officer (until 12 July 2023); and S. Whiteling, Chief Risk Officer (until 22 August 2023).

Remuneration of directors and other key management personnel

Directors and KMP compensation was as follows:

		2024			2023	
	$'000	$'000	$'000	$'000	$'000	$'000
	Directors	Other KMP	Total	Directors	Other KMP	Total
Short-term employee benefits	582,619	2,836,197	3,418,816	575,107	2,801,271	3,376,378
Post-employment benefits	65,063	221,964	287,027	60,350	196,476	256,826
Other long-term benefits	–	81,515	81,515	–	62,207	62,207
Termination benefits	–	–	–	75,995	–	75,995
Share-based payment	–	–	–	–	–	–
	647,682	3,139,676	3,787,358	711,451	3,059,954	3,771,405

Short term benefits are salaries and wages and net increase in annual leave provision.
Post-employment benefits are payments to defined contribution superannuation plans.
Other long-term benefits are the net increase in the long service leave provision.

Share options granted to key management personnel

No employee share options have been granted during the year (2023: nil).

d. Loans to key management personnel*

The following loan facilities were outstanding by key management personnel or related parties who are relatedto key management personnel at normal member rates during the year:

	2024	2023
	$'000	$'000
Balance owing as at 30 June	1,337,398	2,611,242
Summary of mortgage transactions		
New advances	–	–
Repayments made during the year	373,123	781,281
Interest received on loans to key management personnel	66,484	218,372
Summary of credit card transactions		
New advances	292,165	220,562
Repayments made during the year	299,540	218,372
Interest received on loans to key management personnel	531	75
Summary of other transactions (personal loans)		
New advances	–	–
Repayments made during the year	22,204	61,752
Interest received on loans to key management personnel	2	7

* KMP movements will change during the year based on chnages to personnel

The key management personnel who held a loan or continuing credit account with the Company during the year were:
L.J. Nolan, T. Long, D.L. Robertson, A. De Fazio, M. Arundel, R. Boissezon, P. Maroulis, R. Morley.

e. Other key management personnel transactions

There are no other transactions or contracts to which key management personnel are a related party.

Note 20: Financial instrument

a. Interest rate risk

The Company's exposure to interest rate risk for the classes of financial assets and financial liabilities is set out below:

		Fixed rates maturing in				
Financial Instruments	**Floating interest rate**	**1 year or less**	**1 to 5years**	**More than 5 years**	**Non-interest bearing**	**Total carrying amount as per balance sheet**
30 June 2024	$'000	$'000	$'000	$'000	$'000	$'000
i. Financial assets						
Cash and cash equivalents	82,840	–	–	–	687	83,527
Receivables	–	–	–	–	2,937	2,937
Term deposits	–	33,776	–	–	–	33,776
Certificates of deposit	–	1,981	–	–	–	1,981
Floating rate notes	293,292	–	–	–	–	293,292
Fixed rate bonds	–	43,200	44,950	106,800	–	194,950
Loans and advances – gross	2,237,376	167,725	70,419	166	–	2,475,686
Equity investments	–	–	–	–	2,205	2,205
	2,613,508	246,682	115,369	106,966	5,829	3,088,354

Note 20: Financial instruments (continued)

	Fixed rates maturing in					
ii. Financial liabilities						
Payables	–	–	–	–	39,978	39,978
Deposits	1,787,780	929,331	66,869	–	21,444	2,805,424
	1,787,780	929,331	66,869	–	61,422	2,845,402

*Effective interest rate ranges for financial instruments of 0.50% to 6.22% (2023: 0.00% to 5.94%) p.a.
Loans and advances is 1.75% - 18.95% (2023: 1.75% - 18.95%)

Financial instruments	Floating interest rate	Fixed rates maturing in: 1 year or less	1 to 5years	More than 5 years	Non-interest bearing	Total carrying amount as per balance sheet
30 June 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
i. Financial assets						
Cash and cash equivalents	104,828	–	–	–	752	105,580
Receivables	–	–	–	–	3,569	3,569
Term deposits	–	33,776	–	–	–	33,776
Certificates of deposit	–	61,271	–	–	–	61,271
Floating rate notes	315,476	–	–	–	–	315,476
Fixed Rate Bond	–	2,120	87,650	115,300	–	205,070
Loans and advances – gross	1,840,664	195,875	248,676	209	–	2,285,424
Equity investments	–	–	–	–	2,205	2,205
	2,260,968	293,042	336,326	115,509	6,526	3,012,371
ii. Financial liabilities						
Payables	–	–	–	–	21,811	21,811
Deposits	1,797,531	850,357	42,838	–	29,361	2,720,087
Borrowings	–	–	–	–	7,038	7,038
	1,797,531	850,357	42,838	–	58,210	2,748,936

On-balance sheet financial instruments
The credit risk on financial assets, excluding investments of the Company, which have been recognized on balance sheet, is the carrying amount, net of any provision for impairment. Receivables from other financial institutions are receivables with high credit quality financial institutions and therefore credit risk is minimal. The Company is not materially exposed to any individual customer. The Company has a concentration to the Victorian police and health industries as disclosed in notes 9 and 13.

b. Secured lending loan-to-value (LVR)
The following table stratifies credit exposures from mortgages is secured loans to customers by ranges of LVR ratios. LVR Is calculated as the ratio of the exposure at default to the value of the collateral. The value of residential mortgage loans Is based on the collateral value at origination or reappraisal.

Note 20: Financial instruments (continued)

	2024 $'000	2023 $'000
Less than 50%	**869,713**	798,921
50% to 70%	**1,013,573**	972,251
70% to 90%	**951,191**	837,390
90% to 100%	**29,020**	23,341
100% +	**1,305**	1,467
Total	**2,864,802**	2,633,370

Note 21: Fair value of financial assets and liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date.

The group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:
Level 1 – quoted prices (unadjusted) in active markets for identical instruments.
Level 2 – valuation techniques for which all significant inputs are based on observable market data.
Level 3 – valuation techniques for which all significant inputs are not based on observable market data.

When applicable, the fair value of an instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments, fair values are determined using other techniques.

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

As at 30 June 2024 and 2023 there were no transfers between levels.

Methodologies and assumptions
Fair values have been determined for measurement and/or disclosure purposes based on the following methodologies and assumptions:

Financial instruments carried at fair value

- The Group's investment in Indue Ltd is considered a level 3 under the fair value measurement hierarchy. Management have considered a range of valuation techniques in assessing the fair value of its investment in Indue. Given the entities specialist nature as an unlisted clearing house for mutual organisations management have deemed the transaction cost to be indicative of fair value at the reporting date. This valuation approach is consistent with prior periods.

Financial instruments carried at amortised cost

- **Cash and liquid assets, receivables and payables:** These are measured at amortised cost and maturing within 12 months. The carrying value approximates their fair value as they are short term in nature and therefore considered level 1 under the fair value hierarchy.
- **Loans and advances:** The carrying value of loans, advances and other receivables is net of specific provisions for impairment. These are carried at amortised cost. The amortised cost carrying value approximates fair value and they are considered level 2 under the fair value measurement hierarchy.
- **Deposits and borrowings:** These are carried at amortised cost and is estimated by reference to current market rates. Given the nature, the liabilities are determined to be a level 2 under the fair value hierarchy

The following table reflect the carrying amount and fair value of financial assets and financial liabilities measured at amortised cost under AASB 9 Financial Instruments, including their levels in the fair value hierarchy.

Note 21: Fair value of financial assets and liabilities (continued)

2024

	Note	Carrying value $'000	Fair value level 1 $'000	Fair value level 2 $'000	Fair value level 3 $'000	Fair value total $'000
Cash and liquid assets	6	83,527	83,527	–	–	83,527
Receivables	21	523,994	505,983	–	–	505,983
Loans and advances	9	2,474,683	–	2,466,710	–	2,466,710
Equity Investments	11	2,205	–	–	2,205	2,205
Total financial assets		3,084,409	589,510	2,466,710	2,205	3,058,425
Payables	14	39,978	39,978	–	–	39,978
Deposits	13	2,805,424	–	2,804,974	–	2,804,974
Borrowings	15	–	–	–	–	–
Total financial liabilities		2,845,402	39,978	2,804,974	–	2,844,952

2023

	Note	Carrying value $'000	Fair value level 1 $'000	Fair value level 2 $'000	Fair value level 3 $'000	Fair value total $'000
Cash and liquid assets	6	105,580	105,580	–	–	105,580
Receivables	21	615,594	593,584	–	–	593,584
Loans and advances	9	2,285,424	–	2,260,776	–	2,260,776
Equity Investments	11	2,205	–	–	2,205	2,205
Total financial assets		3,008,803	699,164	2,260,776	2,205	2,962,145
Payables	14	28,849	28,849	–	–	28,849
Deposits	13	2,720,087	–	2,716,479	–	2,716,479
Borrowings	15	34,482	–	34,482	–	34,482
Total financial liabilities		2,783,418	28,849	2,750,961	–	2,779,810

Note 22: Financial risk management
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committees which are responsible for developing and monitoring risk management policies. The Audit and Risk Committees report regularly to the Board of Directors on their activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and a control framework, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee oversees and monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Committee is assisted in its oversight role by the Company's internal auditors. The internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committees.

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

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations as they become due. Credit risk arises principally from loans and advances to members, debt and investment securities which are key aspects of the Company's business.

The key policies which BankVic has embedded to mitigate and manage credit risk are:

- Credit risk policy
- Large exposures policy
- Impairment provisioning policy

The Credit Risk Policy sets out the framework for the Company's lending practices including delegated credit approval limits.

The Large Exposures Policy sets out the Company's practices for dealing with and mitigating against large exposures in lending to members and investing with counterparties.

The Impairment Provisioning Policy sets out an operational framework for the management of BankVic's AASB 9 model which is used to recognise and measure impairments, and provision for expected credit loss (ECL).

i. Credit risk – loans
The Company's exposure to credit risk is influenced mainly by the changes in credit quality and the recoverability of loans and amounts due from members and counterparties.

Adverse changes in credit quality and the recoverability of loans and the amounts due from members or a downturn in economic conditions may impact the value and recoverability of the Company's assets.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 9(b) describes the nature of the security held against the loans as at the balance date.

The Company has a concentration in retail lending to members who comprise employees in the police, health and emergency services. This concentration is considered acceptable on the basis that the Company exists to service these members. These industries are considered essential services and hence are stable, though the employment concentration is not exclusive.

ii. Expected credit loss (ECL) model
The Company applies a three–stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward–looking or macroeconomic level information. The ECL is the probability–weighted present value estimate of credit losses over the expected life of the portfolio. This is the product of exposure at default (EAD), loss given default (LGD), and probability of default (PD) (adjusted by macroeconomic variables and scenarios).

Sources which may be considered when determining the economic scenarios include:

- National government publications (e.g. Reserve Bank of Australia (RBA) forecasts and statistics);
- Economic forecasts as published by the four local major banks or other industry peers;

The ECL methodology implemented by the Company requires the estimation of the following three scenarios with respective weights:

Weights	F24	F23
Base case	50%	25%
Upside (representing favourable economic conditions)	5%	50%
Downside (representing unfavourable economic conditions)	45%	25%
Unemployment rate	.43%	.124%

To achieve this methodology the Company inputs unemployment rate as the macro economic variable into the ECL model.
A financial asset moves from stage 1 to stage 2 or stage 3 when there is a significant increase in credit risk (SICR) since initial recognition. The Company applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- forbearance status: including requests for repayment relief coupled with risk indicators in bureau data and relevant application attributes; and
- more than 30 days past due.

Determination of SICR requires judgement and is used to determine whether an exposure's credit risk has increased significantly and requires higher PD factors. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due. The Company sometimes modifies the terms of customer loans provided to members due to commercial renegotiations with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays, and payment forgiveness and are based on indicators or criteria which, in the judgement of management, indicate the payments will most likely continue. The policies are kept under continuous review.

The Company writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and/or the assessed cost of further recovery action is considered prohibitive or uneconomical.

Stage	Criteria	Impairment calculation approach
1	0–29 days in arrears	Expected losses over a 12 month period
2	30–89 days in arrears	Expected losses over life of loan – significant increase in credit risk
3	90+ days in arrears or in hardship	Expected losses over life of loan and assume 100% probability of default

Management has assessed an overlay of $1.1m ($1.3m 2023) in the financial year to capture potential losses due to the impact of rising interest rates, the approaching end of low fixed rate mortgage terms and inflationary pressures which are not currently reflected in the ECL model.

ii. Credit risk – investments
The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investor and the limits to concentration in one entity.

The Company limits its exposure to credit risk by generally investing with counterparties that have an external rating of at least investment grade. Unrated counterparties comprise Indue Limited and other Australian ADIs.

In addition, limits are imposed on the maximum exposure with any one counterparty as a percentage of capital.

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

The Company is required to maintain at least 9% of total liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Board policy is to apply a minimum level of 11% of liabilities as liquid assets to maintain adequate funds for meeting member withdrawal requests. As at 30 June 2023, the Company had 21.1% of total liabilities as liquid assets and an MLH (minimum liquidity holdings) ratio of 21.1%. Various trigger levels have been set to ensure appropriate measures are undertaken to maintain liquidity above the minimum level.

The company has a repurchase agreement (repo) in place with the Reserve Bank of Australia (RBA) which provides an additional source of contingent liquidity.

In addition, excessive concentration of liabilities is minimised by setting limits on the maximum amount of single and multiple liabilities.

The Company has set out below the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

30 June 2024

Financial liabilities ($'000)	Carrying amount	Contractual cash flow	Less than1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years
Deposits*	2,805,424	2,804,375	1,630,831	220,668	675,737	277,139	–
Trade and other payables	40,126	40,126	40,126	–	–	–	–
Total	2,845,550	2,844,500	1,670,957	220,668	675,737	277,139	–

Notes to and forming part of the financial statements cont...

For the year ended 30 June 2024

Liquidity risk (continued)

30 June 2023

Financial liabilities ($'000)	Carrying amount	Contractual cash flow	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years
Deposits*	2,720,087	2,719,037	1,602,135	228,781	621,484	266,637	–
Trade and other payables	21,811	21,811	21,811	–	–	–	–
Borrowings	41,521	41,521	7,039	–	34,482	–	–
Total	2,783,419	2,781,269	1,630,985	228,781	655,966	266,637	–

* Deposits less than 1 month include deposits with no maturity.

Market risk

Market risk is the risk that changes in market prices, such as interest rate risk and other market prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is not exposed to currency risk and other price risk. The Company does not trade in the financial instruments it holds on its books. The most significant form of market risk to which the Company is exposed is interest rate risk arising from changes in market interest rates.

i. Interest rate risk

The policy of the Company is to manage the variability in the net interest margin as a result of adverse movements in interest rates. This is achieved by keeping the mismatch between rate sensitive assets and liabilities to an acceptable level.

The Company manages interest rate risk by setting prudent limits for the impact of movements in market rates on net interest income, net present value and Value at Risk (VaR).

ii. Interest rate sensitivity

At 30 June 2024, a 1% increase or decrease in interest rates compared to actual rates would improve/(reduce) annual net interest income by the following amounts. The impact on equity is not material.

	2024 $'000	2023 $'000
1% increase	**9,975**	5,240
1% decrease*	**(7,107)**	(4,616)

*The decrease assumes a floor of 0%.

Capital management

The Board is responsible for ensuring BankVic has in place a process for assessing its overall capital adequacy relative to its risk profile and a strategy for maintaining capital levels.

BankVic has established a process for identifying and classifying all material inherent risks and controls to mitigate such risks. A minimum level of capital is determined taking account of the net residual risks.

The current strategy is for the Company's core capital to be derived entirely from retained earnings. Maintenance of adequate capital over time therefore depends on balancing profit after tax with growth in risk–weighted assets. Note that the minimum capital level determined by the Board exceeds the minimum level required pursuant to the Prudential Standards.

The Company's regulator, APRA sets and monitors capital requirements for the Company as a whole. In implementing capital requirements, APRA requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital includes general reserves, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Company had a net Tier 1 capital ratio of 20.3% of risk weighted assets as at 30 June 2024 (30 June 2023: 21.0%).
- Tier 2 capital includes qualifying collective impairment allowance and asset revaluation reserves after applying other regulatory adjustments. The Company had a net Tier 2 capital ratio of 0.0% of risk weighted assets as at 30 June 2024 (30 June 2023: 0.7%).

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off–balance sheet exposures plus an allowance for operational risk as prescribed by APRA.
The Company has complied with all externally imposed capital requirements throughout the period. There are no material changes in the Company's management of capital during the year.

Note 23: Regulatory capital reconciliation

i. Tier 1 capital	2024 $'000	2023 $'000
General reserve	**15,000**	15,000
Redeemed preference share capital account	**549**	549
Retained earnings	**232,915**	209,879
	248,464	225,428
Less deductions from tier 1 capital		
Deferred tax assets	**(352)**	(788)
Intangible assets – software	**(58)**	(109)
Equity investment in Indue Ltd.	**(2,205)**	(2,205)
	(2,615)	(3,102)
Total tier 1 capital	**244,849**	222,326
ii. Tier 2 capital		
General reserve for credit losses	**–**	7,910
Total tier 2 capital	**–**	7,910
Total regulatory capital	**244,849**	230,236
iii. Capital ratios		
Tier 1 capital	**19.5%**	18.9%
Total regulatory capital	**20.3%**	19.5%
Reconciliation of regulatory capital to balance sheet		
Total members funds	**233,338**	217,953
Less deductions from tier 1 capital	**(3,102)**	(3,286)
Total regulatory capital	**230,236**	214,507

Legal entities included;
• Police financial services limited
• Impetus Funding Trust No. 1

For the year ended 30 June 2024

Note 24: Parent entity disclosures

As at 30 June 2024, the parent entity is Police Financial Services Ltd ("BankVic").

	2024 $'000	2023 $'000
Results of parent entity		
Profit for the period	**14,127**	15,385
Other comprehensive income	**–**	–
Total comprehensive income for the period	**14,127**	15,385
Key financial position information of parent entity at year end		
Cash	**77,322**	62,325
Net loans and advances	**2,474,683**	2,279,196
Total assets	**3,096,646**	3,020,611
Deposits and other borrowings	**2,805,424**	2,720,087
Total liabilities	**2,849,182**	2,87,272
Total equity of parent entity comprising of:		
Reserves	**15,000**	22,413
Redeemed capital reserve	**549**	545
Retained earnings	**231,915**	209,879
Total equity	**247,464**	233,338

Refer to Note 17 for the Parent entity's contingent liabilities and credit commitments.

Note 25: Events subsequent to balance date

Otherwise there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Consolidated entity disclosure statement

For the year ended 30 June 2024

Entity name	Body corporate, partnership or trust	Place incorporated / formed	% of Share capital held directly or indirectly by the Company in the body corporate	Australian or foreign tax resident	Jurisdiction for foreign tax resident
Police Financial Services Limited	Body corporate	Australia		Australia	N/A
Impetus Funding Trust No. 1	Trust	Australia	100%	Australia	N/A

A. Police Financial Services Limited trading as BankVic. The company is defined as a body corporate. The company is responsible for its own tax.

B. Impetus Funding Trust No. 1. is a discretionary trust which is wholly owned by Police Financial Services. Police Financial Services are responsible for all tax matters.

Key assumptions and judgements

Determination of tax residency

Section 295 (3A) of the Corporations Acts 2001 requires that the tax resident of an entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income tax Assessment Act 1997. The determination of tax resident involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion of residency.

In determining tax residency, the consolidated entity has applied the following interpretation:

- Australian tax residency

The consolidated entity has applied current legislation and judicial precedent including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR2018/5.

Partnerships and trust

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Directors' declaration

In the opinion of the Directors of Police Financial Services Limited (the Company):

a. the consolidated financial statements and notes set out on pages 25 to 61 are in accordance with the *Corporations Act 2001 (Cth)*, including:

   i. giving a true and fair view of the Group financial position as at 30 June 2024 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

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

b. the Consolidated entity disclosure statement as at 30 June 2024 set out on page 61 is true and correct

c. the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a); and

d. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 2nd day of October 2024.

Signed in accordance with a resolution of the Directors.

Lucinda Nolan
Chair

Debra Robertson
Deputy Chair

Independent Auditor's Report

To the members of Police Financial Services Limited

Opinion

We have audited the ***Financial Report*** of Police Financial Services Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Balance Sheet as at 30 June 2024;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entity it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Police Financial Services Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and 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 objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Joshua Pearse

Partner

Melbourne

2 October 2024

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