Australian Settlements Limited

Annual Report
June 2022

ASL

Contents

Directors' Report

The Directors of Australian Settlements Limited (ASL) present their report on the company for the financial year ended 30 June 2022.

Directors

The names of the directors of ASL in office at any time during, or since the end of the year to the date of this report, are:

Claudia Jacqueline Bels

Mark Peter Colless

Sybil Shirley Crasto

Garry Donald Dinnie

Dale Frederick Grounds

Kevin John Potter

Robert James Ryan

Bruce Kenneth White

Graeme Douglas Willis

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. None of the directors has any interest in a contract or proposed contract with ASL, with the exception of those identified in note 26 to the financial statements or have declared such an interest since the date of the last Directors' Report.

Name and qualifications

Claudia Jacqueline BELS

Ms Bels is an independent director of ASL with extensive legal, governance, risk management and financial expertise. Ms Bels has over 30 years' experience across the government, member services and international banking and finance sectors. She is currently a non-executive director of Active Super, Australia and New Zealand Recycling Platform Limited (TechCollect) and CBHS Corporate Health Pty Ltd and chairs their audit and/or risk committees. Ms Bels holds a Bachelor of Economics, Bachelor of Laws (Hons) and Graduate Certificate of Business Administration (Exec) and is a Graduate Member of the Australian Institute of Company Directors. Ms Bels is the Chair of the company's Risk Committee, Chair of the Contracts & Pricing Committee and is a member of the Audit Committee, and the Governance, People & Culture Committee.

Mark Peter COLLESS

Mr Colless is the Chief Financial Officer of Newcastle Permanent Building Society Limited. He is a Chartered Accountant with over 20 years' experience in financial services industry, chartered accounting and commercial enterprises. Mr Colless holds a Bachelor of Commerce from the University of Sydney and a Master of Business Administration from the Macquarie Graduate School of Management and is a graduate member of the Australian Institute of Company Directors. Mr Colless is a member of the company's Audit and Risk Committees.

Sybil Shirley CRASTO

Ms Crasto is Head of Payments and Cards with Volt Bank and has over 18 years' global transaction banking and portfolio management experience. Her experience includes corporate and public sectors in the areas of financial services, cash management, international payments, digital product development & transformation, client services and regulatory compliance across the major payment streams. Prior to joining Volt Bank Ms Crasto held senior roles, locally and internationally, in Westpac, Citigroup and ABN AMRO. Ms Crasto holds a Bachelor of Commerce and Certification in International Cash Management. Ms Crasto is a member of the company's Digital Committee.

Garry Donald DINNIE

Mr Dinnie is an independent director of ASL and a director of CareFlight Limited and a director of a number of private companies. He is also Chair or member of several other audit and risk Committees of NSW public sector and private sector entities. He was previously a partner with Ernst & Young for 25 years specialising in audit, risk, advisory and IT services. Mr Dinnie holds a Bachelor of Commerce from the University of New South Wales, a Fellow of the Australian Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand. Mr Dinnie is the Chair of the company's Audit Committee and is a member of the company's Risk Committee, Contracts and Pricing Committee, and Governance, People and Culture Committee.

Dale Frederick GROUNDS

Mr Grounds is the CEO of the The Capricornian Ltd. Mr Grounds has over 30 years in total in Financial Services, in both urban and regional locations, and has undertaken a range of senior management and executive roles focusing on effective leadership, people, customers, operations, marketing, business analysis/project management and organisational change and improvement. Mr Grounds holds a Bachelor of Arts (Economics), Graduate Diploma of Management, Graduate Diploma of Financial Administration and Master's Degree in Business Administration.

Kevin John POTTER

Mr Kevin Potter is Chief Customer Officer of Heritage Bank Limited. Mr Potter has more than 30 years experience in the financial services industry and prior to Heritage held senior management roles with Suncorp and National Australia Bank encompassing risk, sales, distribution, product and projects. He has a keen interest in leadership and the role of culture, particularly the importance of psychological safety. Mr Potter holds a Bachelor of Arts, Graduate Diploma in Business and has completed the Harvard Advanced Management Program and is a member of the company's Digital Committee and Risk Committee.

Robert James RYAN

Mr Ryan is the Chief Executive Officer of IMB Limited. Mr Ryan joined IMB Limited in 1999. Mr Ryan is a director of IMB Financial Planning Limited and The Flagstaff Group. Mr Ryan was appointed to the University of Wollongong Council by the NSW Minister for Education and Training in January 2010 and is on the Board of the University of Wollongong in Dubai. Prior to joining IMB, Mr Ryan held the positions of Managing Director, Chief Financial Officer and Company Secretary at Australian Resources Limited. Mr Ryan has extensive experience in finance and management at a senior executive and board level, has been involved in the formulation and implementation of strategic business plans, financial restructuring, staff management and development, as well as evaluation of acquisitions and divestments. Mr Ryan is a member of the company's Governance, People and Culture Committee and a member of the Digital Committee.

Bruce Kenneth WHITE

Mr White has been working in the finance and manufacturing industries for close to 30 years. He joined Greater Bank Limited in 2010 as Chief Information Officer. Mr White has 18 years exposure to the operation of payment schemes in Australia. In his current role, Mr White has executive management of Greater Bank's payment functions as well as the technology functions. Mr White is the Chair of the company's Digital Committee. Mr White holds a Master of Business Administration from Charles Sturt University and is a Graduate Member of the Australian Institute of Company Directors.

Graeme Douglas Willis (Chair)

Mr Willis has had a career spanning over 40 years within financial services, including board and executive management positions with major European and Australasian banks. He has completed a Management Development program at the Harvard Business School. Mr Willis is a Senior Fellow of the Financial Services Institute of Australasia (FINSIA), Fellow of the Australian Institute of Company Directors, Fellow of the Chartered Institute of Bankers (Scotland) and Fellow of the Governance Institute of Australia. Mr Willis was appointed Chair of the Board on 30 October 2018 and is member of the Risk Committee, the Pricing and Contracts Committee and Chair of the Governance, People and Culture Committee.

Company Secretary

Allan Leslie MCGREGOR

Mr McGregor has over 25 years of experience working in risk management, compliance, project management, governance, company secretarial and internal audit. During this time Mr McGregor has gained extensive experience through roles in the banking, insurance, foreign exchange and energy industries in Australia including broader involvement in the Asia Pacific region. Mr McGregor holds a Bachelor of Science Degree and Master of Commerce in Finance and is a member of the Australian Institute of Risk Management.

Directors' Report (continued)

Directors' Meetings

The number of Directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of ASL during the financial year is set out below.

	Board	Audit	Risk	Contracts & Pricing	Digital	Governance, People & Culture
Number of Meetings Held:	**8**	**4**	**5**	**6**	**4**	**4**
Number of Meetings Attended:						
C J Bels	8	4	5	6		4
G D Dinnie	7	4	5	6		4
R J Ryan	8				3	3
B K White	8				4	
G D Willis	8		5	5		4
M P Colless	8	2	3			
S S Crasto	8				4	
D F Grounds	6					
K J Potter	6		5		4	

Directors' Report (continued)

Principal Activities

The principal activities of ASL during the financial year ended 30 June 2022 were providing Members (known as System Participants) with settlement services for ATM/eftpos, VISA, Mastercard, direct entry, BPAY, NPP, PEXA and high value transactions, maintaining a risk management system, acting as a focal point for Members to participate in the payments system, and developing payments services and strategies.

Profit for the financial year was $694,690 (2021: $443,139).

Review of Operations

ASL is an Authorised Deposit-taking Institution (ADI) subject to prudential supervision by the *Australian Prudential Regulation Authority (APRA)* and operates an Exchange Settlement Account (ESA) at the Reserve Bank of Australia (RBA) which is used for the settlement of payment obligations of System Participants.

ASL is a principal member of AusPayNet, BPAY, VISA, Mastercard, eftpos, Austraclear, PEXA, and NPP, and accepts responsibility for settling the payment system obligations of System Participants that arise within payment streams. System Participants provide ASL with funds which are used to meet their settlement obligations. The ASL Board has set the level of the funds required appropriate to the level of risk.

ASL is committed to maintaining best practice in all its activities, including risk management, having regard to the size and nature of its operations. In so doing, ASL complies with all applicable prudential standards and guidance notes issued by APRA.

Since inception, ASL has successfully met all its settlement and other obligations as they have fallen due.

Significant Changes in the State of Affairs

There were no significant changes in the company's state of affairs during the year ended 30 June 2022.

Likely Developments and Expected Results of Operations

There are no expected developments that are likely to affect the operations of ASL or the expected results of those operations in financial years subsequent to the financial year ended 30 June 2022, noting however that there are potential commercial impacts of consolidation in the customer owned banking sector.

Insurance of Officers

Insurance premiums have been paid to insure each of the Directors and Officers of the company against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a Director or Officer of the company. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited under the terms of the contracts. No additional cover has been provided for the benefit of the auditors of the company.

Environmental Regulation

The company's operations are not currently regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividend

No dividend was declared nor paid during the financial year (2021: nil).

Matters Subsequent to the end of the Financial Year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had limited financial impact on the company up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is uncertain and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

At the date of this report the Directors are not aware of any matter or circumstance, other than transactions disclosed in the financial statements, that has arisen and has significantly affected or may significantly affect the operations of ASL, the results of those operations or the state of affairs of ASL in the financial years subsequent to 30 June 2022.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Graeme Douglas Willis

Director

Garry Donald Dinnie

Director

Dated this 22nd day of September 2022

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
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Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Australian Settlements Limited
Level 3/151 Castlereagh St
Sydney, NSW 2000

23 September 2022

Dear Directors,

Auditor's Independence Declaration to Australian Settlements Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Australian Settlements Limited.

As lead audit partner for the audit of the financial report of Australian Settlements Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022	2021
		$	$
Interest revenue	2	634,975	552,653
Borrowing costs	2	(243,269)	(152,794)
Net interest income		391,706	399,859
Fee Income	2	15,232,800	19,393,520
Processing costs		(5,565,003)	(9,836,465)
Net non-interest revenue		9,667,797	9,557,055
Gross profit		**10,059,503**	**9,956,914**
Miscellaneous income	2	264,332	402,980
Depreciation and amortisation expenses		(1,302,136)	(1,370,321)
Impairment loss on plant and equipment	9	-	(814,484)
Employee benefits expenses		(5,914,902)	(5,720,137)
Administrative expenses		(2,393,884)	(2,011,813)
Profit for the year before income tax		**712,913**	**443,139**
Income tax expense	4	(18,223)	-
Profit for the year after income tax		**694,690**	**443,139**
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit:			
Movement in reserve for investment in equity instruments designated as at FVTOCI		381,570	-
Total other comprehensive income		**381,570**	**-**
Total comprehensive income for the year		**1,076,260**	**443,139**
Dividends per share		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2022

	Note	2022	2021
		$	$
Assets			
Cash and cash equivalents	6	411,739,154	402,451,929
Financial Assets - amortised cost		110,402,718	88,702,861
Trade and interest receivables	7	2,268,827	2,429,525
Other assets	8	807,652	827,760
Plant and equipment	9	2,696,803	1,930,216
Right-of-use assets	9 (a)	800,093	1,042,531
Intangibles	10	4,338,338	4,648,604
Equity Instruments - other comprehensive income	11	2,508,759	2,000,000
Total assets		**535,562,344**	**504,033,426**
Liabilities			
Trade and other payables	12	3,312,961	2,468,675
Provisions	13	636,124	643,763
Borrowings	18	513,536,622	483,869,058
Lease liability	15	974,057	1,171,025
Deferred tax liabilities	4(c)	145,413	-
System participant shares	20	29	27
Total liabilities		**518,605,206**	**488,152,548**
Net assets		**16,957,138**	**15,880,878**
Equity			
Contributed equity	14	3,979,005	3,979,005
Reserves		381,570	-
Retained earnings		12,596,563	11,901,873
Total equity		**16,957,138**	**15,880,878**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2022

	Contributed Equity	Retained Earnings	Total Equity
	$	$	$
Balance at 1 July 2020	**3,979,005**	**11,458,734**	**15,437,739**
Profit for the year	-	443,139	443,139
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**443,139**	**443,139**
Transactions with owners in their capacities as owners:			
Dividends provided for or paid	-	-	-
Balance at 30 June 2021	3,979,005	11,901,873	15,880,878
Profit for the year	-	694,690	694,690
Other comprehensive income	-	381,570	381,570
Total comprehensive income for the year	**-**	**1,076,260**	**1,076,260**
Transactions with owners in their capacities as owners:			
Dividends provided for or paid	-	-	-
Balance at 30 June 2022	**3,979,005**	**12,978,133**	**16,957,138**

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

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022	2021
		$	$
Cash flows from operating activities			
Interest received		499,381	426,348
Interest paid		(64,964)	(187,746)
Receipts from customers (inclusive of GST)		17,838,483	21,692,502
Payments to suppliers and employees (inclusive of GST)		(15,240,396)	(18,825,223)
Net cash inflows from operating activities	17(b)	**3,032,504**	3,105,881
Cash flows from investing activities			
Loans and Investments		(21,699,857)	21,528,729
Purchase of plant and equipment and intangibles		(1,516,020)	(38,174)
Proceeds from sale of plant and equipment		-	-
Net cash flows (used in) investing activities		**(23,215,877)**	21,490,555
Cash flows from financing activities			
Net movement in System Participants deposits		29,667,566	38,817,187
Lease Liabilities payments		(196,968)	(174,681)
Net cash inflows from financing activities		**29,470,598**	38,642,506
Net increase in cash and cash equivalents		9,287,225	63,238,942
Cash and cash equivalents at the beginning of the financial year		402,451,929	339,212,987
Cash and cash equivalents at end of the year	17(a)	**411,739,154**	402,451,929

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 1: Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared for ASL as an individual entity.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the *Australian Accounting Standards Board* (AASB) and the *Corporations Act 2001*. ASL is a for profit entity for the purpose of preparing the financial statements. All amounts are presented in Australian dollars.

(i) Compliance with IFRS

These financial statements also comply with *International Financial Reporting Standards* (IFRS) as issued by the *International Accounting Standards Board* (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

(iii) Changes in Comparatives

Where applicable comparative information has been restated to conform to presentation in the current year.

b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying the company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

The following are the critical judgements that management have made in the process of applying the company's accounting policies and that have the most significant effect in the amounts recognised in the financial statements:

Note 9 - the carrying amount of plant & equipment

Note 10 - the carrying amount of intangible assets

Note 23 - the fair value of financial instruments

c) COVID-19 impact

The COVID-19 pandemic has significantly impacted equity, debt, commodity markets and the overall global economy. The company has considered the impact of COVID-19 and other market volatility in preparing its financial statements. Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of services offered, members, supply chain, staffing, and geographic regions in which the company operates.

Other than as addressed in specific notes, there is no material change in the significant estimates, judgements and assumptions in the preparation of financial statements. However, the ongoing COVID-19 pandemic may impact the estimation uncertainty due to the extent and duration of actions by governments, business, and consumers to contain the spread of the virus.

d) Application of new and revised Accounting Standards

ASL has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Financial Statements

For the year ended 30 June 2022

e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

f) Financial instruments

ASL initially recognises financial assets on the trade date at which the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The company subsequently measures financial assets at either amortised cost or fair value. Premiums or discounts are amortised using the effective interest method. Any decline in value of these investments leading to the inability to recover the investment or part thereof are recorded, and any impairment is recognised in the Statement of Profit or Loss.

All recognised financial assets are measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.
- Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI).
- All other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a

Notes to the Financial Statements

For the year ended 30 June 2022

reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when there is a change to business model for managing financial assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually to ensure it is not stated above its recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets, including leased assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Motor vehicle	8 years
Computer hardware and software	3 to 10 years
Office equipment	3 to 15 years
Furniture and fittings	5 to 15 years
Intangible assets	5 to 15 years

Assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

h) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

i) Intangible assets

Internally generated intangible assets include costs incurred in developing products or systems that are expected to contribute to future financial benefits through the generation of revenue and/or cost reduction. The costs are only capitalised if they can be reliably measured during the development of the asset. Recognition of an internally generated intangible asset

Notes to the Financial Statements

For the year ended 30 June 2022

will only take place if it can be demonstrated that it is technically feasible to complete the asset and the company has the intention and ability to complete the asset so that it can be made available for sale or use.

Intangible assets are amortised from the point in time that they are available for sale or use as intended by management. Amortisation is calculated on a straight line basis, over a period ranging from 5 to 15 years.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

j) Impairment of assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

k) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company’s incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss of the carrying amount of the right-of-use asset is fully written down.

l) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Notes to the Financial Statements

For the year ended 30 June 2022

Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous lease contract liability is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The liability is determined by estimating the present value of the minimum future contractual payments the Company is obligated to make under the onerous contract.

n) Contributed equity

Ordinary shares and non-voting shares are classified in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

p) Revenue recognition

Revenue is recognised upon satisfying the performance obligations by the company. The principal sources of revenue are interest income, and fee and miscellaneous income.

(i) Interest Income

Interest Income is recognised on a time proportion basis using the effective interest on the financial asset in accordance with AASB 9. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all fees paid or received between parties, transaction costs, premiums incurred or discounts received in relation to the contract that are an integral part of the effective interest rate.

(ii) Fee and Miscellaneous Income

Fee and Miscellaneous Income relates to specific transaction delivery, settlement activity or related events and are generally charged to a customer on a monthly basis. In accordance with AASB 15, Fee and Miscellaneous Income is recognised in the period in which they are received when the performance obligation is satisfied. However, when they are charged for services provided over a period, the income is recorded on an accrual basis. All performance obligations for these services are expected to be completed in one year.

Notes to the Financial Statements

For the year ended 30 June 2022

All revenue is stated net of the amount of goods and services tax (GST).

q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

r) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit loss. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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s) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

t) Borrowings

Borrowings represent the funds lodged by System Participants, held to cover their settlement obligations, and excess funds deposited. For further information refer to note 18.

Borrowings are classified as current liabilities unless ASL has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

u) Foreign currency translation

The company has expenses payable in foreign currencies. Payments of these expenses are translated into Australian dollars at the time of remittance. The exposures of these foreign currency payments is not material against the company's overall expenses.

v) Rounding of amounts

The company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts. All amounts are shown to the nearest dollar, except where indicated.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 2: Income and Borrowing Costs

The following tables for Interest and Borrowing Costs show the average balance for each of the main categories of interest-bearing assets and liabilities, the amount of interest revenue or borrowing cost and the average interest rate.

Interest and Borrowing Costs	Average Balance	Amount	Average Rate
	$	$	%
2022			
Interest revenue			
Cash and cash equivalents	403,966,366	479,081	0.12%
Financial Assets - amortised cost	50,875,342	155,894	0.31%
Total interest revenue		**634,975**	
Borrowing costs			
Borrowings	447,520,206	241,912	0.05%
Subordinated debt – Tranche 1	115,887	1,357	1.17%
Subordinated debt – Tranche 2	951,022	-	0.00%
Total borrowing costs		**243,269**	
2021			
Interest revenue			
Cash and cash equivalents	359,362,711	403,994	0.11%
Financial Assets - amortised cost	75,060,274	148,659	0.20%
Total interest revenue		**552,653**	
Borrowing costs			
Borrowings	428,286,697	151,645	0.04%
Subordinated debt – Tranche 1	115,887	1,149	0.99%
Subordinated debt – Tranche 2	951,022	-	0.00%
Total borrowing costs		**152,794**	

Fee and Miscellaneous Income	2022	2021
	$	$
Fee Income	15,232,800	19,393,520
Miscellaneous Income	264,332	402,980
Total fee and miscellaneous Income	**15,497,132**	**19,796,500**

Notes to the Financial Statements

For the year ended 30 June 2022

Note 3: Auditor's Remuneration

	2022 $	2021 $
Audit & other assurance activities (Deloitte Touche Tohmatsu)		
Financial statement audit	32,000	31,000
Other assurance services	33,000	30,500
Total audit & other assurance activities	**65,000**	**61,500**

Note 4: Income Tax Expense

(a) Income tax expense

	2022 $	2021 $
Current income tax payable	(85,189)	-
Deferred tax – origination and reversal of temporary differences	268,273	-
Adjustment in respect of deferred tax assets and liabilities of prior years	(164,861)	
Total income tax expense reported in the statement of comprehensive income	18,223	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2022 $	2021 $
Accounting profit for the year before income tax	**712,913**	**443,139**
Tax at the Australian tax rate @ 25%	178,228	121,863
Tax effect of:		
Non-deductible expenditure	4,856	3,852
Non-assessable income	-	(13,750)
Member related expenses not deductible under the mutuality principle	-	5,117,130
Member related income not assessable under the mutuality principle	-	(5,640,755)
Tax losses not recognised as a deferred tax asset	-	411,660
Adjustment in respect of deferred tax assets and liabilities of previous years	(164,861)	-
Income tax expense	18,223	-

Notes to the Financial Statements

For the year ended 30 June 2022

(c) Deferred tax balances

		2022	2021
		$	$
Deferred tax assets			
Amounts recognised in profit or loss:			
Property, plant and equipment		29,009	26,636
Employee benefits		159,117	161,000
Leases		168,514	217,756
Provision for lease make good		75,000	75,000
Accrued expenses		348,708	309,816
Tax losses		85,189	2,033,281
Deferred Tax Assets not recognised		-	(2,823,489)
Deferred tax assets		**865,537**	**-**
Opening balance at 1 July		-	-
Charged to the income statement		865,537	-
Closing balance at 30 June		**865,537**	**-**

		$	$
Deferred tax liabilities			
Amounts recognised in profit or loss:			
Property, plant and equipment		284,315	-
Intangible assets		399,422	364,714
Right of use asset		200,023	260,633
Deferred tax liabilities not recognised		-	(625,347)
		883,760	-
Amounts recognised in equity:			
Revaluation of financial assets at FVOCI		127,190	-
		127,190	**-**
Deferred tax liabilities		**1,010,950**	**-**
Net deferred tax (liabilities)/asset	4(c)	**(145,413)**	**-**
Opening balance at 1 July		-	-
Charged to the income statement		883,760	-
Charged to other comprehensive income		127,190	-
Closing balance at 30 June		**1,010,950**	**-**

During the year ended 30 June 2022, the Company determined to cease applying the concept of mutuality when preparing the income tax return. Accordingly, in 2021 and 2022 years the Company recognised deferred tax assets and deferred tax liabilities associated with reversable temporary differences and deferred tax assets associated with accumulated tax losses to the extent that it is expected that the company will obtain a benefit from being able to deduct those losses from future income.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 5: Key Management Personnel Disclosures

The compensation made to directors and other members of key management personnel of the company is set out below:

	2022 $	2021 $
Short term employee benefits	2,652,471	2,562,110
Other long-term employee benefits	23,150	24,172
Total compensation for key management personnel	**2,675,621**	**2,586,282**

Note 6: Cash and Cash Equivalents

	Note	2022 $	2021 $
Cash on hand		21	21
Exchange Settlement Account (RBA) (a)		356,236,198	343,486,764
Deposits with Australian ADIs (b)		55,502,935	58,965,144
	17a	**411,739,154**	**402,451,929**

(a) Exchange Settlement Account

ASL holds funds from System Participants to cover settlement obligations. Part of these funds are held in an Exchange Settlement Account in accordance with the RBA's requirement.

(b) Deposits with Australian ADIs

These cash balances represent part of the System Participants' funds held for settlement obligations and excess funds System Participants hold above the settlement funding requirements determined by ASL as a tool of their own short-term liquidity management. These funds are held in deposit and at call accounts with Australian ADIs. Interest is calculated and earned on these balances at prevailing market rates. It also includes liquid assets of ASL.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 7: Trade and Interest Receivables

	2022 $	2021 $
Current		
Interest receivable – RBA (a)	149,307	-
Interest receivable – ADIs	275,273	226,119
Interest receivable – Government Securities	561,367	624,234
Trade receivables (b)	1,282,880	1,579,172
Total trade and interest receivables	**2,268,827**	**2,429,525**

(a) Interest receivable – RBA

Interest receivable represents interest not yet received from the RBA, on funds held in ASL's Exchange Settlement Account, which is due for receipt on the first working day of the following financial period.

(b) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 day terms.

Note 8: Other Assets

	2022 $	2021 $
Prepayments and deposits	807,652	827,760
Total other assets	**807,652**	**827,760**

Notes to the Financial Statements

For the year ended 30 June 2022

Note 9: Plant and Equipment

	2022 $	2021 $
Computer hardware and software		
At cost	6,775,089	5,491,487
Accumulated depreciation and amortisation	(4,171,546)	(2,862,596)
Impairment loss	-	(814,484)
	2,603,543	**1,814,407**
Office equipment		
At cost	84,256	76,838
Accumulated depreciation	(78,561)	(74,885)
	5,695	**1,953**
Furniture and fittings		
At cost	327,014	327,014
Accumulated depreciation	(239,449)	(213,158)
	87,565	**113,856**
Total plant and equipment	**2,696,803**	**1,930,216**

Movements in carrying amounts

	2022 $	2021 $
Computer hardware and software		
Carrying amount at beginning of year	1,814,407	3,170,283
Additions	1,283,602	25,014
Depreciation expense	(494,466)	(566,406)
Impairment	-	(814,484)
	2,603,543	**1,814,407**
Office equipment		
Carrying amount at beginning of year	1,953	3,718
Additions	7,418	-
Depreciation expense	(3,676)	(1,765)
	5,695	**1,953**
Furniture and fittings		
Carrying amount at beginning of year	113,856	125,144
Additions	-	13,160
Depreciation expense	(26,291)	(24,448)
	87,565	**113,856**
Total plant and equipment	**2,696,803**	**1,930,216**

Notes to the Financial Statements

For the year ended 30 June 2022

During the prior year, an impairment loss in respect of payment systems computer hardware was recognised in the Statement of Comprehensive Income. As the equipment was replaced, the company had written down the carrying value at prior year end.

Note 9 (a): Right-of-use-assets

	2022 $	2021 $
Buildings		
Right-of-use	1,523,972	1,523,972
Accumulated depreciation	(729,802)	(491,552)
	794,170	**1,032,420**
Other assets		
Right-of-use	18,484	18,484
Accumulated depreciation	(12,561)	(8,373)
	5,923	**10,111**
Total right-of-use assets	**800,093**	**1,042,531**

Note 10: Intangible Assets

	2022 $	2021 $
Software licences at cost	610,915	610,915
Internally generated intangible at cost	5,352,659	5,352,659
Accumulated depreciation and amortisation	(1,850,236)	(1,314,970)
Software development - Work in progress	225,000	-
Total intangible assets	**4,338,338**	**4,648,604**

Movements in carrying amounts

	2022 $	2021 $
Carrying amount at beginning of year	4,648,604	5,183,870
Additions	225,000	-
Amortisation	(535,266)	(535,266)
Carrying amount at end of year	**4,338,338**	**4,648,604**

Intangible Assets represent core payments infrastructure investments which are being amortised over 10 years, in accordance with the company's accounting policy. A recoverable value of the assets in excess of it carrying value is supported and therefore the asset was not impaired at the 30 June 2022 (2021: nil).

Notes to the Financial Statements

For the year ended 30 June 2022

Note 11: Equity Instruments at FVOCI

	2022 $	2021 $
Unlisted shares in Australian Payments Plus Ltd	2,508,759	2,000,000
	2,508,759	**2,000,000**

The company held 2000 $1 preference shares in NPP Australia Limited (NPPA) until 4 February 2021, which were classified as Equity Instruments - other comprehensive income. On 4 February 2022 a transfer of shares arrangement occurred between NPP Australia Pty Limited and Australian Payments Plus Ltd (AP+), resulting on ASL being issued 2000 $1 preference shares in AP+. On 4 February 2022, ASL was also issued with an additional one $1 preference share in AP+, as a result of a share transfer arrangement between eftpos Payments Australia Limited (EPAL) and AP+, in regard to ASL's membership of EPAL.

The company has designated the preference shares as FVOCI.

The 2001 $1 preference shares were recognised at fair value on acquisition. Management has used unobservable inputs to assess the fair value of the shares and assessed that an adjusted net tangible asset per share (from the available financial information) is a reasonable approximation of the fair value.

Note 12: Trade and Other Payables

	2022 $	2021 $
Current		
Trade payables (a)	197,910	265,629
Other payables	2,222,460	1,999,718
Income received in advance	715,643	203,328
Interest payable (b)	176,948	-
Total trade and other payables	**3,312,961**	**2,468,675**

(a) Trade payables

Trade payables are non-interest bearing and are generally on 30 days terms.

(b) Interest payable

This represents the interest payable on funds placed by System Participants with ASL. Interest is paid monthly in arrears. No interest was payable in the prior year as the Reserve Bank of Australia had set the interest rate payable on the Exchange Settlement Accounts to Nil.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 13: Provisions

	2022 $	2021 $
Current		
Employee benefits provisions		
Annual leave	385,778	356,491
Long service leave	156,544	205,245
Total current provisions	**542,322**	**561,736**
Non-current		
Employee benefits provisions		
Long service leave	93,802	82,027
Total provisions	**636,124**	**643,763**

Note 14: Contributed Equity

	2022 $	2021 $
54,627 fully paid ordinary shares	54,627	54,627
3,924,378 fully paid non-voting shares	3,924,378	3,924,378
Total contributed equity	**3,979,005**	**3,979,005**

(a) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

(b) Non-voting shares

Fully paid non-voting shares do not carry any voting rights but do carry the rights to dividends.

(c) Capital management

The company manages its capital to ensure that the company can fund its operations and continue as a going concern, with sufficient capital being maintained to exceed both externally imposed prudential requirements and internally defined capital limits, whilst optimising its capital structure to maximise the beneficial use of available capital.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The externally imposed minimum prudential capital requirement placed on the company by APRA is calculated under Basel III (refer note 19).

There have been no other changes in the strategy adopted by the company to manage its capital since the prior year.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 15: Leases

Lease Liabilities

	2022 $	2021 $
Buildings		
Lease Liability	1,159,672	1,337,534
Accretion of interest	88,433	104,077
Payments	(281,094)	(281,942)
	967,011	**1,159,669**
Other assets		
Lease Liability	11,356	15,154
Accretion of interest	647	922
Payments	(4,957)	(4,720)
	7,046	**11,356**
Total Lease Liabilities	**974,057**	**1,171,025**

Note 16: Segment Reporting

The company operates predominantly in one business and one geographical segment. The company's operations are confined to Australia and involve providing members with settlement services for ATM/eftpos, VISA, Mastercard, Direct Entry, BPAY, PEXA, NPP and high value transactions, maintaining risk management systems, acting as a focal point for financial institutions to participate in payment systems, and developing payments services and strategies.

Note 17: Cash Flow Information

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and on hand and short term deposits. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

		2022 $	2021 $
Cash and cash equivalents	6	411,739,154	402,451,929

Notes to the Financial Statements

For the year ended 30 June 2022

(b) Reconciliation of profit after income tax to cash flows from operations

	2022 $	2021 $
Profit for the year	694,690	443,139
Non-cash flows in profit		
Depreciation and amortisation	1,302,140	1,370,324
Impairment loss	-	814,484
Lease liabilities	-	(6,980)
Changes in assets and liabilities		
(Increase)/decrease in trade and interest receivables	160,698	(272,388)
(Increase)/decrease in other assets	20,108	(16,977)
Increase/(decrease) in trade and other payables	844,286	672,041
Increase/(decrease) in net deferred tax liabilities	18,223	-
Increase/(decrease) in provisions	(7,641)	102,238
Net cash inflow/(outflow) from operating activities	**3,032,504**	**3,105,881**

Note 18: Borrowings

	2022 $	2021 $
System Participant funds (a)	204,417,518	165,265,884
Other member funds (b)	308,052,195	317,536,265
Perpetual subordinated debt (c)	1,066,909	1,066,909
Total borrowings	**513,536,622**	**483,869,058**
Maturity		
At call	512,469,713	482,802,149
No maturity specified	1,066,909	1,066,909
Total borrowings	**513,536,622**	**483,869,058**

Concentration of borrowings

Except for lease liabilities (when applicable), borrowings are from System Participants who utilise the company's exchange settlement function with the RBA.

(a) System Participant funds

ASL holds funds from System Participants to cover settlement obligations.

(b) Other member funds

These funds represent System Participants voluntary excess funds held with ASL.

Notes to the Financial Statements

For the year ended 30 June 2022

(c) Perpetual subordinated debt

Perpetual subordinated debt was issued by ASL. The debt is subordinated to all other creditors of ASL, is perpetual, and the lenders cannot claim repayment of the debt or offset the debt other than in very narrow circumstances.

Note 19: Capital Adequacy

	2022 $	2021 $
Risk weighted assets	**58,225,261**	54,497,240
Tier 1 capital	17.82%	17.22%
Tier 2 capital	0.00%	0.19%
Total capital	**17.82%**	**17.41%**

The Prudential Standards issued by APRA require ADIs to maintain a risk-based capital ratio in excess of a Prudential Capital Ratio (PCR). Eligible capital is assessed in two tiers:

- Tier 1 - includes the highest quality elements; and
- Tier 2 - consisting of other elements which, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of the ADI.

Note 20: System Participant Shares

	2022 $	2021 $
Fully paid system participant shares at $1	29	27

Each System Participant of ASL must hold one fully paid system participant share. The effect of holding the share is to bind the System Participant to ASL's By-Laws including the settlement procedures and rules. These shares are redeemable and do not carry any voting rights or the right to dividends.

Note 21: Settlement Obligations

ASL is liable to settle the liabilities of any System Participant which cannot meet their settlement obligations. ASL holds funds from each System Participant specifically for this purpose. At 30 June 2022 all System Participants within the settlements system met their settlement obligations.

The company may be liable to bear some proportion of the loss in the event that a non-ASL counterparty in the Bulk Electronic Clearing Stream fails to meet their settlement obligations. At 30 June 2022 there was no such liability.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 22: Dividends

No dividend was declared nor paid during the financial year (2021: nil).

Note 23: Financial Risk Management

The company's activities expose it to a variety of financial risks, including but not limited to, liquidity risk, credit risk and market risk.

The company's principal financial instruments comprise deposits from System Participants, perpetual subordinated debt, cash, at call deposits, short-term deposits, bank issued securities and government securities. The main purpose of these financial instruments is to manage the company's settlement operations. The company has other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations.

The company holds the following financial instruments:

	Note	2022	2021
		$	$
Financial assets			
Cash and cash equivalents	6	411,739,154	402,451,929
Financial Assets - amortised cost		110,402,718	88,702,861
Trade and interest receivables	7	2,268,827	2,429,525
Equity Instruments - other comprehensive income*	11	2,508,759	2,000,000
Total financial assets		**526,919,458**	**495,584,315**

**Unlisted equities*

	Note	2022	2021
Financial liabilities			
Trade and other payables	12	3,312,961	2,468,675
Leases Liabilities	15	974,057	1,171,025
Borrowings	18	513,536,622	483,869,058
Total financial liabilities		**517,823,640**	**487,508,758**

(a) Financial risk management policies

The Risk Committee meets regularly to analyse financial risk exposures and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Risk Committee's overall risk management strategies seek to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The Risk Committee operates under policies approved by the Board of Directors. Risk management policies and investment management policies are approved and reviewed by the Board on a regular basis.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 23: Financial Risk Management (continued)

(b) Specific financial risk exposures and management

The main risks the company is exposed to through its financial instruments is liquidity, credit and market risks (foreign exchange, price and interest rate risks). The Risk Committee monitors these risks through internal reporting and takes action where appropriate to minimise the impact and likelihood of adverse events.

Liquidity risk

The company's primary liquidity risk is derived from its function of settling payments system obligations on behalf of System Participants who provide ASL with funds which are used to meet their settlement obligations. The Board has set the level of the funds required appropriate to the level of risk. The amount of funds required is recalculated as at the last business day each calendar month to reflect changes in the settlement obligations. System Participants cannot withdraw settlement funds when ASL has a settlement exposure to that System Participant, but reduction in funds required can be accessed annually, most usually in January.

The tables below detail the undiscounted cash flows of financial liabilities based on the earliest date the company can be required to pay. The tables include both interest and principal payable and as a result may not reconcile to items on the balance sheet.

Maturity analysis for financial liabilities as at 30 June 2022

	Less than 6 months	6-12 months	1-5 years	5+years	At call	No maturity specified	Total
	$	$	$	$	$	$	$
Trade and other payables	3,312,961	-	-	-	-	-	3,312,961
Borrowings	-	-	-	-	512,469,713	1,066,909	513,536,622
Lease liabilities	109,878	119,652	744,527	-			974,057
Total financial liabilities	**3,422,839**	**119,652**	**744,527**	**-**	**512,469,713**	**1,066,909**	**517,823,640**

Maturity analysis for financial liabilities as at 30 June 2021

	Less than 6 months	6-12 months	1-5 years	5+years	At call	No maturity specified	Total
	$	$	$	$	$	$	$
Trade and other payables	2,468,675	-	-	-	-	-	2,468,675
Borrowings	-	-	-	-	482,802,149	1,066,909	483,869,058
Lease liabilities	94,047	102,923	974,055	-			1,171,025
Total financial liabilities	**2,562,722**	**102,923**	**974,055**	**-**	**482,802,149**	**1,066,909**	**487,508,758**

The nature and terms of borrowings are detailed at note 18.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 23: Financial Risk Management (continued)

Credit risk

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

The company's primary credit risk relates to cash and cash equivalents and investments held to maturity which is mitigated by the fact that these assets are held exclusively with the RBA, Australian ADIs and Australian governments, and in accordance with the company's Large Exposures Policy. Other receivable balances are monitored on an on-going basis and are generally of a short term nature. At the reporting date, the carrying value of all classes of financial assets best represents the maximum credit risk exposure, without taking account of the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments. Concentrations of credit risk, where applicable, are identified in the notes to the respective financial assets.

There were no material amounts of collateral held as security at 30 June 2022 (2021: nil).

Market risk

Foreign exchange risk

The company is not exposed to any material fluctuations in foreign currencies.

Price risk

The company is not exposed to any material commodity price risk.

Interest rate risk

Interest rate risk refers to the risk that variable interest rates may change or the risk that the company may be required to sell assets with a fixed interest rate. Financial instruments that expose the company to these risks are set out in the following tables.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 23: Financial Risk Management (continued)

2022		$	**Weighted Average Interest Rate**
Cash and cash equivalents			
Within one year	Non-interest bearing	-	-
Within one year	Floating Rate	411,739,154	0.76%
Financial Assets - amortised cost			
Within one year	Fixed Rate	69,751,278	0.88%
Within one year	Floating Rate	40,651,440	0.14%
Trade and other receivables			
Within one year	Non-interest bearing	2,268,827	-
Equity Instruments - other comprehensive income			
No maturity date	No return specified	2,508,759	0.00%
Total financial assets		**526,919,458**	
Borrowings			
Within one year	Floating Rate	512,469,713	0.43%
No maturity specified	Floating Rate	115,887	1.85%
No maturity specified	Non-interest bearing	951,022	-
Finance leases			
Within one year	Fixed rate	-	0.00%
Trade and other payables			
Within one year	Non-interest bearing	3,312,961	-
Total financial liabilities		**516,849,583**	

Notes to the Financial Statements

For the year ended 30 June 2022

Note 23: Financial Risk Management (continued)

2021		$	**Weighted Average Interest Rate**
Cash and cash equivalents			
Within one year	Non-interest bearing	-	-
Within one year	Floating Rate	402,451,929	0.03%
Financial Assets - amortised cost			
Within one year	Fixed Rate	65,569,600	0.07%
Within one year	Floating Rate	23,133,261	0.07%
Trade and other receivables			
Within one year	Non-interest bearing	2,429,525	-
Equity Instruments - other comprehensive income			
No maturity date	No return specified	2,000,000	0.00%
Total financial assets		**495,584,315**	
Borrowings			
Within one year	Floating Rate	482,802,149	0.00%
No maturity specified	Floating Rate	115,887	1.10%
No maturity specified	Non-interest bearing	951,022	-
Finance leases			
Within one year	Fixed rate	-	0.00%
Trade and other payables			
Within one year	Non-interest bearing	2,468,675	-
Total financial liabilities		**486,337,733**	

The company's exposure to the risk of changes in market interest rates relates primarily to the funds held in government securities and bank issued securities. This risk is mitigated by holding the securities for short durations.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 23: Financial Risk Management (continued)

Sensitivity analysis

The company has performed a sensitivity analysis relating to its exposures to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates. At 30 June 2021, the effect on profit and equity as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2022 $	2021 $
Change in profit		
Increase in interest rates by 0.25%	15,954	13,347
Decrease in interest rates by 0.25%	(15,954)	(13,347)
Change in equity		
Increase in interest rates by 0.25%	15,954	13,347
Decrease in interest rates by 0.25%	(15,954)	(13,347)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged and has been calculated on net interest revenue.

No sensitivity analysis has been performed on foreign exchange risk, as the company has only minor exposure to foreign currency fluctuations.

Fair Value

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.

Fair value reflects the present value of future cash flows associated with a financial asset or financial liability. Fair values of financial assets and liabilities are determined using quoted market prices, where available.

Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at balance sheet dates. The methods used in determining the fair value of financial assets and liabilities are:

Level 1 – Reference to published price quotations in active markets

Level 2 – Valuation techniques supported by market inputs

Level 3 – Valuation technique not supported by market inputs

The carrying amounts of all financial assets and financial liabilities are approximations of fair value due to their short-term nature, other than Equity Instruments - other comprehensive income, which are valued using inputs based on market conditions prevailing at end of the financial reporting period, being a Level 3 valuation technique.

Notes to the Financial Statements

For the year ended 30 June 2022

Note 24: Contingent Liabilities/Assets

The company had no contingent liabilities or assets as at 30 June 2022 (2021: nil).

Note 25: Events Occurring After the Reporting Period

There have been no other matters or circumstances that have arisen since 30 June 2022 that are likely to have affected or to significantly affect, in future financial years, the operations of the company, the results of those operations or the state of affairs of the company.

Note 26: Related Party Transactions

The following directors have interests in contracts pursuant to which the company provides services to their organisations.

Mr MP Colless as Chief Financial Officer of Newcastle Permanent Building Society Limited

Ms SS Crasto as Head of Payments and Cards of Volt Bank

Mr DF Grounds as CEO of The Capricornian Ltd

Mr KJ Potter as CCO of Heritage Bank Limited

Mr RJ Ryan as CEO of IMB Limited

Mr BK White as CIO of Greater Bank Limited

Note 27: Company Details

Australian Settlements Limited (ASL) is an unlisted public company limited by shares and incorporated in Australia. The company is an Authorised Deposit-taking Institution (ADI) and operates an Exchange Settlement Account (ESA) at the Reserve Bank of Australia. The ESA is used for the settlement of payment obligations between system participants, and other clearers. The registered office and principal place of business of the company is:

Australian Settlements Limited

Level 3, 151 Castlereagh St

Sydney NSW 2000

Directors’ Declaration

In the directors’ opinion:

(a) the financial statements and notes set out on pages 10 to 38 are in accordance with the *Corporations Act 2001*, including:

i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii. giving a true and fair view of the entity's financial position as at 30 June 2022 and of its performance for the year ended on that date, and

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

Note 1a. confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Graeme Douglas Willis

Director

Garry Donald Dinnie

Director

Dated this 22nd day of September 2022

Deloitte.

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Australia

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Independent Auditor's Report to the Members of Australian Settlements Limited

Opinion
We have audited the financial report of Australian Settlements Limited (the "Company") which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company (the 'directors'), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information
The directors are responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Deloitte. Touche. Tohmatsu.
DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants
Sydney, 23 September 2022