



Annual Report



For the year ended 30 June 2023

Lutheran Laypeople's League Of Australia Limited

ABN 25 044 678 441 - ACN 627 336 707

Registered Office: 175 Archer Street, North Adelaide, SA 5006

Phone: 1800 556 457



Strategic Intent

The purpose of the LLL is to meet the capital needs of organisations that proclaim Christ as Lord and Saviour and that seek to show His love to all people in word and deed. In doing so LLL will seek to generate a reasonable surplus to remain sustainable and support the LCA in its business and financial matters.

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Key achievements



Internet Banking upgrade

Making life easier for our customers, LLL enhanced its banking experience, focusing on improved security and user experience across mobile and desktop environments.



OTP implemented

Recognising today's evolving threat landscape, LLL introduced the One Time Password (OTP) security feature for all depositors accessing their funds via LLL Internet Banking.



12 month Term Deposit added

Improving the suite of products available, LLL introduced a 12 month Term Deposit for depositors seeking a higher rate of return.



New Camping Ministry Grant announced

Recognising the vital role youth leaders play in the missional journey of school-aged camp attendees, LLL announced a \$50k grant for camp leadership training support.



LLL Core Values embedded

In consultation with staff, five LLL Core Values were developed as a guiding principle that defines what it means to work and contribute to LLL.



Enhanced Employee Value Proposition (EVP)

Our staff are essential to all that we do. This year, we launched the Employee Value Proposition which aims to reward staff for the skills, capabilities and experience they bring to LLL.



39% staff capability growth

Answering LLL's Strategic Goal to uplift capability and capacity, this year we employed 12 new staff to enhance LLL's total workforce.



Spreading the Word of God

335,000 prayers, messages and Bible passages shared with the wider Lutheran community by Lutheran Tract Mission.

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Performance at a glance

Missional loans

Schools and Kindergartens = \$28.9 million
 Congregations = \$1.4 million
 Aged Care = \$8.5 million

Board grants and distributions

\$2.6 million*

LLL Loan Rate

Secured **4.20%#** Unsecured **4.70%#**

Minimum Liquidity Holdings (MLH)

61.61%

Capital Adequacy Ratio (CAR)

21.74%

Load Write Offs

\$0.00

Net Promoter Score (NPS) - 2022

36

Net Repeater Score (NPS) - 2022

56^

LLL Permanent Fund Grants

\$1,768,869

LLL Non-interest-bearing Account Grants

\$568,023.52 to many LCA projects

LLL Mission Outreach Grants

\$94,749 congregational led projects

LLL Bursary Grants

\$135,000 -2023 school year

LLL Camping Ministry Grants

\$125,000

LLL deposits

\$1.18 billion

Total legacies

\$1,350,178 from 9 Estates

Donations

\$25,233

Deposits, loans and total assets

Millions

Deposits, Loans, Total Assets

Customers trust and support LLL's mission

Total reserves

Millions

Continuous growth of LLL

*Figure includes LLL Permanent Fund, Mission Outreach and Bursary. #as at 30 June 2023 ^The likelihood of depositors choosing LLL again.

Prudential operations

Satisfaction

Support given to the LCA

Support from you to LLL

Your Board of Directors



Graeme Huf
Chair (Retired Nov 2023)



Steven Podlich
Chair (Appointed Oct 2023)



David Kalisch
Vice Chair
(Appointed Oct 2023)



Deepa Justus



Ron Asquith
(Retired June 2023)



Andrew Leithhead



**Nicolle Rantanen
Reynolds**
(Commenced Oct 2023)



Andrew Leslie
(Resigned Sept 2023)



Karen Pienaar



Geoffrey Thiel



Ross Smith
Chief Executive Officer



Daniel Katz
Chief Information and
Transformation Officer
(Resigned June 2023)



Briony Mitchell
Chief Risk Officer



Eshani Obadage
Chief Financial Officer



Scott Ross
Chief Relationship Officer



Tania Sargent
Company Secretary



Lori Scardigno
Head of People and Culture



Photo: Board, Staff and special guests during the launch of the LLL Story in March 2023.

Chair and CEO message



Introduction

LLL has provided loans and financial support to the Lutheran Church of Australia for more than 100 years. We do that with the support of our mission-minded depositors, to support congregations, schools, retirement and aged care facilities and youth camps to build facilities for worship, to inspire young people and to foster community and connection for our elderly.

Returning to RCDF

In November 2023, we made the difficult decision to return to our Religious Charitable Development Fund (RCDF) status. This transition from our existing Authorised Deposit-taking Institution (ADI) status will take much of 2024, during which we will continue to operate as an ADI.

We made this decision because remaining as an ADI would have severely restricted our ability to make loans to LCA bodies – the very purpose for which LLL exists. Sadly, the change will mean that we will be unable to provide all our existing services and products to some of our customers. We will be continuing to communicate with our customers about this change.

To understand this decision, it is necessary to consider some changes over time. During 2017, when LLL was still an RCDF, regulatory changes removed the right of RCDFs to offer at-call deposit products to many of our individual customers.

Because of that, LLL decided to transition to become an ADI so that we could continue to offer at-call accounts to all customers. We were the only RCDF to make this transition to an ADI and did so in 2019.

In 2022, the Australian Prudential Regulatory Authority (APRA) updated its regulatory prudential standard which restricts lending by an ADI to certain “related entities” as defined in the prudential standard. As a result of those changes, LLL would need to severely reduce its lending support of the Lutheran Church of Australia and New Zealand (LCA) to comply with the prudential standard.

Support of the Lutheran Church is fundamental to LLL’s existence. Consequently, after lengthy engagement with APRA we determined that it is no longer suitable for LLL to remain an ADI. We are working collaboratively with APRA to return to our longstanding RCDF status.

Partnership with borrowers

LLL has a rich history of lending to Lutheran organisations as the most important way that we support the Lutheran Church. We deliberately aim to set interest rates on those loans that are lower than what they would cost our borrowers relying on normal commercial rates. We estimate that our borrowers collectively benefit by more than \$5m each year. All of this is in support of their missional work.

In this financial year, we have also increased the size and capability of our team to support our borrowers in making successful loan applications in accordance with our strict lending criteria. Working closely with the Lutheran Church community, this commercially experienced team has led a steady increase in the lending for projects that grow Christ’s kingdom.

During the year, LLL advanced \$38.8 million of new lending to Lutheran Church projects, with total funds lent and available to schools, congregations, retirement living and aged care facilities as at 30 June 2023 of \$319.9m on a fully drawn basis. Since 30 June 2023, we have approved a further \$15.6m in loans, the total is now \$313.2m.

Partnership with depositors and supporters

All of our work to support our borrowers and the Lutheran Church is only possible because of our mission-minded depositors and supporters.

As of June 30, 2023, we held over 34,000 accounts with total deposits amounting to \$1.18 billion. These deposits are made by individuals, businesses and LCA bodies. Approximately half of the total deposits are from individuals who support the work of the Lutheran Church.

This financial year we have upgraded our LLL Internet Banking system to enhance the user experience across desktop and mobile platforms. Recognising the increasing sophistication of hackers, the One Time Password security feature is now a requirement for all users (previously optional). This enhances security for our customers in today’s evolving threat landscape.

LLL also introduced a 12 month Term Deposit account, alongside our existing 6 month Term Deposit, to support our depositors who require a higher interest rate but still wish to support LLL.

We have of course seen a series of unprecedented changes to the underlying cash rate by the Reserve Bank of Australia (RBA). We know that these changes flow on to the financial markets generally and so have significant implications for our depositors and borrowers. In light of this we seek to be both missionally aligned but market-aware when making interest rate decisions that aim to insulate borrowers from the full impact of rising rates, while balancing the need to offer reasonable rates to reward our mission-minded depositors.

Bequests and legacies are an important way that supporters contribute to LLL. During the financial year \$1.38m was received as legacies and donations from mission minded supporters. These funds have been added to our reserves to continue the work of LLL. We are greatly humbled by this support.

Partnership with our staff

At LLL, we care for our employees, because there is a Biblical precept to do so, and to ensure that we attract and retain a team that enhances our capability to safeguard depositors’ funds and enhance the earnings on our investments while upholding our long-held dedication to personal customer service.

We welcomed 12 new staff members to our organisation during the year. Their addition has enhanced our operational and risk management capability and ensures we can grow and continue to deliver our strategic intent responsibly.

We foster a respectful, flexible and rewarding work environment where they can build fulfilling careers. We value diversity, ensuring that every employee experience and voice is appreciated, irrespective of their background.

This year, we introduced two programs to further these goals: the development of five Core Values in collaboration with our staff, and a new Employee Value Proposition that recognises and rewards the unique contribution each employee makes to our mission.

Support of the Lutheran Church

The primary way that we support the Lutheran Church is through making loans at interest rates that are lower than borrowers could otherwise obtain. We estimate that the total interest savings across all borrowers is more than \$5m each year. In addition, we provide grants each year to the Lutheran Church. The grants for the financial year to 30 June 2023 totalled \$2.6m.

We aim to provide the LCA with a consistent level of grants each year, so that they can budget accordingly.

We have also committed to providing the LCA a further \$250,000 to support special one-off costs and Synod expenses during the current financial year.

We are also thrilled to announce a Platinum Partnership with Lutheran Youth of Queensland (LYQ) that further strengthens our valued relationship based on a shared missional purpose. The five-year sponsorship agreement marks a significant commitment to nurturing generations of young people in their life and faith journey.

Stewardship of financial resources

Our purpose is to support the Lutheran Church and we do this primarily by providing loans at a lower interest rate so that Lutheran entities can meet their mission and strategic objectives. LLL also invests funds to generate income. We seek to do this in a way that balances our missional objective with the need to grow our reserves to ensure that depositor funds are protected.

The financial year to 30 June 2023 was an extraordinary period of rising interest rates and like all financial institutions we were able to harvest the benefit of that, generating a surplus after grants to the LCA of \$15.6m. This larger than usual surplus has allowed us to increase reserves to \$163.6m, keeping LLL in a strong financial position and positioning us well for growth.

Now that the market conditions have eased somewhat, we expect future performance to revert to more normal levels in the present financial year (to 30 June 2024.)

Looking forward

Our focus for 2024 will largely be on the transition to RCDF status – with the aim that this will be as smooth as possible for our customers. While we are changing our status, we will be retaining the essence of who we are – our commitment to the support of the Lutheran Church, personalised service and seeking to serve our Lord and Saviour.

We look forward to your continuing support in that work, which is showcased in our [“Together in Mission”](#). Please read that publication and be encouraged by the great work you are supporting across the Lutheran Church.

We express great thanks to God for you and your support. The Board of LLL and all of the staff are indeed blessed to serve alongside you.

“I thank my God every time I remember you. In all my prayers for all of you, I always pray with joy because of your partnership in the gospel from the first day until now.” - [Philippians 1: 3-5](#)

In Christ,

Steven Podlich
Chair

Ross Smith
CEO

Chair Report



The past year has been challenging for LLL for different reasons.

On the one hand, and for the greater part of the year, we continued to invest in our people, technology, and systems to improve and uplift our capabilities and capacity as an Authorised Deposit-taking Institution (ADI), regulated by APRA. However, more recently, the Board took the decision to transition from an ADI to a Religious Charitable Development Fund (RCDF), regulated by ASIC.

This transition journey is now the main focus of much planning and preparation by all of our people at LLL, to ensure we walk closely with our valued and loyal depositors and assist them with any changes that this change in our status may bring.

In a lot of ways, this transition journey is the commencement of an exciting and new way of continuing to be faithful to LLL's Purpose and Mission in supporting the Lutheran Church, and we give thanks to God for your continued support of LLL in achieving this vital role for our Church.

During 2023, there have also been changes to our Board with the retirement of long-term Director, Ron Asquith, the departure of Andrew Leslie and the retirement of our long-term Board Chair, Graeme Huf. I am personally grateful to Graeme for his experience and knowledge, his generosity, faith, and wisdom as he mentored me in the months leading up to his retirement late in the year. We are now also joined by new Board Director, Ms Nicolle Rantanen-Reynolds.

LLL is blessed to be served by a diverse, strategic, and experienced Board of Directors.

I also want to acknowledge our CEO, Ross Smith, his Senior Executive Team, and all of the staff at LLL, who work tirelessly and professionally to ensure that LLL's Mission and Purpose continues to be at the forefront of all our efforts.

Each member of the Board is a servant of our Lord, Jesus Christ, and together we guide LLL as part of the greater work across the Church and LCA bodies to grow the Body of Christ. I am so grateful to my fellow Board members, the LLL staff, our borrowers, depositors, and supporters for that Partnership in the Gospel.

In Christ,

Steven Podlich
Chair

Who we are



Partner in Faith

We work together in partnership to achieve our missional purpose and further the spread of the Gospel.



Respect

We value and respect all people, ensuring everyone is treated equally and their voices are heard.



Strive for Excellence

To deliver on our purpose, we are always seeking new and better ways to do things.



Care

We are an inclusive community who look out for each other and act in love through Christ's example.



Relationship Centric

We seek to build strong, meaningful and trusted relationships with each other, our clients and stakeholders.



Photo: David Kalisch, LLL Board Vice Chair, Karen McKendrick, Business Transformation Lead, and Gianfranco Malvaso, Treasury Manager, during the launch and recognition of LLL's newly developed Core Values.

Who you are

Western Australia

| | |
|-----------------|--------------|
| No. At Call A/C | 841 |
| Bal \$ Deposits | \$11,787,697 |
| No. Loan A/C | 3 |
| Bal \$ Loans | \$10,845,627 |

South Australia/ Northern Territory

| | |
|-----------------|---------------|
| No. At Call A/C | 21,076 |
| Bal \$ Deposits | \$545,559,523 |
| No. Loan A/C | 49 |
| Bal \$ Loans | \$118,104,368 |

Queensland

| | |
|-----------------|---------------|
| No. At Call A/C | 5,561 |
| Bal \$ Deposits | \$219,426,752 |
| No. Loan A/C | 19 |
| Bal \$ Loans | \$46,794,181 |

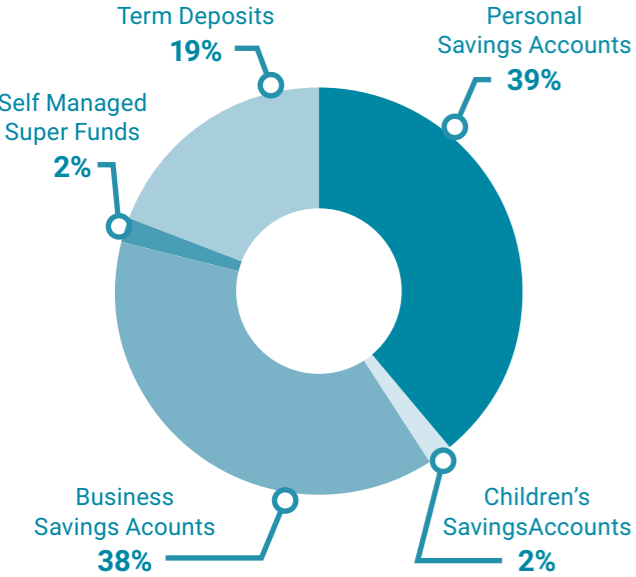
New South Wales

| | |
|-----------------|--------------|
| No. At Call A/C | 1,770 |
| Bal \$ Deposits | \$54,092,769 |
| No. Loan A/C | 5 |
| Bal \$ Loans | \$2,719,523 |

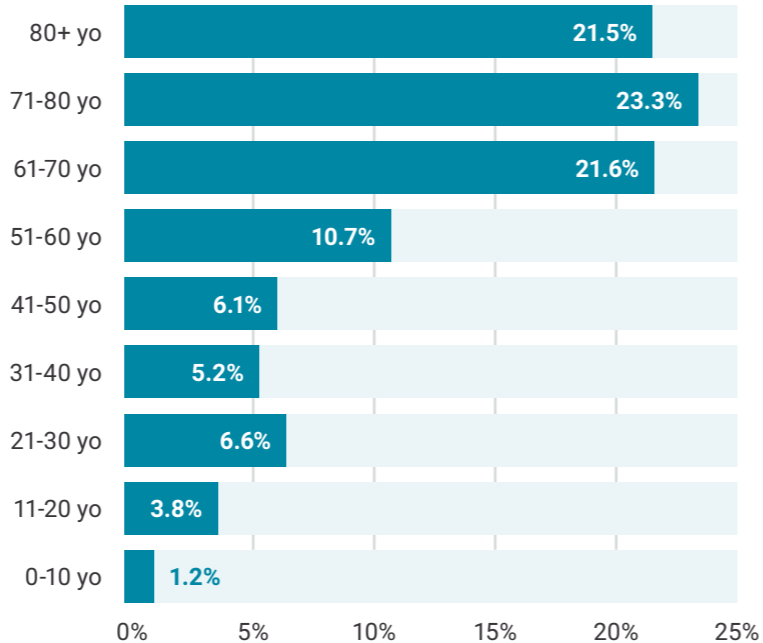
Victoria/Tasmania

| | |
|-----------------|---------------|
| No. At Call A/C | 4,176 |
| Bal \$ Deposits | \$123,335,640 |
| No. Loan A/C | 17 |
| Bal \$ Loans | \$72,598,804 |

Total LLL Funding - At Call & Term Deposits



Total LLL At Call - Age Profile



Australia Total

| | |
|-------------------------|---------------|
| No. At Call A/C | 33,424 |
| Bal \$ Deposits at call | \$954,222,381 |
| No. Loan A/C | 93 |
| Bal \$ Loans | \$251,062,503 |

Overseas

| | |
|-----------------|-------------|
| No. At Call A/C | 92 |
| Bal \$ Deposits | \$1,004,222 |

Loans Undrawn

| | |
|--------------|--------------|
| Bal \$ Loans | \$68,848,935 |
|--------------|--------------|

Overall Total

| | |
|-------------------------|---------------|
| No. At Call A/C | 33,516 |
| Bal \$ Deposits at call | \$955,226,603 |
| No. Loan A/C | 93 |
| Bal \$ Loans | \$319,911,437 |

All figures current at 30 June 2023.

Your impact

Mission in action

During the past financial year, LLL provided \$2.6m in missional financial grants throughout the LCA at a congregation, school, district and churchwide level. This includes more than \$1.76m in Permanent Fund allocations to local and international mission projects. The following are just some of the ways those grants supported the Church.



\$75,000 + \$50,000 Camping Ministry Grants

The LLL Board's commitment to youth ministry was renewed for another three-year term (2023-2025) with \$75,000 being awarded across the five Church districts annually. These grants aim to give young people the opportunity to attend Christian camps for the first time and to financially assist returning patrons, allowing more young people to connect with each other in fellowship and rejoice in the Word of God. Furthermore, the Board announced another three-year commitment (2023-2025) to support young leaders gain the education and training they require in a camp setting, awarding \$50,000 across the same districts annually.



\$135,000 School Bursary Grants

LLL School Bursary Grants continue to assist students in gaining a Lutheran Education; students who otherwise would have been precluded due to financial hardship. The bursaries allow Lutheran schools across Australia to financially assist students in gaining an education that brings to life the Word of God. LLL has committed \$1m to schools over seven years. The first grants were awarded in 2021 with an additional \$150,000 to assist families impacted by COVID-19 financial hardship.

\$69,749 Mission Outreach Grants

LLL continues to offer \$125,000 annually (\$25,000 per Church district) for Mission Outreach Grant initiatives. We have been honoured to watch projects come to fruition around Australia. During this period, five grants have been awarded totalling \$69,749:

- \$25,000 Youth Ministry and Intergenerational Leader – Toowoomba Lutheran Parish, Qld
- \$10,000 Mission-Edge Tract development – Lutheran Tract Mission for NSW
- \$9,749 Video resource production – Lifeway Lutheran Church, NSW
- \$15,000 Intergenerational Community Engagement Officer – Victor Harbor Lutheran Church, SA
- \$10,000 Wayside Chapel digital signage upgrade – Pasadena Lutheran Church, SA

Read the LLL publication *Together in Mission* for more details and progress reports as these grants come to fruition: view lll.org.au/TiM



LLL 100 Year Anniversary Grants

LLL was pleased to announce, during its centenary year in 2021, a one-off special LLL 100 Year Anniversary Grant, which provided \$100,000 in funds, dispersed to 40 congregations around Australia. The grant aimed to rekindle a sense of community and bring congregations back together after the social disconnect of Covid-19 restrictions. While no new funding was awarded for this grant during this period, LLL continues to witness the outstanding community contributions the grant recipients continue to deliver.

Read the LLL publication *Together in Mission* for more details and progress reports as these grants come to fruition - lll.org.au/TiM

Directors' Report



Directors Information

The names of the persons who have been Directors during the period since 1 July 2022 and up to the date of this report are: Steven Podlich, David Kalisch, Deepa Justus, Andrew Leithhead, Karen Pienaar, Nicolle Rantanen-Reynolds (commenced October 2023), Geoffrey Thiel, Graeme Huf (retired 30 November 2023),

Ron Asquith (retired 30 June 2023) and Andrew Leslie (resigned 30 September 2023).

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report are set out below.

1 Steven Podlich - Chair

Commenced on LLL Board in August 2015, appointed Chair in October 2023

| | |
|------------------------|--|
| Appointment: | Board Risk Committee (Chair); Board Credit Approval Committee (Chair) |
| Employment: | Retired |
| Congregation: | Bethany, Raceview, Qld |
| Current: | Congregational Admin Team Member; Congregational Ministry & Worship Team Member |
| Former: | Senior Relationship Manager, Westpac, Parish Administration Team Chairman; Congregational Chairman; Parish Administration Team Secretary; LCA Finance, Audit and Risk Committee member |
| Qualifications: | Bachelor of Commerce; CPA; Company Directors Course (AICD); Graduate of the Australian Institute of Company Directors |

Steve has extensive banking and finance experience gained during his career with Westpac, specialising in commercial and corporate banking for the past 31 years. During this time, he has managed large institutional groups, as well as commercial banking clients in the ASX, PE and overseas-owned enterprises environment and specialises in cash flow lending. He brings significant banking and finance experience to the Board.

Steven is a people person who loves to connect with others – a trait that has flowed through to his professional life. He understands businesses and, more importantly, the people who own and operate them and believes that this adds value which helps businesses to achieve their goals and seek growth opportunities. He is passionate about the LLL: its mission, and its purpose, and is driven to uplift LLL's capabilities while retaining the essence of who LLL has been since 1921.

Steven is heavily involved in his local church community and serves in various volunteer roles. He enjoys spending time with people, especially his wife, children, and grandchildren.

2 David Kalisch - Vice Chair

Commenced on LLL Board in June 2022, appointed Vice Chair in October 2023

| | |
|------------------------|---|
| Appointment: | Board Governance and Remuneration Committee; Board Nominations Committee |
| Employment: | Managing Director, DWK Advisory; Chair, ACT Electoral Commission; Board Member, General Authority for Statistics Kingdom of Saudi Arabia; Adjunct Professor, University of Canberra |
| Congregation: | Holy Cross, Belconnen, ACT |
| Current: | Bible reader |
| Former: | LCA Constitution Legal and Compliance Assessment Group |
| Qualifications: | Bachelor of Economics (Honours), Company Director's Course (AICD), Fellow of Australian Institute of Company Directors, Fellow of Academy of Social Sciences in Australia |

In a career spanning around 40 years in a range of Australian Government agencies, David most recently was CEO of the Australian Bureau of Statistics and previously the CEO of the Australian Institute of Health and Welfare, preceded by senior roles across social and economic policy agencies. He has also had two engagements in the Employment and Social Affairs area of the OECD and as a Chief of Staff to a Commonwealth Government cabinet minister.

More recently, he has been directed towards improving governance and using data to help deliver better outcomes. He brings a contemporary perspective to governance practices, a deep understanding of government operations, and a curious, inquiring mind to Board deliberations.

David seeks to make use of opportunities to support the needs of our church community and help make our society a better place while we are here on Earth. He enjoys time with his family, the opportunity to travel and trying to reduce his golf handicap.

3 Deepa Justus

Commenced on LLL Board in June 2022

| | |
|------------------------|---|
| Appointment: | Board Audit Committee; Board Risk Committee |
| Employment: | Chief Digital Officer, Global Alliance for Management Excellence (GAME) |
| Congregation: | St Pauls Lutheran Congregation, Sydney, NSW |
| Qualifications: | Master of Business Administration, Graduate Diploma in Interactive Multimedia, Master in Design, Bachelors in Business Administration, Diploma in Civil Engineering, Six Sigma Green Belt |

Deepa joined the LLL Board with 25 years of banking experience in retail, business banking, operations, risk, compliance, governance, and securitisation, including ten years of automation and digital transformation experience.

She brings skills in risk controls and assessment, building compliance and governance frameworks for major banks, including NAB Business Banking, for external and regulatory requirements. And recently, having set up and implemented Basel III regulatory program for Westpac Banking Corp.

A Chief Digital and Data Officer for a start-up company, Deepa focuses on digital transformation, automation, artificial intelligence/machine learning and cyber security.

Deepa's passion is to serve Christ and be the light in the marketplace. Her values are based on biblical standards, making her an authentic servant leader with enthusiasm, deeply believing 'that if God has placed me in a role, He will make me successful'. Her positive leadership creates an open and trusting, purpose-driven environment.

Directors' Report

4 Andrew Leithhead

Commenced on
LLL Board in
June 2022

Appointment: Board Risk Committee
Employment: Director and Chair – Board Risk Committee, Qudos Mutual Bank, Director, Australian Racing Drivers' Club and Director, PT Management Services P/L
Congregation: Gynea Baptist Church
Qualifications: Bachelor of Commerce, Graduate Diploma of Securities & Investment Analysis, GAICD, F.Fin, JP

Living in Sydney and New York with extensive exposure to global markets, Andrew's executive career focussed primarily on capital markets, finance, investment, and commercial banking. He has worked at Barclays, KPMG, Westdeutsche Landesbank, ANZ Banking Group and Gilbert and Tobin and has provided consulting services to other organisations. He also serves as Chair of the board of the Australian Racing Drivers' Club.

Since he retired from full-time work, Andrew has concentrated on governance roles, including a non-executive director with Qudos Bank and the Anglican Schools Corporation.

Andrew is passionate about bringing the experience gained in his professional career to inform his roles in corporate governance, particularly in the fields of banking and finance, and contributing to Christian organisations such as the LLL, where the mission and objectives of the business are directly aligned with his faith and values.

5 Karen Pienaar

Commenced on
LLL Board in
September 2018

Appointment: Board Audit Committee (Chair); Board Governance and Remuneration Committee; Nominations Committee
Employment: Head of Operations – Offshore Aviation
Congregation: Bethlehem, Adelaide, SA
Current: Congregational Treasurer
Former: LCA Finance, Audit and Risk Committee member, Lutheran Community Care Director, Congregational Treasurer
Qualifications: Bachelor of Commerce; Graduate Diploma Chartered Accountants; Graduate of the Australian Institute of Company Directors; Master of Business Administration

With over 20 years in corporate accounting roles for national and international transport companies, Karen transitioned in recent years into a Head of Operations role within the Offshore Aviation sector.

Her breadth of skills and experience has been gained through her executive career. These include group financial reporting, profitability analysis and financial forecasting, tender submissions for long-term, large-scale contracts and risk management across financial and operational environments.

Karen's special interest is in providing opportunities for leadership and growth within Church organisations and executive teams. She has a natural enthusiasm for continuous improvement and streamlining systems and processes. With an open and caring nature, Karen takes the time to create an environment that allows the personal strengths of individuals to shine and deliver the mission of the organisation.

6 Nicolle Rantanen-Reynolds

Commenced on
LLL Board in
October 2023

Appointment:
Employment: The Public Trustee (Government Business Enterprise) – Attorney-Generals Department
Current: Clayton Church Homes Board member, SA/NT Australian Institute of Company Directors Divisional Council, University of South Australia Governing Council, The Grange Golf Club – President, Thoroughbred Racing Australia Board member, Thoroughbred Racing NT Vice Chair, SAHMRI – Audit & Finance Committee, Local Government Financing Authority (LGFA) – Audit & Finance Committee, Central Adelaide Waste & Recycling Authority – Chair, Audit & Finance Committee
Former: Cancer Council SA Board Member, Credit Union SA Board member, CPA Australia SA/NT Divisional Councillor, South Australian Financing Authority – Chair Audit, Risk and Performance Committee
Qualifications: Australian Institute of Company Directors, Fellow Awarded 2015 (FAICD), Master of Commercial Law, Master of Business Administration, Certified Practising Accountant, CPA Australia, Fellow Awarded 2004 (FCPA), Bachelor of Commerce (Accounting)

Nicolle is an experienced Board Chair, Director and Senior Executive who brings a unique value proposition. With exemplary legal and finance skills Nicolle can look through financials, assess business drivers, optimise resources, and provide insight into opportunities to maximise returns, transform and deliver substantial benefits to business. Her passion for people sets her apart.

Nicolle brings her holistic approach to business and thrives on engaging with members, industry bodies and associations to consider all facets, find opportunities, drive culture, and negotiate outcomes to deliver growth. Nicolle contributes at Board level on every aspect of the business lifecycle.

Nicolle is well known for her ability to build relationships and has a highly established network across government, university, profit for purpose and the private sector. With deep governance skills, Nicolle makes a significant contribution to the AICD State Board and National committees bringing insight into emerging trends and reforms. Nicolle thrives on problem solving and setting strategic direction for organisations to help them make a difference.

Nicolle's extensive experience and dedication to excellence make her a valuable addition to the LLL Board of Directors, where she is committed to supporting the organisations mission and values. With a strong family focus and as a public servant, Nicolle is passionate about connecting with people and engaging with community to help those in need.

7 Geoffrey Thiel

Commenced on
LLL Board in
September 2018

Appointment: Board Nominations Committee (Chair); Board Risk Committee; Board Audit Committee
Employment: Professional Non-Executive Director and Business Strategy Consultant
Congregation: Holy Trinity, Hampstead, SA
Current: Hampstead Congregation Warden
Former: LCA National Committee for Ministry with the Ageing member; LCA North Adelaide Redevelopment Feasibility Taskforce member; LHI Retirement Services Director and Finance Committee Chair; Golden Grove Lutheran Primary School Treasurer and Hampstead Lutheran Church Treasurer
Qualifications: Bachelor of Arts in Accountancy; CPA; Company Directors Course (AICD); Graduate of the Australian Institute of Company Directors; The Chartered Governance Institute (ACG(CS))

Geoffrey has extensive experience in finance positions with all three of LLL's customer groups: congregations, education, and aged care. Currently a Business Strategy Consultant, he previously worked in a senior management role at R.M. Williams, both as a publicly listed and as a private company. He was also a member of the board. He has significant corporate experience at a senior level in the areas of people and culture, brand management, production, distribution, operations, new product development and strategy.

A committed Christian, Geoff's passion for Christ, underpins his personal and business decisions. He seeks to serve and lead, to fulfil Christ's mission for him here on Earth. He works and serves others with integrity and provides value in all he does. His extensive experience and leadership, authentic heart for Christ, and passion for LLL's customer groups are at the core of his being.

Geoff knows the Lord has a plan for him in life, with family and with the LLL. He lives to do God's will and thanks Him for all the generous opportunities and blessings He has presented.

Directors' Report

Directors who retired or resigned from the Board during the reporting period

Graeme Huf

Commenced on LLL Board in August 2000, appointed Chair 2004, retired in November 2023



Appointment: Board Governance and Remuneration Committee (Chair)
Employment: Business Advisor and Company Director (Former Director – Business Services, LEVNT; School Business Manager and Senior Manager, Commonwealth Bank)
Congregation: Our Redeemer, Geelong North, Vic
Current: Lay Reader; LLL Congregation Contact and Steward of the congregation
Former: School Treasurer; Congregational Treasurer
Qualifications: Diploma of Management; Company Directors Course (AICD); Mastering the Boardroom Course (AICD); Graduate of the Australian Institute of Company Directors

Growing up on a farming property in Western Victoria, Graeme enjoyed a professional career with the Commonwealth Bank of Australia for 21 years, working in country and regional Victoria and Western Australia as a commercial lender and manager, culminating as Senior Manager, Portland, Victoria.

For the past 24 years, Graeme has practised as a management consultant leading and guiding small to medium enterprises and working across Lutheran schools with their governance, business management, project management and human resource needs.

With a lifetime of active membership in the Lutheran Church, Graeme has responded to his call to serve our Lord through various congregation roles and leadership positions in Lutheran Education and the LLL. He is passionate about the LLL, its mission and its purpose, and brings to the Board a deep understanding of strategy, leadership and governance with broad senior management, operational and facilitation experience.

Graeme enjoys time with his family, travelling through God's creation and watching his beloved 'Cats' (AFL) play.

Ron Asquith

Commenced on LLL Board in September 2008, retired in June 2023



Appointment: Board Audit Committee; Board Governance and Remuneration Committee; Board Credit Approval Committee
Employment: Retired
Congregation: St John's, Wodonga, Vic
Current: Australian Lutheran World Service Board Advisory Group member; Victory Lutheran College Wodonga Council member
Former: St Paul's College Board; Victory Lutheran College Business Manager; Lutheran Aged Care Albury Finance & Audit Committee member
Qualifications: Bachelor of Commerce; FCPA; Graduate of the Australian Institute of Company Directors

Ron grew up on the South Coast of NSW with five siblings and values the lessons taught and observed from his parents. Ron's previous roles included: Financial Accountant, BHP; Manager, Bird Cameron; Director, ATS Partners and Executive Director/Chief Financial Officer, Lutheran Aged Care. After roles in local government and a major listed company, Ron founded a public accounting practice which was the focus of his professional life until he retired. For the past 35 years, Ron has been affiliated with: Lutheran Aged Care, Albury; LEVNT, ALWS, and Victory Lutheran College.

Ron believes that God has a plan for everyone, and, for him, it was to pursue a special interest in aged care and education. He has developed a particular expertise in each of these sectors.

His extensive governance experience within the not-for-profit sector, along with his professional career, has given him insights into the outcomes of purpose-driven organisations.

Ron brings his life experience to each meeting and has a desire for his work to have a uniquely positive impact on society.

Andrew Leslie

Commenced on LLL Board in September 2020, resigned in September 2023



Appointment: Board Risk Committee
Employment: Banking executive
Congregation: St Paul's, Box Hill, Vic
Current: Congregational Strategic Property Group Treasurer; Congregational Musician
Qualifications: Bachelor of Commerce; Bachelor of Arts (Asian Studies); Master of Business Administration; Graduate Diploma of Chartered Accounting

Andrew brings 18 years of experience in finance, strategy, and corporate advisory. He is currently the General Manager, Finance and Corporate Development at Judo Bank, a small to medium enterprise business bank where he leads the financial control, financial operations, and corporate development teams.

Before Judo, he was Executive Director at Morgan Stanley in the Investment Banking Division, where he advised clients on over \$50 billion in mergers and acquisitions transactions, capital raisings and strategic projects across the financial services, resources, and industrials sectors.

Andrew uses his innovation and critical thinking skills to improve business and constantly questions the status quo.

Directors attendances at meetings

Each Director is normally a member of at least one Board Committee. The table below shows the number of Directors' meetings held (including meetings of Board Committees noted below) and the number of meetings attended by each of the Directors of the Lutheran Laypeople's League of Australia during the year.

| Director | Board | | Governance and Remuneration Committee | | Audit Committee | | Risk Committee | | Nominations Committee | |
|------------------|-------|----|---------------------------------------|---|-----------------|---|----------------|----|-----------------------|---|
| | H | A | H | A | H | A | H | A | H | A |
| Graeme Huf | 16 | 15 | 8 | 8 | 1 | 1 | | | | |
| Ron Asquith | 16 | 15 | 8 | 8 | 5 | 5 | | | | |
| Steven Podlich | 16 | 11 | | | | | 11 | 9 | 1 | 1 |
| Karen Pienaar | 16 | 13 | 8 | 8 | 5 | 5 | | | 1 | 1 |
| Geoffrey Thiel | 16 | 15 | | | 5 | 5 | 11 | 10 | 1 | 1 |
| Andrew Leslie | 16 | 13 | | | | | 11 | 11 | | |
| Deepa Justus | 16 | 16 | | | 4 | 3 | | | | |
| David Kalisch | 16 | 12 | 7 | 7 | | | | | 1 | 1 |
| Andrew Leithhead | 16 | 14 | | | | | 7 | 7 | | |

(A) Number of meetings attended during the period

(H) Number of meetings held during the period the member was a Director

Directors' Report

Principal activities

The principal objects of LLL during the year were to advance the work of the Lutheran Church of Australia and New Zealand (LCANZ) through the provision of financial benefits and services. This is achieved by operating as a charitable financial institution in Australia.

As a charitable financial institution, LLL raises deposits from members and supporters of the LCANZ and uses those funds to provide ministry support to the Church. This support includes the provision of charitable loans exclusively to the LCANZ and constituent entities together with the provision of direct economic benefits from generated returns. Those operations are consistent with LLL's 100 year history.

Prior to 2019, LLL conducted those operations as a Religious Charitable Development Fund (RCDF). From 1 February 2019, LLL commenced operation as an Authorised Deposit-taking Institution (ADI) under a banking authority granted by the Australian Prudential Regulation Authority (APRA). The banking authority provided by APRA included certain conditions. One of those conditions is that LLL may only lend to LCANZ Church Bodies.

During the reporting period, LLL continued its operations as an ADI, including by taking steps to materially uplift its risk management framework and executive capability in line with modern prudential requirements.

Following the end of the reporting period, LLL received notice from APRA concerning LLL's compliance with a certain prudential standard relevant to its lending exposure to its related entities – being the LCANZ Church Bodies. Following lengthy discussions with APRA and ASIC, on 29 November 2023, it was announced that the LLL would be returning to its longstanding RCDF status to ensure it continues to fulfil its purpose of providing finance with a mission.

It will take many months to fully transition back to RCDF status, with no immediate change to customer accounts held with us.

Strategic priorities

During 2021 LLL reset its strategic intent. In doing so, LLL seeks to grow and diversify its loan portfolio, and to continue its support of the LCA through the following:

- Lending to organisations who share the same values and mission as the LLL to help entities develop and prosper.
- Achieving a reasonable surplus that will allow the LLL to assist the LCA in its financial and business needs.

For more information on LLL's strategic direction, please refer to the Chairperson and CEO message.

Financial performance disclosures

Result and review of operations

LLL recorded a surplus for the year from operations excluding legacies and donations amounting to \$14,782,496 (\$16,157,907 including legacies and donations). The calculation of surplus is after recording as expenses the various grants and distributions paid/to be paid to the LCA.

Following is the breakdown of grants and distributions made to the LCA during the last 12 months:

| Recipient | \$ |
|------------------------------|--------------------|
| Board Allocations | 2,233,751 |
| Benefits to Lutheran schools | 135,000 |
| Other grants to the LCA | 225,249 |
| Sundry donations | 6,000 |
| Total | \$2,600,000 |

Financial performance disclosures

LLL makes grants and distributions as considered appropriate in accordance with its mandate and ministry. LLL does this while ensuring that Reserves are preserved at appropriate levels to prudently protect the interests of depositors and to honour the intentions of gifted and bequeathed special funds. Accordingly, LLL seeks to add to Reserves commensurately with increases in Depositors' funds and gifted moneys.

During the year ended 30 June 2023, transfers to reserves were made in accordance with the policy settings of LLL, activity and prudential requirements.

The ability of LLL to generate a surplus was largely determined by economic interest rates that apply to its capital stable investments. During the year ended 30 June 2023, interest rates continued to increase with the RBA cash rate increases since May 2022. As a result, LLL increased the deposit interest rate by 140 bps to 1.80% for at-call deposits and by 265 bps to 3.60% for 6-month term deposits during the current financial year. LLL introduced a 12-month term deposit in November 2022 and carried an interest rate of 4.35% at 30 June 2023.

LLL gradually increased the loan rate from 1.7% to 4.2% for borrowers with first mortgage securities and from 2.2% to 4.7% for other borrowers throughout the current financial year.

Legacies and donations

LLL is grateful for the benevolence of persons who make a permanent financial contribution to LLL via donations and bequests. In the year ended 30 June 2023, LLL received legacies of \$1,350,178 and donations of \$25,233. These moneys are recorded as income in accordance with accounting standards and are then permanently honoured by transferring them to Legacies, Donations and Special Purpose Fund Reserves in accordance with LLL policy.

Legacies and donations have been received over the last 12 months by the following donors:

| Donor |
|-------------------------|
| Smiles, N G |
| Harch, M G |
| Krieg, D M |
| Schmidt, M D |
| Gladigau, D C |
| The Colin Hausler Trust |
| Olive, C F |
| Peucker, D M |
| Schache, D E |

Directors' Report

Financial performance disclosures

Key performance measures

LLL measures its performance through the use of quantitative and qualitative measures and key performance metrics. These metrics are used by the Directors among other considerations to assess whether the Company's short-term and long-term objectives are being achieved.

| | 2023 \$ | 2022 \$ |
|-----------------------------------|---------------|---------------|
| Financial benefits metrics | | |
| LCA grants and distributions | 2,600,000 | 2,100,000 |
| Total assets | 1,351,626,444 | 1,411,807,713 |
| Growth in total assets | -4.3% | -1.6% |
| Total reserves | 132,900,828 | 130,053,643 |
| Growth in reserves | 2.19% | 0.50% |

Customer metrics

| | | |
|--------------------------------|---------------|---------------|
| Loan book balance (before ECL) | 251,067,412 | 247,480,213 |
| Growth in loan look balance | 1.4% | -5.2% |
| Depositors funds held | 1,181,211,172 | 1,260,950,446 |
| Growth in deposits | -6.3% | -2.2% |

Non-Financial metrics

| | | |
|-------------------------|------|--------|
| Critical Systems uptime | 100% | 99.99% |
| Staff satisfaction | 92% | 92% |
| Net Promoter Score* | 36 | 38 |

* Net Promoter Score is a widely used market research metric that typically takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or service to a friend or colleague. NPS scores are reported with a number from the range of -100 to +100; a higher score is desirable.

Environmental Regulations

The LLL's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, Directors believe that LLL has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those requirements as they apply to LLL.

LLL considers it important to have an approach to investment that is socially responsible and in keeping with the ethos of LLL and the Lutheran Church of Australia. In determining where to invest funds LLL may seek professional advice to satisfy itself that the entity with which the investment is to be made meets all the criteria necessary to satisfy this strategy.

LLL's preference is to enter into environmentally and Socially Responsible Investments (SRI) where:

- The investment is compliant with legislation and Investment Policy objectives and parameters; and
- The rate of return is favourable relative to comparable investments on offer to LLL at the time of investment.

Subsequent events

Subsequent to the reporting date, LLL received correspondence from APRA advising that APRA had determined that LLL was in breach of certain related entity exposure limits and notification requirements under Prudential Standard APS 222 Associations with Related Entities (APS 222) (APRA decision). Relevantly, APS 222 establishes certain limits (as a proportion of available prudential capital) on an ADI's exposure to its related entities because of transactions between the ADI and those related entities.

The basis for APRA's conclusion was that it had assessed that LLL was a related entity of the LCA, its Districts, congregations, Lutheran education bodies and schools (collectively LCA bodies) for the purposes of APS 222. Given the conditions imposed by APRA on LLL's Authority to carry on banking business (ADI licence) at the time of its grant in 2019 (which specify that LLL may **only** provide loans to the LCA and LCA bodies), the effect of APRA's application and renewed interpretation of the related entity definition in APS 222 is that APRA considers that 100% of LLL's lending arrangements are with its related entities, meaning that LLL was in breach of all relevant exposure limits.

The nature of LLL's lending activities have not changed materially since it received its ADI licence in February 2019. APRA's conclusion follows because of changes to the definition and interpretation of 'related entity' in APS 222, which took effect on 1 January 2022. These changes had the effect of significantly broadening the definition of 'related entity' compared with the definition that applied at the time LLL was granted its ADI licence. As a result, the types of LLL borrowers that are caught by the updated definition of 'related entity', and therefore must be counted when calculating exposure limits, has expanded materially.

Following receipt of APRA's decision, the LLL Board has determined that, given the conditional nature of LLL's ADI licence and the overarching requirement established in LLL's constitution to promote its charitable purposes and mission to support the LCA, it is no longer feasible for LLL to continue to operate as an ADI. While the precise details of any transition are yet to be resolved upon and are subject to ongoing engagement with APRA and other regulators, the Board has decided that LLL should cease operating as an ADI, and instead transition to operating as a Religious Charitable Development Fund (RCDF), taking advantage of exemptions made available by the Australian Securities and Investments Commission (ASIC) in respect of certain regulatory obligations under the Corporations Act 2001 (Cth).

LLL has received approval of transitional relief from Australian Securities and Investments Commission (ASIC) on 31 January 2024. The transition relief period will end on 28 February 2025.

LLL has developed a Liquidity Strategy in preparation for the transition to an RCDF and has maintained a higher level of liquid assets and Minimum Liquidity Holdings. As at 31 December 2023, LLL maintained liquid assets of \$964.9m and a minimum liquidity holdings ratio of 77.78% (June 2023: 61.61%).

The maturity profile of LLL's investments has changed as a result of holding a higher level of liquid assets. As at 31 December 2023, LLL held cash and cash equivalents of \$537.0m (June 2023: \$83.4m), Term deposits of \$77.7m (June 2023: \$191.7m) and Debt securities of \$446.3m (June 2023: \$808.5m) of which, \$119.6m is due to mature before 30 June 2024 and another \$81.7m due to mature by 31 December 2024.

Further communication with depositors and borrowers about the transition process will continue throughout 2024 until completion date. There has been no change to business-as-usual operations as an ADI, and no immediate change required by customers to their operating accounts.

Regulatory disclosures

The Company has public disclosure obligations under Prudential Standard APS 330 Public Disclosure. This information is available on the 'Disclosure documents' section of the Company's website, under 'Regulatory Disclosures'. See <https://www.lll.org.au/about/disclosure-documents> for further information.

Indemnification and Insurance of Directors and Officers

During the period, LLL paid a premium in relation to a Directors and Officer's liability insurance policy, indemnifying the Directors and its Executives against certain liabilities. The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contract, as such disclosure is prohibited under the terms of the contract.

Directors' Report

Going Concern

These financial statements have been prepared on a going concern basis in accordance with Australian Accounting Standards, which assumes continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of LLL to continue as a going concern is dependent upon LLL's ability to continue to provide financial benefits and services to the LCA and its capacity to do so.

Status as an Authorised Deposit-taking Institution and change to a Religious Charitable Deposit Fund

As an Authorised Deposit-taking Institution ("ADI") LLL is required to comply with applicable Prudential Standards. In 2022, APRA amended Prudential Standard APS 222 Related Entities which sets out requirements to monitor, limit and control risks arising from transactions and associations with related entities. The amended Prudential Standard APS 222 Related Entities includes stronger requirements for ADIs to monitor, limit and control risks arising from transactions and associations with related entities, and also amendments to definitions.

During 2023, applying the 2022 revised definitions, APRA formed the view that the Lutheran Church of Australia Incorporated (LCA), its Districts, congregations, Lutheran education bodies, and schools were related entities of LLL for the purpose of Prudential Standard APS 222, and as such LLL was from that time in breach of the requirements of the Prudential Standard because the value of loans made to related entities exceeded the amount permitted under the Prudential Standard. Management undertook a review of the alternatives available to LLL to again achieve compliance with the Prudential Standards, the conclusion of which was that LLL would need to significantly reduce its support of the LCA and its associated entities in order to comply with APS 222 such that it could continue to operate as an ADI. In particular, as a lender, it would need to significantly reduce the value of loans made to related entities. As a result, the LLL Board determined that it was no longer practical for LLL to remain an ADI in circumstances where its capacity to support the LCA and continue to meet its charitable objects was restricted, and instead LLL would seek to transition to operate as a Religious Charitable Development Fund ("RCDF").

Transition from an Authorised Deposit-taking Institution to a Religious Charitable Deposit Fund

On 29 November 2023 LLL announced the intention to transition from an ADI to an RCDF and since then has both further developed detailed transition plans and commenced the transition process. The transition plans address the key elements of regulatory matters, finance and liquidity management requirements, communications and operations, together with a range of other matters. These plans, up to 1 March 2025 for full transition, are being implemented with some key milestones already achieved.

LLL has been in consultation with APRA and ASIC from 13 October 2023 regarding the intention to operate in future as an RCDF and relinquish its ADI license. Since that date, LLL has worked through the details of the regulatory process, milestones and conditions to achieve this, the most significant being:

- Development and approval of a new suite of product offerings consistent with those allowed to be offered by a RCDF
- Planned cessation of certain existing product offerings not allowed by a RCDF; and
- Planned relinquishment of ADI license, acknowledged by APRA.

On 31 January 2024, the final significant regulatory approval to facilitate the transition to an RCDF was obtained from ASIC. The form of this approval was the receipt of transitional relief until 1 March 2025 to allow LLL to offer RCDF investment products whilst remaining as an ADI and to run-off existing ADI-only products. This transitional arrangement is necessary because an RCDF is not otherwise permitted to issue or hold ADI deposit products. The impact of this is, by 1 March 2025:

- All funds held by LLL from non-associated retail depositors in at-call deposit accounts must be either repaid or transferred to an RCDF investment product. At 31 January 2024 such funds totalled \$501m.
- LLL will need to relinquish its licence to operate as an ADI.

There is significant uncertainty in relation to the extent to which existing LLL non-associated retail depositors will choose to withdraw funds from LLL to place with an alternative ADI which offers at-call deposit accounts, or transfer to an allowable LLL RCDF offering. The impact of these depositors not transferring to LLL's RCDF offerings, or of other depositors withdrawing due to the change, would be a direct reduction in LLL's available funding and raises uncertainty regarding the impact to its future capacity to achieve its Constitutional Objects.

As at 31 January 2024 LLL held interest bearing investment assets totalling \$1.2bn which included: \$719m of cash and cash equivalents, \$411m of other liquid assets and \$90m of other investments. Additionally, LLL held loan receivable assets of \$261m. As at 31 January 2024 LLL had total deposit liabilities of \$1.3bn including: at call deposit liabilities to non-associated retail clients of \$501m; at-call deposit liabilities to associates of \$529m and \$280m in term deposit liabilities. The deposit liabilities to non-associated retail clients of \$501.04m must be transitioned to an RCDF product or be repaid by 1 March 2025 for LLL to remain in compliance with the ASIC transitional relief and complete its transition plan to a RCDF.

LLL has prepared detailed cashflow projections for the period to 28 February 2025 under a range of assumptions as to the rate and amount of withdrawal of funds by depositors. The retention/withdrawal assumptions have been estimated based upon:

- historical experience of LLL when it previously operated as an RCDF;
- LLL profiling of current depositors and understanding of their needs; and
- evaluation of depositor response since the announcement on 29 November 2023.

Using the above as the basis, the varying assumptions indicate withdrawals of between \$193m and \$387m out of the \$1.3bn total depositor funds.

All scenarios indicate that there is adequate liquidity and funding to meet cash outflows. However, in the event withdrawals of depositors funds up to 28 February 2025 exceed liquid investments of \$1.2bn (93% of total deposits as at 31 January 2024), LLL has a range of contingency plans which rely on pledging remaining assets to obtain new short term liquidity facilities. Various uncertainties exist with respect to contingency plans, their ability to be executed in a short timeframe and at amounts necessary, and the impact this has on the remaining business and achievement of LLL's Constitutional Objects.

Deposit liabilities have increased by \$72m since this change was announced on 29 November 2023.

Based on the available information and the cashflow forecast, and taking into account the plans developed, the Directors are confident that adequate liquidity will be available for all reasonably foreseeable scenarios, and further, that LLL will have sufficient scale to continue to deliver its missional purpose of providing financial benefits and services to the LCA. Accordingly, the Directors have prepared the financial report on a going concern basis. Notwithstanding this, as a result of the significant uncertainty in relation to the extent to which depositors choose to withdraw deposits or no longer deposit funds with LLL and the timing of their decisions, there remains a material uncertainty as to whether LLL will continue as a going concern and whether it will realise its assets and discharge its liabilities in the normal course of business.

The missional purpose of LLL will not be changing as a result of the change in its license from that of an ADI to that of a RCDF. Prior to becoming an ADI on 1 February 2019, LLL operated as an RCDF and its depositors supported the work of LLL by investing funds in LLL deposit products. Regular customer surveys indicate that the missional intent of the LLL is important to them in making their funding and deposit decisions.



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Directors of Lutheran Laypeople's League of Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit

KPMG
KPMG

Neil Ediriweera
Partner

Adelaide

14 February 2024

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Statement of Income and Expenditure and Other Comprehensive Income for the year ended 30 June 2023

| | Note | 2023 | 2022 |
|---|------|-------------------|-------------------|
| | | \$ | \$ |
| Gross interest income | 6 | 45,210,322 | 15,514,644 |
| Gross interest expense | 6 | (16,706,859) | (1,036,853) |
| Net interest income | | 28,503,463 | 14,477,791 |
| Legacies | | 1,350,178 | 639,213 |
| Donations | | 25,233 | 14,321 |
| Other income | 7 | 641,984 | 532,504 |
| Impairment release on loans and investments | 18 | 53,000 | - |
| Operating income before operating expenses and grants and donations | | 30,573,858 | 15,663,829 |
| Employee benefit expenses | 8 | (5,914,800) | (4,359,939) |
| Other expenses | 9 | (6,094,494) | (5,062,814) |
| Other benefits and services | 10 | (832,071) | (163,264) |
| Grants and distributions | 11 | (2,600,000) | (2,100,000) |
| Impairment charge on loans and investments | 18 | - | (67,000) |
| Net surplus | | 15,132,493 | 3,910,812 |
| Other comprehensive income | | - | - |
| Items that will not be reclassified subsequently to income and expenditure | | | |
| Gain on revaluation of land and buildings | | 1,025,414 | - |
| Total other comprehensive income | | 1,025,414 | - |

Statement of Financial Position as at 30 June 2023

| Total comprehensive income for the year | | 16,157,907 | 3,910,812 |
|--|------|----------------------|----------------------|
| | Note | 2023 | 2022 |
| | | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 12 | 83,444,903 | 78,033,091 |
| Investments | 13 | 1,000,083,811 | 1,076,573,261 |
| Trade and other receivables | 14 | 248,202 | 71,236 |
| Other assets | 22 | 8,170,813 | 2,235,365 |
| Loans receivable | 15 | 250,845,412 | 247,175,213 |
| Property and equipment | 21 | 8,658,652 | 7,654,885 |
| Intangible assets | 25 | 174,651 | 64,662 |
| Total assets | | 1,351,626,444 | 1,411,807,713 |
| Liabilities | | | |
| Deposits | 16 | 1,181,211,172 | 1,260,950,446 |
| Trade and other payables | 17 | 2,879,582 | 2,138,231 |
| Other liabilities | 23 | 3,393,153 | 574,919 |
| Provisions | 24 | 498,632 | 658,119 |
| Total liabilities | | 1,187,982,539 | 1,264,321,715 |
| Net assets | | 163,643,905 | 147,485,998 |
| Equity | | | |
| Accumulated funds | | 30,743,077 | 17,432,355 |
| Reserves | 26 | 132,900,828 | 130,053,643 |
| Total equity | | 163,643,905 | 147,485,998 |

Statement of Changes in Equity for the year ended 30 June 2023

| | Accumulated Funds | Asset Revaluation Reserve | LLL - ALWS Support Fund Reserve | LLL-Child, Youth & Family Support Fund Reserve | LLL - Lutheran Media Support Fund Reserve | LLL-International Mission Support Fund Reserve | LLL - Special Purposes Fund Reserve | LLL - Training & Development Support Fund Reserve |
|-----------------------------------|-------------------|---------------------------|---------------------------------|--|---|--|-------------------------------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 30 June 2021 | 14,165,769 | 5,173,852 | 1,982,779 | 1,108,167 | 581,168 | 5,705,995 | 14,488,575 | 1,509,421 |
| Comprehensive income | | | | | | | | |
| Net surplus for the year | 3,910,812 | - | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income | 3,910,812 | - | - | - | - | - | - | - |
| Transfer to reserves | (644,226) | (208,040) | 13,447 | - | 3,024 | - | 731,201 | - |
| Balance as at 30 June 2022 | 17,432,355 | 4,965,812 | 1,996,226 | 1,108,167 | 584,192 | 5,705,995 | 15,219,776 | 1,509,421 |
| Comprehensive income | | | | | | | | |
| Net surplus for the year | 15,132,493 | - | - | - | - | - | - | - |
| Other comprehensive income | 1,025,414 | - | - | - | - | - | - | - |
| Total comprehensive income | 16,157,907 | - | - | - | - | - | - | - |
| Transfer to reserves | (2,847,185) | 1,025,414 | 568 | - | - | - | 1,581,188 | - |
| Balance as at 30 June 2023 | 30,743,077 | 5,991,226 | 1,996,794 | 1,108,167 | 584,192 | 5,705,995 | 16,800,964 | 1,509,421 |

Statement of Changes in Equity for the year ended 30 June 2023

| | In-Memoriam Donations Reserve | Legacies Reserve | Donations Reserve | Capital Reserve | General Reserve for Credit Losses | LLL-Church Worker Support Fund Reserve | LLL-Local Mission Support Fund Reserve | LLL-Ministry Support Fund Reserve | Total |
|-----------------------------------|-------------------------------|------------------|-------------------|-----------------|-----------------------------------|--|--|-----------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 30 June 2021 | 199,418 | 27,136,854 | 1,198,081 | 36,975,924 | 2,000,000 | 1,620,085 | 11,729,098 | 18,000,000 | 143,575,186 |
| Comprehensive income | | | | | | | | | |
| Net surplus for the year | - | - | - | - | - | - | - | - | 3,910,812 |
| Other comprehensive income | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | - | - | - | 3,910,812 |
| Transfer to reserves | 140 | 93,297 | 8,757 | - | - | 400 | 2,000 | - | - |
| Balance as at 30 June 2022 | 199,558 | 27,230,151 | 1,206,838 | 36,975,924 | 2,000,000 | 1,620,485 | 11,731,098 | 18,000,000 | 147,485,998 |
| Comprehensive income | | | | | | | | | |
| Net surplus for the year | - | - | - | - | - | - | - | - | 15,132,493 |
| Other comprehensive income | - | - | - | - | - | - | - | - | 1,025,414 |
| Total comprehensive income | - | - | - | - | - | - | - | - | 16,157,907 |
| Transfer to reserves | 15,444 | 214,782 | 6,271 | - | - | 10 | 8 | 3,500 | - |
| Balance as at 30 June 2023 | 215,002 | 27,444,933 | 1,213,109 | 36,975,924 | 2,000,000 | 1,620,495 | 11,731,106 | 18,003,500 | 163,643,905 |

Statement of Cash Flows for the Year Ended 30 June 2023

| | Note | 2023 | 2022 |
|---|-----------|---------------------|--------------------|
| | | \$ | \$ (*restated) |
| Cash flows from operating activities | | | |
| Interest received | | 39,077,133 | 15,553,628 |
| Interest paid | | (13,914,301) | (754,036) |
| Net decrease in loan facilities | | (3,565,864) | 13,594,800 |
| Net (decrease) increase in Depositors' funds | | (79,739,274) | (28,624,140) |
| Sundry receipts from operations | | 672,700 | 491,021 |
| Payments to suppliers, employees and allocations | | (14,656,296) | (10,674,306) |
| Legacies received | | 1,350,178 | 639,213 |
| Donations received | | 25,233 | 14,321 |
| Net cash from operating activities | 29 | (70,750,491) | (9,759,499) |
| Cash flows from investing activities | | | |
| Proceeds from sale of property and equipment | | - | 462,888 |
| Purchase of property and equipment | | (106,251) | (224,822) |
| Purchase of intangibles | | (190,896) | (44,584) |
| Purchase of interest bearing securities | | (599,389,657) | (751,837,847) |
| Disposal of interest bearing securities | | 675,849,107 | 761,749,598 |
| Net cash from investing activities | | 76,162,303 | 10,105,233 |
| Net increase in cash and cash equivalents | | 5,411,812 | 345,734 |
| Cash and cash equivalents, beginning of the year | | 78,033,091 | 77,687,357 |
| Cash and cash equivalents, end of the year | 12 | 83,444,903 | 78,033,091 |

*refer to note 33

Notes to the Financial Statements for the Year Ended 30 June 2023

Introduction

Note 1 Reporting Entities

These are the financial statements of Lutheran Laypeople's League of Australia Limited (the Company or LLL) as an individual entity for the year ended 30 June 2023. Lutheran Laypeople's League of Australia Limited is incorporated and domiciled in Australia and is a not-for-profit company Limited by Guarantee.

Note 2 Basis of Accounting

This general purpose financial report (tier 1) has been prepared in accordance with:

- The Australian Charities and Not-for-profits Commission Act 2012;
- Australian Accounting Standards (AAS) and Interpretations as issued by the Australian Accounting Standards Board (AASB);
- The Corporations Act 2001;

The consolidated financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

The Directors resolved to authorise the issue of these financial statements on 15 February 2024.

Principal activities

The principal objects of LLL during the year were to advance the work of the Lutheran Church of Australia and New Zealand (LCANZ) through the provision of financial benefits and services. This is achieved by operating as a charitable financial institution in Australia.

As a charitable financial institution, LLL raises deposits from members and supporters of the LCANZ and uses those funds to provide ministry support to the Church.

This support includes the provision of charitable loans exclusively to the LCANZ and constituent entities together with the provision of direct economic benefits from generated returns. Those operations are consistent with LLL's 100 year history.

Prior to 2019, LLL conducted those operations as a Religious Charitable Development Fund (RCDF). From 1 February 2019, LLL commenced operation as an Authorised Deposit-taking Institution (ADI) under a banking authority granted by the Australian Prudential Regulation Authority (APRA).

During the reporting period, LLL continued its operations as an ADI, including by taking steps to materially uplift its risk management framework and executive capability in line with modern prudential requirements.

Following the end of the reporting period, LLL received notice from APRA concerning LLLs compliance with a certain prudential standard relevant to its lending exposure to its related entities. Following ongoing discussions with APRA and ASIC, on the 29 November 2023, it was announced that the LLL would be returning to its longstanding RCDF status to ensure it continues to fulfil its purpose of providing finance with a mission.

It will take many months to fully transition back to RCDF status, with no immediate change to customer accounts held with us.

Going Concern

These financial statements have been prepared on a going concern basis in accordance with Australian Accounting Standards, which assumes continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of LLL to continue as a going concern is dependent upon LLL's ability to continue to provide financial benefits and services to the LCANZ and its capacity to do so.

Status as an Authorised Deposit-taking Institution and change to a Religious Charitable Deposit Fund

As an Authorised Deposit-taking Institution ("ADI") LLL is required to comply with applicable Prudential Standards. In 2022, APRA amended Prudential Standard APS 222 Related Entities which sets out requirements to monitor, limit and control risks arising from transactions and associations with related entities. The amended Prudential Standard APS 222 Related Entities includes stronger requirements for ADIs to monitor, limit and control risks arising from transactions and associations with related entities, and also amendments to definitions.

During 2023, applying the 2022 revised definitions, APRA formed the view that the Lutheran Church of Australia Incorporated (LCA), its Districts, congregations, Lutheran education bodies, and schools were related entities of LLL for the purpose of Prudential Standard APS 222, and as such LLL was from that time in breach of the requirements of the Prudential Standard because the value of loans made to related entities exceeded the amount permitted under the Prudential Standard. Management undertook a review of the alternatives available to LLL to again achieve compliance with the Prudential Standards, the conclusion of which was that LLL would need to significantly reduce its support of the

Notes to the Financial Statements for the Year Ended 30 June 2023

LCANZ and its associated entities in order to comply with APS 222 such that it could continue to operate as an ADI. In particular, as a lender, it would need to significantly reduce the value of loans made to related entities. As a result, the LLL Board determined that it was no longer practical for LLL to remain an ADI in circumstances where its capacity to support the LCA and continue to meet its charitable objects was restricted, and instead LLL would seek to transition to operate as a Religious Charitable Development Fund ("RCDF").

Transition from an Authorised Deposit-taking Institution to a Religious Charitable Deposit Fund

On 29 November 2023 LLL announced the intention to transition from an ADI to an RCDF and since then has both further developed detailed transition plans and commenced the transition process. The transition plans address the key elements of regulatory matters, finance and liquidity management requirements, communications and operations, together with a range of other matters. These plans, up to 1 March 2025 for full transition, are being implemented with some key milestones already achieved.

LLL has been in consultation with APRA and ASIC from 13 October 2023 regarding the intention to operate in future as an RCDF and relinquish its ADI license. Since that date, LLL has worked through the details of the regulatory process, milestones and conditions to achieve this, the most significant being:

- Development and approval of a new suite of product offerings consistent with those allowed to be offered by a RCDF
- Planned cessation of certain existing product offerings not allowed by a RCDF; and
- Planned relinquishment of ADI license, acknowledged by APRA.

On 31 January 2024, the final significant regulatory approval to facilitate the transition to an RCDF was obtained from ASIC. The form of this approval was the receipt of transitional relief until 1 March 2025 to allow LLL to offer RCDF investment products whilst remaining as an ADI and to run-off existing ADI-only products. This transitional arrangement is necessary because an RCDF is not otherwise permitted to issue or hold ADI deposit products. The impact of this is, by 1 March 2025:

- All funds held by LLL from non-associated retail depositors in at-call deposit accounts must be either repaid or transferred to an RCDF investment product. At 31 January 2024 such funds totalled \$501m.

- LLL will need relinquish its licence to operate as an ADI.

There is significant uncertainty in relation to the extent to which existing LLL non-associated retail depositors will choose to withdraw funds from LLL to place with an alternative ADI which offers at-call deposit accounts, or transfer to an allowable LLL RCDF offering. The impact of these depositors not transferring to LLL's RCDF offerings, or of other depositors withdrawing due to the change, would be a direct reduction in LLL's available funding and raises uncertainty regarding the impact to its future capacity to achieve its Constitutional Objects.

As at 31 January 2024 LLL held interest bearing investment assets totalling \$1.2bn which included: \$719m of cash and cash equivalents, \$411m of other liquid assets and \$90m of other investments. Additionally, LLL held loan receivable assets of \$261m. As at 31 January 2024 LLL had total deposit liabilities of \$1.3bn including: at call deposit liabilities to non-associated retail clients of \$501m; at-call deposit liabilities to associates of \$529m and \$280m in term deposit liabilities. The deposit liabilities to non-associated retail clients of \$501.04m must be transitioned to an RCDF product or be repaid by 1 March 2025 for LLL to remain in compliance with the ASIC transitional relief and complete its transition plan to a RCDF.

LLL has prepared detailed cashflow projections for the period to 28 February 2025 under a range of assumptions as to the rate and amount of withdrawal of funds by depositors. The retention/withdrawal assumption has been estimated based upon:

- historical experience of LLL when it previously operated as an RCDF;
- LLL profiling of current depositors and understanding of their needs; and
- evaluation of depositor responses since the announcement on 29 November 2023.

On that basis the varying scenarios assume a rate of withdrawal of between \$193m and \$387m out of the \$1.3bn total depositor funds.

All scenarios indicate that there is adequate liquidity and funding to meet cash outflows. However, in the event withdrawals of depositors funds up to 28 February 2025 exceed liquid investments of \$1.2bn (93% of total deposits as at 31 January 2024), LLL has a range of contingency plans which rely on pledging remaining assets to obtain new short term liquidity facilities. Various uncertainties exist with respect to contingency plans, their ability to be executed in a short timeframe and at amounts necessary, and the impact this has on the remaining business and achievement of LLL's Constitutional Objects.

Notes to the Financial Statements for the Year Ended 30 June 2023

Deposit liabilities have increased by \$72m since this change was announced on 29 November 2023.

Based on the available information and the cashflow forecast, and taking into account the plans developed, the Directors are confident that adequate liquidity will be available for all reasonably foreseeable scenarios, and further, that LLL will have sufficient scale to continue to deliver its missional purpose of providing financial benefits and services to the LCA. Accordingly, the Directors have prepared the financial report on a going concern basis. Notwithstanding this, as a result of the significant uncertainty in relation to the extent to which depositors choose to withdraw deposits or no longer deposit funds with LLL and the timing of their decisions, there remains a material uncertainty as to whether LLL will continue as a going concern and whether it will realise its assets and discharge its liabilities in the normal course of business.

The missional purpose of LLL will not be changing as a result of the change in its license from that of an ADI to that of a RCDF. Prior to becoming an ADI on 1 February 2019, LLL operated as an RCDF and its depositors supported the work of LLL by investing funds in LLL deposit products. Regular customer surveys indicate that the missional intent of the LLL is important to them in making their funding and deposit decisions.

Note 3 Functional and Presentation Currency

These financial statements are presented in dollars which is the Company's functional currency.

Note 4 Use of Judgements And Estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's 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 estimates are recognised prospectively.

Information about judgements and estimates made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 14 Provision for expected credit losses.
- Note 17 Property and equipment.

Note 5 Significant Accounting Policies

Information about the Company's accounting policies applied in the preparation of the financial statements is distinguished within the relevant notes to the financial statements.

The following accounting policies apply to more than one specific note or to the Company as a whole.

a. Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

b. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

The Company is entitled to claim only 'reduced input tax credits' in relation to limited types of expenditure pertaining to financial supplies and is entitled to claim apportioned input tax credits to the extent that expenditure is attributable to creditable acquisitions. Expenses are recognised net of GST, where claimable. GST incurred but not claimed is recognised as part of the cost of acquisition of the asset or as part of an item of 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 ATO 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

c. Newly Adopted Accounting Standards

- *AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*.

The Company has adopted this accounting standard from 1 July 2022. AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments is an omnibus standard that amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

Notes to the Financial Statements for the Year Ended 30 June 2023

The adoption of the amendment did not have a material impact on the financial statements.

d. New and Amended Accounting Standards Not Yet Adopted

- *AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Company plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

- *AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards.*

AASB 2022-7 makes editorial corrections to the following standards: AASB 7, AASB 116, AASB 124, AASB 128, AASB 134 and AASB as well as to AASB Practice Statement 2. It also formally repeals superseded and redundant Australian Accounting Standards as set out in Schedules 1 and 2 to the Standard.

The Company plans on adopting the amendments for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

Notes to the Financial Statements for the Year Ended 30 June 2023

Financial Performance

Note 6 Net Interest Income

Accounting Policy

Interest income and expense are recognised in the statement of income and expenditure and other comprehensive income using the effective interest method. The effective interest method measures the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate discounts the estimated stream of future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial instrument.

Fees and costs which form an integral part of the effective interest rate of a financial instrument are recognised using the effective interest method and recorded in interest income or expense depending on whether the underlying instrument is a financial asset or liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in income and expenditure.

| | 2023 | 2022 |
|-------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Interest income | | |
| Investments | 37,295,441 | 10,947,066 |
| General church loans | 7,914,881 | 4,567,578 |
| Gross interest income | 45,210,322 | 15,514,644 |
| Interest expense | | |
| Depositors | 16,706,859 | 1,036,853 |
| Gross interest expense | 16,706,859 | 1,036,853 |

| | | |
|----------------------------|-------------------|-------------------|
| Net interest income | 28,503,463 | 14,477,791 |
|----------------------------|-------------------|-------------------|

Note 7 Other Income

Accounting Policy

All revenue is stated net of goods and services tax.

The Company leases property to external parties. Upon entering into each contract as a lessor, the Company assesses whether the lease is a finance or operating lease. The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Other income includes unclaimed monies retained in accordance with legislative requirements and internal policy.

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Net (loss) profit on disposal of non-current assets | (416) | 71,297 |
| Reimbursements for office services | - | 75,000 |
| Rental income | 122,615 | 117,388 |
| Lutheran Tract Mission | 39,270 | 36,611 |
| Other income | 480,515 | 232,208 |
| Total | 641,984 | 532,504 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 8 Employee Benefit Expenses

Accounting Policy

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. This disclosure policy includes superannuation contributions made by salary sacrifice at the direction of the employee.

Salaries and wages together with superannuation contributions disclosed in the financial statements include remuneration of the Directors.

Employee benefits are expensed as the related service is provided.

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Annual leave | 397,262 | 270,413 |
| Fringe benefits | 34,237 | 60,335 |
| Long service leave | (4,967) | 126,846 |
| Salaries and wages | 4,866,445 | 3,475,149 |
| Superannuation contributions | 621,823 | 427,196 |
| Total | 5,914,800 | 4,359,939 |

Note 9 Other Expenses

Accounting Policy

Other expenses are recognised as the related expense is incurred.

The LLL has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. Lease payments in respect of these leases are expensed when paid.

| | 2023 | 2022 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Amortisation expense | 80,907 | 162,032 |
| APRA fees | 54,072 | 70,294 |
| Audit fees | 157,956 | 134,353 |
| Computer expenses | 972,809 | 839,025 |
| Consulting and legal | 3,045,716 | 2,276,231 |
| Depreciation | 127,481 | 130,643 |
| Insurance | 413,601 | 368,622 |
| Lease payments on low value assets | 21,217 | - |
| LTM costs | 50,411 | 79,847 |
| Occupancy costs | 85,654 | 79,196 |
| Other administration expenses | 1,084,670 | 922,571 |
| Total | 6,094,494 | 5,062,814 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 10 Other Benefits and Services

Accounting Policy

The Company makes payments to the Lutheran Church of Australia to fund its projects in accordance with the charitable objects of the Company. The payment amounts are calculated based on the related financial year's surplus and paid when the financial statements have been finalised.

LLL also incurs some minor service costs with respect to certain deposit accounts and costs associated with school banking services.

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Collection costs - School banking services | 7,185 | 9,733 |
| Subsidy on Children's new deposit accounts | 1,235 | 2,320 |
| Interest benefits to Lutheran schools | 629,904 | 1,197 |
| Other Grants to the LCA | 126,574 | 103,000 |
| Sundry donations | 28,773 | 6,553 |
| Various LCA projects | 38,400 | 40,461 |
| Total | 832,071 | 163,264 |

Note 11 Grants and Distributions

Accounting Policy

Distributions are paid by LLL to provide funding for various activities of the LCA as part of the ordinary course of operation and consistent with its charitable objects. While discretionary in nature, distributions on permanent funds are calculated and paid using nominal internal rates applied to reserve balances that are maintained by LLL for those specific purposes. These specific purposes are described at Note 26 as part of Reserve disclosures. The committed distributions are paid throughout the year and the year-end distributions are paid upon finalisation of the financial statements.

Annual grants to the Lutheran Church of Australia are recorded in the year that they relate to.

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Board Allocations | 2,233,751 | 1,678,518 |
| Benefits to Lutheran Schools | 135,000 | 135,000 |
| Other grants to the LCA | 225,249 | 106,482 |
| Sundry Donations | 6,000 | 180,000 |
| Total | 2,600,000 | 2,100,000 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Financial Instruments

Overview

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to borrowers. Financial instruments are initially measured at fair value plus transaction costs and recognised on settlement date.

Classification and subsequent measurement

Classification

Financial assets are disclosed in the statement of financial position at a carrying amount which reflects the Company's business model for managing assets.

The Company's asset management model is that of holding financial assets with the objective of collecting contractual cash flows and where the contractual terms give rise to cash flows that are solely payments of principal and interest.

These financial instruments are, subsequent to initial measurement, measured at 'amortised cost' using the effective interest rate method.

Measurement

Financial assets measured at amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method and less any reduction for impairment.

The effective interest rate method is used over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in income and expenditure.

Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost. Interest expenses and gains or losses on derecognition are recognised in income and expenditure.

Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company removes a financial liability from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 12 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash on hand and deposits held with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Refer to Note 29 Notes to the statement of cash flows for a detailed reconciliation of cash and cash equivalents.

| | 2023 | 2022 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash and cash equivalents | 83,444,903 | 78,033,091 |
| Total | 83,444,903 | 78,033,091 |

Note 13 Investments

Accounting Policy

Investment securities are initially measured at fair value plus transaction costs and subsequently measured at amortised cost, as they are held in a business model with the objective of collecting contractual cashflows. The contractual terms of these investments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

| | Note | 2023 | 2022 |
|--------------------------------------|------|----------------------|----------------------|
| | | \$ | \$ |
| Term deposits | 19 | 191,725,324 | 288,725,323 |
| Debt securities | 19 | 808,540,487 | 787,999,938 |
| Total gross investments | | 1,000,265,811 | 1,076,725,261 |
| Allowance for expected credit losses | 18 | (182,000) | (152,000) |
| Total net investments | | 1,000,083,811 | 1,076,573,261 |

Note 14 Trade and Other Receivables

Accounting Policy

Interest and other receivables are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost.

| | 2023 | 2022 |
|-------------------|----------------|---------------|
| | \$ | \$ |
| Sundry loans | 6,334 | 27,669 |
| Interest debtors | 232,148 | 34,407 |
| Other receivables | 9,720 | 9,160 |
| Total | 248,202 | 71,236 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 15 Loans Receivable

Accounting Policy

Loans and advances feature contract terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

| | Note | 2023 | 2022 |
|--------------------------------------|------|--------------------|--------------------|
| | | \$ | \$ |
| General Church Loans | | | |
| General Church | | 2,669,341 | 2,863,480 |
| New South Wales | | 2,719,523 | 3,186,035 |
| Queensland | | 46,794,181 | 54,070,142 |
| South Australia | | 115,439,936 | 103,008,029 |
| Victoria | | 72,598,804 | 72,421,612 |
| Western Australia | | 10,845,627 | 11,918,147 |
| Total | | 251,067,412 | 247,467,445 |
| Other Loans | | | |
| Other sundry loans | | - | 12,768 |
| Total | | - | 12,768 |
| Total gross loans receivable | | 251,067,412 | 247,480,213 |
| Allowance for expected credit losses | 18 | (222,000) | (305,000) |
| Total net loans receivable | | 250,845,412 | 247,175,213 |

Note 16 Deposits

Accounting Policy

Deposits are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

| | 2023 | 2022 |
|--------------------|----------------------|----------------------|
| | \$ | \$ |
| Deposits - at call | 955,226,603 | 1,189,605,760 |
| Deposits - term | 225,984,569 | 71,344,686 |
| Total | 1,181,211,172 | 1,260,950,446 |

Note 17 Trade and Other Payables

Accounting Policy

Interest and other payables are initially recognised at fair value and subsequently measured at amortised cost.

LCA and District allocations are recognised in the year to which they relate.

| | 2023 | 2022 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade creditors | 378,452 | 428,694 |
| Total | 378,452 | 428,694 |
| Grants and donations payable | | |
| LCA grants and distributions | 2,270,423 | 1,578,518 |
| Special purpose allocations | 230,707 | 131,019 |
| Total | 2,501,130 | 1,709,537 |
| Total trade and other payables | 2,879,582 | 2,138,231 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 18 Provision For Expected Credit Losses

Accounting Policy

AASB 9 requires the Company to recognise 'expected credit losses' on financial instruments. Expected credit losses represent a probability-weighted estimate of the present value of credit losses as a result of default. The Company assesses default to have occurred where a contractual payment is equal to or more than 90 days past due.

Financial assets to which the expected credit losses model are applied have been categorised as follows:

| Stage | Measurement basis |
|---------|---|
| Stage 1 | assets whose credit risk has not increased significantly since initial recognition. |
| Stage 2 | assets whose credit risk has increased significantly since initial recognition, other than those assessed as credit-impaired. |
| Stage 3 | assets which are credit-impaired. |

Expected credit losses on Stage 1 assets represent the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date.

Expected credit losses on Stage 2 and Stage 3 assets represent lifetime expected credit losses resulting from all possible default events over the expected life of the financial asset.

Financial assets are assessed for significant increases in credit risk on an individual basis based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level.

Financial assets which become past due by 30 days or more are presumed to have suffered a significant increase in credit risk in the absence of reasonable and supportable information which may rebut this presumption. The Company assesses an amount as past due where a contractual payment has not been met. No financial assets of the Company were assessed as past due by 30 days or more during the reporting period.

Where a financial asset has been externally rated as 'investment grade' the Company has assumed that the asset has not suffered a significant increase in credit risk since initial recognition. This assumption has been applied to the Company's portfolio of investments in term deposits and debt securities where relevant.

Expected credit losses on Stage 1 and Stage 2 financial assets are measured on a collective basis. Financial instruments are grouped by instrument type and on the basis of shared credit risk characteristics.

Measurement of expected credit losses

Expected credit loss calculations are based on historical loss rates, adjusted for current conditions and forward-looking information at both an individual counterparty level and a macroeconomic level.

Expected credit losses are the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

All of the Company's loans receivable are supported by guarantees provided by the LCA Districts. Mortgages over freehold property and other security are also held in relation to a portion of the Company's loans receivable. The existence of these security instruments is highly relevant to the estimation of expected credit losses.

Credit-impaired financial assets

A financial asset or a group of financial assets is deemed to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

In the case of financial assets carried at amortised cost, loss events may include: significant financial difficulty of the borrower; breach of contract, such as default or past due event; granting of concessions to a borrower due to the borrower's financial difficulty which the Company would not otherwise consider; indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Financial assets are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss is measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of any loss is recognised as part of the provision for expected credit losses.

Notes to the Financial Statements for the Year Ended 30 June 2023

Write-off of financial instruments

Financial assets are written off where there is no reasonable expectation of recovering the entirety or a portion of the gross carrying amount of a financial asset. The Company generally determines that there is no reasonable expectation of recovery where the counterparty no longer has sufficient assets or cash flows to repay any further amounts, and collateral and guarantees held by the Company to secure the exposure have been exhausted. Recovery of amounts previously written off (for example, due to continuing enforcement activity) reduce any loan impairment expense recognised for the reporting period.

Renegotiated or modified loans

Where the terms of a loan have been renegotiated or modified and the loan is not derecognised, the Company adjusts the gross carrying amount of the financial asset to reflect the present value of the renegotiated cash flows. Where this occurs, the Company assesses whether there has been a significant increase in credit risk by comparing the risk of default at the reporting date based on the modified contractual terms against the risk of default at the time of initial recognition of the original loan.

Renegotiation or modification of a loan to assist a borrower with meeting their contractual payment obligations is generally considered to be an indicator of an increase in credit risk.

Where the Company determines that a loan was modified due the borrower's financial distress, the gain or loss from adjustment of the carrying amount is recognised as part of impairment losses.

A decrease in credit risk will ordinarily only be assessed to have occurred after a prolonged history of payment performance against the modified contractual terms and consideration of a variety of indicators of financial performance of the borrower.

Collateral and other credit enhancements

Most loans are secured by first mortgages and general security deeds. All loan exposures are secured by a specific guarantee and indemnity for loss from the relevant Districts of the Church.

Reconciliation of provision for expected credit losses

The Company has recognised expected credit losses with respect to its financial assets held as at 30 June 2023 in accordance with this accounting policy.

The following table shows the movement in expected credit losses recognised in accordance with this accounting policy with respect to financial assets measured at amortised cost.

Notes to the Financial Statements for the Year Ended 30 June 2023

| 2023 | Stage 1 12-month ECL | Stage 2 Lifetime ECL Not credit impaired | Stage 3 Lifetime ECL Credit impaired | Total |
|---|-------------------------|---|---|----------------|
| | \$ | \$ | \$ | \$ |
| Opening loss allowance - Loans | 185,000 | 120,000 | - | 305,000 |
| Charges for the period | (103,000) | 20,000 | - | (83,000) |
| Transfers to Stage 1 | 57,000 | (57,000) | - | - |
| Transfers to Stage 2 | (4,000) | 4,000 | - | - |
| Transfers to Stage 3 | - | - | - | - |
| Write-offs | - | - | - | - |
| Closing loss allowance - Loans | 135,000 | 87,000 | - | 222,000 |
| Opening loss allowance - Investments | 152,000 | - | - | 152,000 |
| Charges for the period | 30,000 | - | - | 30,000 |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| Write-offs | - | - | - | - |
| Closing loss allowance - Investments | 182,000 | - | - | 182,000 |
| Total loss allowance | 317,000 | 87,000 | - | 404,000 |

Notes to the Financial Statements for the Year Ended 30 June 2023

| 2022 | Stage 1 12-month ECL | Stage 2 Lifetime ECL Not credit impaired | Stage 3 Lifetime ECL Credit impaired | Total |
|---|-------------------------|---|---|----------------|
| | \$ | \$ | \$ | \$ |
| Opening loss allowance - Loans | 97,000 | 201,000 | - | 298,000 |
| Charges for the period | (38,000) | 45,000 | - | 7,000 |
| Transfers to Stage 1 | 142,000 | (142,000) | - | - |
| Transfers to Stage 2 | (16,000) | 16,000 | - | - |
| Transfers to Stage 3 | - | - | - | - |
| Write-offs | - | - | - | - |
| Closing loss allowance - Loans | 185,000 | 120,000 | - | 305,000 |
| Opening loss allowance - Investments | 92,000 | - | - | 92,000 |
| Charges for the period | 60,000 | - | - | 60,000 |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| Write-offs | - | - | - | - |
| Closing loss allowance - Investments | 152,000 | - | - | 152,000 |
| Total loss allowance | 337,000 | 120,000 | - | 457,000 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Sensitivity of provision for expected credit losses to changes in loan categorisations

The Company has conducted a sensitivity analysis with respect to the categorisation of loans within its modelling for the provision for expected credit losses. The impact of changes to loan categorisations is shown here.

| 2023 | Increase (decrease) in loan provision | Balance of loan provision |
|--|--|---------------------------------|
| | \$ | \$ |
| All Stage 1 Moderate Risk and Stage 1 Loans Without First Mortgage elevated to Stage 2 | 28,000 | 250,000 |
| All Stage 2 loans returned to Stage 1 Moderate Risk | (31,000) | 191,000 |
| All Stage 2 loans returned to Stage 1 Low Risk | (68,000) | 154,000 |

| 2022 | Increase (decrease) in loan provision | Balance of loan provision |
|--|--|---------------------------------|
| | \$ | \$ |
| All Stage 1 Moderate Risk and Stage 1 Loans Without First Mortgage elevated to Stage 2 | 192,000 | 497,000 |
| All Stage 2 loans returned to Stage 1 Moderate Risk | (56,000) | 249,000 |
| All Stage 2 loans returned to Stage 1 Low Risk | (97,000) | 208,000 |

Critical accounting judgements and estimates

Significant judgement is applied in estimating provisions for expected credit losses. The Company uses a risk-based approach to estimate expected credit losses, whereby loans are grouped into categories of loans sharing common risk factors. Risk factors include security, loan-to-value ratios, borrower industry, repayment history and other quantitative and qualitative information. Probability of default (PD) and loss-given default (LGD) estimates are then applied to each loan category in accordance with benchmark PDs and LGDs, adjusted for the Company's own unique loss experience and expectations.

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 19 Financial Risk Management

The Company's Risk Management Framework (RMF) integrates risk management processes into the Company's governance, strategic planning, risk appetite, policies and reporting to ensure that risk is managed effectively and coherently.

LLL has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (Interest rate risk)

LLL's Board of Directors is ultimately responsible for the sound and prudent management of the operation. Risk governance originates with the Board and cascades via Board level committees through the CEO, Management and staff.

The Board, through the Board Risk Committee, promote awareness of a risk-based culture within the Company and support the establishment by management of an acceptable balance between risk and reward. The Chief Risk Officer provides a regular report to the Board Risk Committee including updates on material risk categories and meets regularly with the Board Risk Committee Chairperson outside the scheduled meeting program.

The Company's RMF utilises the 'Three Lines of Defence' model. Risk management accountabilities are allocated for risk ownership and functionally independent oversight and assurance across the three lines (see below). These act as the foundation for effective risk management across the organisation.

| Stage | Response |
|-------------|--|
| First Line | Executive management own and manage risks and controls (including the identification and assessment of risk and controls) within their business and across the operational environment in line with the organisation's risk appetite. |
| Second Line | The Risk function provides independent risk management expertise and independent oversight for management's risk taking activities and assists the Board, board committees and senior management to maintain the RMF which enables first line management to manage the risk and control environment within the Board approved risk appetite. |
| Third Line | Internal audit provides independent assurance over the RMF and its application by the First and Second Lines. |

Credit Risk

Credit risk overview, management and control responsibilities

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss.

Credit risk is managed through the strict adherence to loan procedures and policies. Constitutionally, the Company is restricted to lending funds to the Church, and bodies under the umbrella of the Church, for various projects undertaken to facilitate their ministries.

The Company undertakes a robust assessment of credit applications through adherence to strict credit policies. Where appropriate, loans are secured by available collateral in accordance with credit policy. Traditionally, such collateral included a guarantee of repayment and indemnity for loss, in the event of default, from the Lutheran Church of Australia Incorporated, embracing the recognised Districts of the Church. The Company now also applies collateral requirements with respect to credit applications that includes mortgage security, general security deeds and other measures deemed appropriate, according to circumstances.

Credit risk is also minimised through strict policies on investing surplus liquid funds. Investment is only able to be made as follows:

- With an Authorised Deposit-taking Institution (ADI) within the meaning of the Banking Act 1959.
- In bills, bonds, inscribed stock, debentures, deposit receipts and other securities issued by the Commonwealth of Australia, or by any State, or by a public statutory authority constituted under the Law of the Commonwealth or any State.
- Residential Backed Mortgage Securities (RMBS).
- Highly rated investment grade corporate bonds in accordance with internal investment policy.

APRA has also enforced concentration limits upon the Company in respect of its lending and investment activities under the terms of the Company's banking licence.

The Board maintains an investment policy which provides direction to management.

Notes to the Financial Statements for the Year Ended 30 June 2023

Credit risk exposure

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets as presented in the statement of financial position, plus loans approved but not yet advanced and undrawn overdraft facilities. Refer to Note 27 for details regarding loans approved but not yet advanced and undrawn overdraft facilities.

The table on this page shows the gross credit risk exposures to which the expected credit losses model is applied, grouped by financial asset type and credit risk rating grade. Loans and advances are internally rated based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level. Debt securities are externally rated in accordance with credit rating grades provided by rating agencies.

| 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------------|----------------------------------|------------------------------|----------------------|
| | 12-month ECL | Lifetime ECL Not credit impaired | Lifetime ECL Credit impaired | |
| | \$ | \$ | \$ | \$ |
| Loans - Education | | | | |
| Low risk | 184,182,661 | - | - | 184,182,661 |
| Moderate risk | 32,603,995 | 13,558,491 | - | 46,162,486 |
| Higher risk | - | - | - | - |
| Total | 216,786,656 | 13,558,491 | - | 230,345,147 |
| Loans - Congregations | | | | |
| Low risk | 3,459,505 | - | - | 3,459,505 |
| Moderate risk | - | - | - | - |
| Higher risk | - | - | - | - |
| Total | 3,459,505 | - | - | 3,459,505 |
| Loans - Aged Care and Retirement | | | | |
| Low risk | 6,374,156 | - | - | 6,374,156 |
| Moderate risk | - | - | - | - |
| Higher risk | - | - | - | - |
| Total | 6,374,156 | - | - | 6,374,156 |
| Loans - Other | | | | |
| Low risk | 10,888,604 | - | - | 10,888,604 |
| Moderate risk | - | - | - | - |
| Higher risk | - | - | - | - |
| Total | 10,888,604 | - | - | 10,888,604 |
| Debt Securities and Term Deposits | | | | |
| AAA to AA- | 563,976,609 | - | - | 563,976,609 |
| A+ to A- | 235,961,723 | - | - | 235,961,723 |
| BBB+ to BBB- | 193,602,156 | - | - | 193,602,156 |
| Not rated | 6,725,323 | - | - | 6,725,323 |
| Total | 1,000,265,811 | - | - | 1,000,265,811 |
| Total gross carrying amount | | | | |
| | 1,237,774,732 | 13,558,491 | - | 1,251,333,223 |

Notes to the Financial Statements for the Year Ended 30 June 2023

| 2022 | Stage 1 12-month ECL | Stage 2 Lifetime ECL Not credit impaired | Stage 3 Lifetime ECL Credit impaired | Total |
|--|----------------------------|--|--|----------------------|
| | \$ | \$ | \$ | \$ |
| Loans - Education | | | | |
| Low risk | 159,625,581 | - | - | 159,625,581 |
| Moderate risk | 29,611,893 | 34,674,086 | - | 64,285,979 |
| Higher risk | - | - | - | - |
| Total | 189,237,474 | 34,674,086 | - | 223,911,560 |
| Loans - Congregations | | | | |
| Low risk | 4,075,138 | - | - | 4,075,138 |
| Moderate risk | - | - | - | - |
| Higher risk | - | - | - | - |
| Total | 4,075,138 | - | - | 4,075,138 |
| Loans - Aged Care and Retirement | | | | |
| Low risk | 6,384,059 | - | - | 6,384,059 |
| Moderate risk | 1,441,087 | - | - | 1,441,087 |
| Higher risk | - | - | - | - |
| Total | 7,825,146 | - | - | 7,825,146 |
| Loans - Other | | | | |
| Low risk | 8,795,445 | - | - | 8,795,445 |
| Moderate risk | 2,860,157 | - | - | 2,860,157 |
| Higher risk | - | - | - | - |
| Total | 11,655,602 | - | - | 11,655,602 |
| Debt Securities and Term Deposits | | | | |
| AAA to AA- | 720,792,697 | - | - | 720,792,697 |
| A+ to A- | 225,172,231 | - | - | 225,172,231 |
| BBB+ to BBB- | 124,035,010 | - | - | 124,035,010 |
| Not rated | 6,725,323 | - | - | 6,725,323 |
| Total | 1,076,725,261 | - | - | 1,076,725,261 |
| Total gross carrying amount | 1,289,518,621 | 34,674,086 | - | 1,324,192,707 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

- Maintenance of constant information systems and daily monitoring of cash flows.
- Preparation and maintenance of forward looking cash flow analysis in relation to its operational, investing and financing activities.
- Maintaining a reputable credit profile.
- Managing credit risk related to financial assets including concentration limits with respect to each issuer.
- Comparing the maturity profile of financial liabilities with the realisation profile on financial assets.
- Maintenance of repurchase facilities enabling liquidation of debt securities at short notice.

APRA has imposed a 'Minimum Liquidity Holdings' requirement upon the Company under the terms of its banking licence, in accordance with APS 210 Liquidity. As at 30 June 2023, the Company maintained a minimum liquidity holdings ratio of 61.61% (2022: 51.01%)

The Company accepts deposits for the purpose of fulfilling its charitable objects in providing financial support to the Lutheran Church of Australia. Interest is offered on deposit accounts. Depositors may withdraw funds in accordance with the terms and conditions applicable to the particular deposit product.

Deposit accounts of the Company include monies deposited from constituent supporters that enable loans to be made to the nominated entity or project within its constitutional confines (which enables lending to the Lutheran Church of Australia Incorporated, and bodies under the umbrella of the Church).

Maturity Analysis

The table on the following page provides the contractual maturities of financial liabilities and financial assets held for liquidity management purposes. The contractual maturities for financial liabilities vary significantly from expected cash flows. In particular, customer deposits are consistently stable. Over the history of the Company, customer deposits have generally shown consistent growth on an annualised basis until recent times.

To aid the security of Depositors' funds, the Company maintains strong levels of liquid funds and maintains significant investments in interest bearing securities that are readily convertible to cash. Debt securities held are eligible under repurchase agreements in the event that funds are required for short-term liquidity.

Notes to the Financial Statements for the Year Ended 30 June 2023

| 30 June 2023 Maturity Analysis | | At call | Less than 12 months | Greater than 12 months | Total |
|---|----|-------------------|------------------------|---------------------------|----------------------|
| Notes | \$ | \$ | \$ | \$ | \$ |
| Financial assets held for liquidity management | | | | | |
| Cash and cash equivalents | 12 | 83,444,903 | - | - | 83,444,903 |
| Term deposits | 13 | - | 191,725,324 | - | 191,725,324 |
| Debt securities | 13 | - | 260,653,069 | 547,887,418 | 808,540,487 |
| Total Financial assets held for liquidity management | | 83,444,903 | 452,378,393 | 547,887,418 | 1,083,710,714 |

Financial liabilities

| | | | | | |
|--------------------------|----|-------------|-------------|---|----------------------|
| Depositors' funds | 16 | 955,226,603 | 225,984,569 | - | 1,181,211,172 |
| Trade and other payables | 17 | - | 2,879,582 | - | 2,879,582 |
| Other liabilities | 23 | - | 3,231,336 | - | 3,231,336 |

| | | | | | |
|------------------------------------|--|--------------------|--------------------|----------|----------------------|
| Total Financial liabilities | | 955,226,603 | 232,095,487 | - | 1,187,322,090 |
|------------------------------------|--|--------------------|--------------------|----------|----------------------|

| 30 June 2022 Maturity Analysis | | At call | Less than 12 months | Greater than 12 months | Total |
|---|----|------------|------------------------|---------------------------|--------------------|
| Notes | \$ | \$ | \$ | \$ | \$ |
| Financial assets held for liquidity management | | | | | |
| Cash and cash equivalents | 12 | 78,033,091 | - | - | 78,033,091 |
| Term deposits | 13 | - | 278,725,323 | 10,000,000 | 288,725,323 |
| Debt securities | 13 | - | 202,085,062 | 585,914,876 | 787,999,938 |

| | | | | | |
|---|--|-------------------|--------------------|--------------------|----------------------|
| Total Financial assets held for liquidity management | | 78,033,091 | 480,810,385 | 595,914,876 | 1,154,758,352 |
|---|--|-------------------|--------------------|--------------------|----------------------|

Financial liabilities

| | | | | | |
|--------------------------|----|---------------|------------|---|----------------------|
| Depositors' funds | 16 | 1,189,605,760 | 71,344,686 | - | 1,260,950,446 |
| Trade and other payables | 17 | - | 2,138,231 | - | 2,138,231 |
| Other liabilities | 23 | - | 476,462 | - | 476,462 |

| | | | | | |
|------------------------------------|--|----------------------|-------------------|----------|----------------------|
| Total Financial liabilities | | 1,189,605,760 | 73,959,379 | - | 1,263,565,139 |
|------------------------------------|--|----------------------|-------------------|----------|----------------------|

Notes to the Financial Statements for the Year Ended 30 June 2023

Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's at-call deposit and variable loan products are offered at a variable interest rate, which allows for adjustment to reflect market conditions.

The Company's primary source of interest rate risk arises from its investments in fixed term deposits and debt securities. Debt securities predominantly provide for a floating rate of interest. The term deposit product is also subject to interest rate risk as the interest rate is fixed over the term of the deposit, however, the balance of term deposits is comparatively smaller.

The following table details the categories of financial instruments disclosed in the financial accounts, the interest rate assessed risk level and the reasoning.

| Financial instrument category | Assessed risk | Reasoning |
|-------------------------------|---------------|--|
| Financial assets | | |
| Cash and cash equivalents | Low | Cash is maintained at variable interest rates. |
| Receivables | Low | Short-term asset – not affected by changes in interest rates. |
| Loans | Medium | Loan interest rates are variable and periodically adjusted to market conditions. |
| Investments | Medium | Financial assets are predominantly fixed interest investments and floating rate notes. |

Financial liabilities

| | | |
|--------------------------|--------|---|
| Depositors' funds | Medium | Monies deposited with the Company are at call or on term deposits with a maximum term of 6 months. Deposit interest rates are periodically adjusted to market conditions. |
| Trade and other payables | Low | Short-term liabilities - not affected by changes in interest rates. |

The net effective variable interest rate investments expose the Company to interest rate risk which will impact future cash flows and interest income. This is indicated by the following floating interest rate financial assets.

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Floating rate instruments | | |
| Debt securities | 566,772,023 | 590,288,151 |
| Term deposits | - | 10,000,000 |
| Total floating rate instruments | 566,772,023 | 600,288,151 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Sensitivity Analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

The sensitivities reflect the change in return that would be expected in relation to the Company's at call funds and floating rate debt securities. The analysis assumes no change in interest income from loans advanced or interest expense on depositor funds.

| Year ended 30 June 2023 | | Profit | Equity |
|-------------------------|----------------|-------------|-------------|
| | | \$ | \$ |
| + 1.50 bps | Interest rates | 10,661,370 | 10,661,370 |
| - 0.50 bps | Interest rates | (3,482,755) | (3,482,755) |

| Year ended 30 June 2022 | | Profit | Equity |
|-------------------------|----------------|-------------|-------------|
| | | \$ | \$ |
| + 1.50 bps | Interest rates | 11,244,099 | 11,244,099 |
| - 0.50 bps | Interest rates | (3,417,844) | (3,417,844) |

Note 20 Fair Value

The Company measures fair value using the fair value hierarchy in accordance with AASB 13 as follows:

| | |
|---------|--|
| Level 1 | Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Inputs that are unobservable inputs for the asset or liability. |

The fair values reported in these financial statements reflect 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 reporting date. All asset fair values reported reflect the highest and best use of the relevant assets.

There were no transfers between fair value hierarchies during the reporting period.

Fair Values of Financial Instruments

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts presented in the statement of financial position.

Differences between fair values and carrying values of financial instruments with variable interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. These instruments which are carried at amortised cost are held to maturity and therefore the fair value amounts bear little relevance to the Company.

Valuations using observable inputs – Level 2

Fair values of deposit assets, deposit liabilities, trade and other receivables and trade and other payables approximate their carrying value.

Fair values of debt securities such as floating rate notes and mortgage-backed securities are measured on a Level 2 basis, reflecting observable market values sourced from broker quotes and independent pricing services.

Valuations using significant unobservable inputs – Level 3

Fair values of loans and advances are determined using discounted cash flow techniques based on the current effective interest rates.

Notes to the Financial Statements for the Year Ended 30 June 2023

| 30 June 2023 | | Gross carrying amount | Fair values | Fair value hierarchy |
|--|------|-----------------------|----------------------|----------------------|
| Financial instruments not measured at fair value | Note | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 12 | 83,444,903 | 83,444,903 | Level 1 |
| Term deposits | 13 | 191,725,324 | 192,485,448 | Level 2 |
| Loans and advances | 15 | 251,067,412 | 251,067,412 | Level 3 |
| Trade and other receivables | 14 | 248,202 | 248,202 | Level 3 |
| Debt securities | 13 | 808,540,487 | 798,563,273 | Level 2 |
| Other assets | 22 | 8,170,813 | 8,170,813 | Level 2 |
| Total financial assets | | 1,343,197,141 | 1,333,980,051 | |
| Financial liabilities | | | | |
| Depositors' funds | 16 | 1,181,211,172 | 1,181,211,172 | Level 2 |
| Trade and other payables | 17 | 2,879,582 | 2,879,582 | Level 3 |
| Other liabilities | 23 | 3,231,336 | 3,231,336 | Level 3 |
| Total financial liabilities | | 1,187,322,090 | 1,187,322,090 | |

| 30 June 2022 | | Gross carrying amount | Fair values | Fair value hierarchy |
|--|------|-----------------------|----------------------|----------------------|
| Financial instruments not measured at fair value | Note | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 12 | 78,033,091 | 78,033,091 | Level 1 |
| Term deposits | 13 | 288,725,323 | 289,072,432 | Level 2 |
| Loans and advances | 15 | 247,480,213 | 247,480,213 | Level 3 |
| Trade and other receivables | 14 | 71,236 | 71,236 | Level 3 |
| Debt securities | 13 | 787,999,938 | 775,195,165 | Level 2 |
| Other assets | 22 | 2,235,365 | 2,235,365 | Level 2 |
| Total financial assets | | 1,404,545,166 | 1,392,087,502 | |
| Financial liabilities | | | | |
| Depositors' funds | 16 | 1,260,950,446 | 1,260,950,446 | Level 2 |
| Trade and other payables | 17 | 2,138,231 | 2,138,231 | Level 3 |
| Other liabilities | 23 | 476,462 | 476,462 | Level 3 |
| Total financial liabilities | | 1,263,565,139 | 1,263,565,139 | |

Notes to the Financial Statements for the Year Ended 30 June 2023

Other Assets and Liabilities

Note 21 Property and Equipment

Accounting Policy

Property and equipment

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

Property

Freehold land and buildings are shown at their fair value, based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Board conduct Board valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Equipment

Equipment is measured on the cost basis and is therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in income and expenditure or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's 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 repairs and maintenance are recognised as expenses in income and expenditure in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings (other than a revaluation year) but excluding freehold land, is depreciated on a straight line basis over the assets useful life to the Company commencing from the time the asset' is held ready for use.

The depreciation rates used for each class of depreciable assets for the current and comparable period are:

| Class of fixed asset | Depreciation rate |
|------------------------|-------------------|
| Buildings | 2.5% |
| Plant and equipment | 10.0 - 33.3% |
| Furniture and fittings | 10.0 - 33.3% |
| Motor vehicles | 20.0% |

The 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 income and expenditure. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surpluses.

Key judgements and estimates

Impairment

The freehold land and buildings were independently valued at 30 June 2023 by McGees Property. The valuation was based on fair value less costs of disposal. The critical assumptions adopted in determining the valuation included location of the land and buildings, strong demand in the locality of the premises and recent sales data.

Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Notes to the Financial Statements for the Year Ended 30 June 2023

| | 2023 | 2022 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Freehold Land at: | | |
| Independent valuation 2023 | 6,660,000 | 5,535,000 |
| Total land | 6,660,000 | 5,535,000 |
| Buildings at: | | |
| Independent valuation 2023 | 1,830,000 | 1,900,000 |
| Additions at cost | - | 119,164 |
| Less: accumulated depreciation | - | (50,479) |
| Total buildings | 1,830,000 | 1,968,685 |
| Total land and buildings | 8,490,000 | 7,503,685 |

| | 2023 | 2022 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Furniture and fittings | 277,757 | 275,892 |
| Less: accumulated depreciation | (264,381) | (254,072) |
| | 13,376 | 21,820 |
| Motor vehicles | - | - |
| Less: accumulated depreciation | - | - |
| | - | - |
| Plant and equipment | 873,155 | 782,932 |
| Less: accumulated depreciation | (717,879) | (653,552) |
| | 155,276 | 129,380 |
| Total equipment | 168,652 | 151,200 |
| Total property and equipment | 8,658,652 | 7,654,885 |

Asset Revaluations

The freehold land and buildings were independently valued at 30 June 2023 by McGees Property.

| Property | Date | \$ |
|---|-----------|------------------|
| Flats (8) - North Adelaide | June 2023 | 2,880,000 |
| Office building and land - North Adelaide | June 2023 | 5,610,000 |
| Total property | | 8,490,000 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Movement in carrying amounts for each class of property and equipment between the beginning and end of the financial year.

| 2022 | Land and Buildings Occupied | Land and Buildings Leased | Furniture and Fittings | Motor Vehicles | Equipment | Total |
|---|-----------------------------|---------------------------|------------------------|----------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at the beginning of the year | 4,875,000 | 2,890,000 | 31,992 | 73,955 | 81,351 | 7,952,298 |
| Additions | 119,164 | - | - | - | 105,658 | 224,822 |
| Disposals | - | (329,127) | - | (62,465) | - | (391,592) |
| Depreciation expense | (51,352) | - | (10,172) | (11,490) | (57,629) | (130,643) |
| Revaluation movement | - | - | - | - | - | - |
| Carrying amount at the end of the year | 4,942,812 | 2,560,873 | 21,820 | - | 129,380 | 7,654,885 |

| 2023 | Land and Buildings Occupied | Land and Buildings Leased | Furniture and Fittings | Motor Vehicles | Equipment | Total |
|---|-----------------------------|---------------------------|------------------------|----------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at the beginning of the year | 4,942,812 | 2,560,873 | 21,820 | - | 129,380 | 7,654,885 |
| Additions | 11,672 | - | 1,865 | - | 92,714 | 106,251 |
| Disposals | - | - | - | - | (417) | (417) |
| Depreciation expense | (29,521) | (21,250) | (10,309) | - | (66,401) | (127,481) |
| Adjustments | 22,123 | (22,123) | - | - | - | - |
| Revaluation movement | 662,914 | 362,500 | - | - | - | 1,025,414 |
| Carrying amount at the end of the year | 5,610,000 | 2,880,000 | 13,376 | - | 155,276 | 8,658,652 |

Leased Land and Buildings

The company leases buildings to external parties with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

| | Current (< 1 year) | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | > 5 years | Total |
|---|--------------------|--------------|--------------|--------------|--------------|-----------|---------|
| 2023 - Undiscounted annual lease payments | 77,410 | - | - | - | - | - | 77,410 |
| 2022 - Undiscounted annual lease payments | 91,200 | 18,600 | - | - | - | - | 109,800 |

Risk Management

The leased properties are residential properties subject to residential tenancies. The North Adelaide Flats are generally subject to renewable lease agreements of up to 12 months in duration. The Company manages the risks relating to leased properties by having residential lease agreements in place, whereby the tenant is required to compensate the Company in respect of early termination of lease agreements and damage other than acceptable 'wear and tear'.

Notes to the Financial Statements for the Year Ended 30 June 2023

Fair Value

The Company measures and recognises land and buildings at fair value on a recurring basis in the statement of financial position after initial recognition.

| 30 June 2023 Recurring fair value measurements in the statement of financial position | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|-------|---------|---------|---------|-------|
| | | \$ | \$ | \$ | \$ |

Non-financial assets

| | | | | | |
|--|--|---|------------------|---|------------------|
| Freehold land | | - | 6,660,000 | - | 6,660,000 |
| Buildings | | - | 1,830,000 | - | 1,830,000 |
| Total non-financial assets measured at fair value | | - | 8,490,000 | - | 8,490,000 |

| 30 June 2022 Recurring fair value measurements in the statement of financial position | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|-------|---------|---------|---------|-------|
| | | \$ | \$ | \$ | \$ |

Non-financial assets

| | | | | | |
|--|--|---|------------------|---|------------------|
| Freehold land | | - | 5,535,000 | - | 5,535,000 |
| Buildings | | - | 1,900,000 | - | 1,900,000 |
| Total non-financial assets measured at fair value | | - | 7,435,000 | - | 7,435,000 |

Land and buildings are measured on a Level 2 basis using a market approach. The market approach uses prices and other relevant information generated by transactions involving similar or comparable assets. The income approach is then used to validate the estimated fair value of the asset by applying a capitalisation rate to the net sustainable income from rent of the property. Capitalisation rates and estimates of market rent are based on prices and other relevant information generated by transactions involving similar or comparable assets.

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|------------------------------------|---|--|
| Capitalised income approach | Offices The valuation model estimates the market net rental yield for the property if the property were leased to arms-length tenants, having regard to rental yields observed for comparable properties. Net market rent \$259,525 per annum Capitalisation rate 4.50% - 4.75% | The estimated market value would increase if: • Net market rent was higher • Capitalisation rate was lower |
| Market approach | Offices The valuation model estimates market value by comparing against sale prices observed for other similar properties. Flats \$360,000 per flat | The estimated market value would increase if: • Land values increased • Buildings were improved |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 22 Other Assets

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Interest accrued - investment securities | 8,170,809 | 2,235,361 |
| Interest accrued - loans and overdrafts | 4 | 4 |
| Total | 8,170,813 | 2,235,365 |

Note 23 Other Liabilities

| | 2023 | 2022 |
|--|------------------|----------------|
| | \$ | \$ |
| Other financial liabilities | | |
| Accrued interest | 3,137,293 | 344,735 |
| Accrued expenses | 94,043 | 131,727 |
| Total other financial liabilities | 3,231,336 | 476,462 |
| Goods and Services Tax | 161,817 | 98,457 |
| Total other liabilities | 3,393,153 | 574,919 |

Note 24 Provisions

Accounting Policy

Short-term employee provisions

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Short-term benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered their service including wages, salaries and annual leave. Short-term benefits are measured at the undiscounted amounts expected to be paid.

Long-term employee provisions

Provision is made for employees' long service leave not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees rendered their service. Long-term employee benefits are measured at the present value of the expected future payments. Expected future payments incorporate anticipated future wage and salary levels, durations of service and expected departures and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations the net change is recognised in income and expenditure as part of provision expense.

Notes to the Financial Statements for the Year Ended 30 June 2023

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Employee benefits - Annual leave | 308,356 | 276,422 |
| Employee benefits - Long service leave | 151,551 | 219,881 |
| Employee benefits - Other | - | 119,788 |
| Unclaimed monies | 38,224 | 42,028 |
| Unclaimed depositors | 501 | - |
| Total | 498,632 | 658,119 |

Analysis of provisions

| | 2023 | 2022 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Settled within 12 months | 228,088 | 259,521 |
| Settled greater than 12 months | 270,544 | 398,598 |
| Total | 498,632 | 658,119 |

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have been vested due to employees having completed their required period of service. Based on past experience, the Company does not expect the full amount of annual or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement on these amounts in the event employees wish to use their leave entitlements.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 25 Intangible Assets

Accounting Policy

Software is recognised at cost. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. Software has an estimated useful life of between one and five years. It is assessed when there is an indication of impairment.

| | 2023 | 2022 |
|--------------------------------|----------------|---------------|
| | \$ | \$ |
| Computer software - at cost | 2,290,253 | 2,099,357 |
| Less: accumulated amortisation | (2,115,602) | (2,034,695) |
| | 174,651 | 64,662 |

Movement in carrying amounts

| 2023 | Note | Acquired computer software | Total |
|-----------------------------------|------|----------------------------|----------------|
| | | \$ | \$ |
| Balance at the beginning of year | | 64,662 | 64,662 |
| Additions | | 190,896 | 190,896 |
| Disposals | | - | - |
| Write offs | | - | - |
| Amortisation expense | 9 | (80,907) | (80,907) |
| Impairment losses | | - | - |
| Balance at the end of year | | 174,651 | 174,651 |

| 2022 | Note | Acquired computer software | Total |
|-----------------------------------|------|----------------------------|---------------|
| | | \$ | \$ |
| Balance at the beginning of year | | 193,550 | 193,550 |
| Additions | | 44,584 | 44,584 |
| Disposals | | - | - |
| Write offs | | (11,440) | (11,440) |
| Amortisation expense | 9 | (162,032) | (162,032) |
| Impairment losses | | - | - |
| Balance at the end of year | | 64,662 | 64,662 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Capital Management

Note 26 Reserves

Accounting Policy

The Company maintains reserves as part of its equity to represent net assets that are held and utilised for specific purposes consistent with the objects of the company.

This is consistent with the policy of the Company's Board that moneys contributed by various supporters are identified as part of its capital base and aid the long-term sustainability of the LLL.

The Company makes annual grants to various LCA projects in relation to some of these reserves. The grants are recorded as part of 'benefits and services' costs as reported at Note 10 and are calculated using the standard loan lending rate of the Company as applied to the balance of the underlying reserve.

A brief explanation of each reserve account is as follows:

Asset Revaluation Reserve

The Asset Revaluation Reserve records revaluation increments and decrements arising from the revaluation of land and buildings.

Capital Reserve

The Board uses this reserve to set-aside funds from accumulated surpluses to aid the capital adequacy of the Company. This reserve contains those allocations and is an important component of the prudential management practices of the Company. The Capital Reserve is also used to offset increases or decreases in the general reserve for credit losses to ensure non-distributable reserves are maintained in accord with mandatory prudential requirements.

General Reserve for Credit Losses

The General Reserve for Credit Losses (GRCL) is a reserve maintained voluntarily by the Company to provide freely available capital which may be used to meet credit losses should they arise in the future. This reserve is maintained in addition to prudential requirements with respect to provisioning for credit losses referred to in these financial statements.

Donations Reserve

General donations received from supporters of the LLL are set-aside to this reserve account. These moneys are specifically identified in this way to ensure that donated money is reflected in the capital base of the Company.

In-Memoriam Donations Reserve

Donations received in honour of deceased persons are set-aside to this reserve account and form part of the capital base of the company.

LLL Church Worker Support Fund Reserve

This reserve account was formerly known as the Mission Lay Helper Fund and reflects moneys set aside and donated for the support of ministry performed by Lutheran Church of Australia Incorporated church workers. The reserve was created in honour of two esteemed church workers, Ben Koch and John Dolling. Both men were former leaders of The Company in its development and growth. Annual grants are paid in relation to this reserve and made available for appropriate church worker support.

Legacies Reserve

This reserve sets-aside as capital all moneys bequeathed to the Company other than those moneys that are bequeathed for special purposes. Special purpose legacies are allocated directly to appropriate specified reserves.

LLL ALWS Support Fund Reserve

This reserve is moneys set aside for the support of Australian Lutheran World Service (ALWS). The reserve amount records moneys donated to the Company for this purpose together with allocations made by the Board. Annual grants are paid in relation to this reserve and made available for ALWS mission purposes.

LLL Local Mission Support Fund Reserve

Moneys allocated by the Board together with specific donations and bequests for the purpose of providing resources for new local ministry in the LCA. Annual grants are paid in relation to this reserve and made available to the LCA to support local mission projects.

LLL Lutheran Media Support Fund Reserve

Moneys set aside by the Board together with donations and legacies have created and added to this reserve for the purposes of Lutheran Media Ministries. Annual grants are paid in relation to this reserve and made available to the Lutheran Church for the specific purpose of media ministry.

Notes to the Financial Statements for the Year Ended 30 June 2023

LLL Ministry Support Fund Reserve

The Board established the Ministry Support Fund Reserve for the purposes of setting aside additional funding for the LCA in its endeavours of faith development and evangelism. Annual grants are paid in relation to this reserve for these purposes.

LLL International Mission Support Fund Reserve

This reserve account was formerly known as LLL Overseas Mission Fund. Funds set aside by the Board together with specified donations and bequests for the direct support of overseas evangelism and ministry of the LCA. Annual grants are paid in relation to this reserve for these purposes of expending on appropriate international mission projects.

LLL Training and Development Support Fund Reserve

This reserve account was formerly known as LLL Scholarship Fund. Funds set aside by the Board together with specified donations and bequests for the direct purpose of providing training and development funding. Annual grants are paid to the LCA in relation to this reserve for training and development purposes.

LLL Special Purposes Fund Reserve

This reserve represents a composite of moneys set aside for specific purposes and arises from specified donations and bequests including Board allocations. A subsidiary schedule of purposes is maintained by the Company to honour the intended purposes of the moneys pledged and that are held for specific purposes. This reserve includes the capital component of LLL Tract Mission Fund. Annual grants are made available commensurate with this reserve for direct project expenditure for the relevant special purposes.

LLL Child, Youth & Family Support Fund Reserve

Capital set aside by the Board together with accumulated donations for the purpose of child, youth and family ministry support of the LCA. Annual grants are paid to the LCA in relation to this reserve for these ministry purposes.

Asset Revaluation Reserve

The Asset Revaluation reserve consists of the following;

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Valuation increments on Flats (8) - North Adelaide | 2,507,355 | 2,144,855 |
| Valuation increments on Office building and land-North Adelaide | 3,483,871 | 2,820,957 |
| Total | 5,991,226 | 4,965,812 |

Other Reserves

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Capital Reserve | 36,975,924 | 36,975,924 |
| General Reserve for Credit Losses | 2,000,000 | 2,000,000 |
| Donations Reserve | 1,213,109 | 1,206,838 |
| In Memoriam Donations Reserve | 215,002 | 199,558 |
| LLL Church Worker Support Fund Reserve | 1,620,495 | 1,620,485 |
| Legacies Reserve | 27,444,933 | 27,230,151 |
| LLL ALWS Support Fund Reserve | 1,996,794 | 1,996,226 |
| LLL Local Mission Support Fund Reserve | 11,731,107 | 11,731,099 |
| LLL Lutheran Media Support Fund Reserve | 584,191 | 584,191 |
| LLL Ministry Support Fund Reserve | 18,003,500 | 18,000,000 |
| LLL International Mission Support Fund Reserve | 5,705,995 | 5,705,995 |
| LLL Training and Development Support Fund Reserve | 1,509,421 | 1,509,421 |
| LLL Special Purposes Fund Reserve | 16,800,964 | 15,219,776 |
| LLL Child, Youth & Family Support Fund Reserve | 1,108,167 | 1,108,167 |
| Total | 126,909,602 | 125,087,831 |
| Total reserves | 132,900,828 | 130,053,643 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Unrecognised Items

Note 27 Contingent Liabilities and Credit Commitments

As at the reporting date, the Company had approved credit facilities to LCA bodies that were not as yet drawn. This included standard principal and interest loan facilities that were authorised but not advanced together with short term overdraft facilities provided to some educational bodies.

| | 2023 | 2022 |
|-------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Loan commitments | | |
| Loans approved but not yet advanced | 76,637,993 | 79,452,256 |
| Undrawn overdraft facilities | - | 1,200,000 |
| Total loan commitments | 76,637,993 | 80,652,256 |

Other Disclosures

Note 28 Capital Adequacy

The Company is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959 (Cth). APRA has set minimum Prudential Capital Requirements (PCR) for ADIs consistent with the Basel Committee on Banking Supervision (BCBS) capital adequacy framework. PCR are expressed as a percentage of total risk-weighted assets. APRA requirements are summarised below with respect to all ADI's in Australia:

| Common Equity Tier 1 (CET 1) | Tier 1 Capital | Total Capital |
|---|---|---|
| 4.5% minimum | 6.0% minimum | 8.0% minimum |
| Comprises the highest quality of capital that consists of retained profits, plus certain other items recognised as the highest quality components of capital. | CET1 capital plus certain securities with complying loss absorbing characteristics. | The sum of Tier 1 Capital and Tier 2 Capital. Tier 2 Capital includes subordinated instruments and other components of capital that, to varying degrees, do not meet the criteria for Tier 1 Capital, but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses. |

APRA also requires ADIs to hold additional CET1 buffers comprising of:

- A capital conservation buffer above the PCR for CET1 capital. The capital conservation buffer is 2.5% of the ADI's total risk-weighted assets.
- A countercyclical capital buffer. The countercyclical buffer is set on a jurisdictional basis and APRA is responsible for setting the requirement in Australia. The countercyclical buffer requirement is currently set to 1% of total risk-weighted assets for Australia.

Collectively, the above buffers are referred to as the "Capital Buffer" (CB). The PCR that APRA has set for the Company is confidential under authorising conditions set by APRA. The Company complied with all Prudential Capital Requirements set by APRA at all relevant times during the year ended 30 June 2023.

Notes to the Financial Statements for the Year Ended 30 June 2023

APRA may determine higher PCR for an ADI and may change an ADI's PCR at any time. A breach of the required ratios under APRA's Prudential Standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital.

Capital ratios are monitored against internal capital targets that are set by the Board over and above minimum capital requirements set by APRA.

The Board and Senior Executive Team manage the capital of the Company to ensure protection of depositors' funds and to fulfil the constitutional objects of the Company in support of the Lutheran Church of Australia.

The Company has a very strong and responsible management policy in relation to capital management of funds including the establishment and growth of permanent funds through reserves. Its guidelines ensure minimisation of credit risk and maximisation of capital preservation. The guidelines are extremely conservative and limit the Company to investments of a non-speculative nature.

The table below represents all items included in the prudential capital of the Company, in accordance with APS 111 Capital Adequacy: Measurement of Capital.

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Common Equity Tier 1 Capital | | |
| Retained Surpluses | 30,743,077 | 17,432,355 |
| Capital Reserve | 36,975,924 | 36,975,924 |
| Donations Reserve | 1,213,109 | 1,206,838 |
| In Memoriam Donations Reserve | 215,002 | 199,558 |
| LLL Church Worker Support Fund Reserve | 1,620,495 | 1,620,485 |
| Legacies Reserve | 27,444,933 | 27,230,151 |
| LLL ALWS Support Fund Reserve | 1,996,794 | 1,996,226 |
| LLL Local Mission Support Fund Reserve | 11,731,107 | 11,731,098 |
| LLL Lutheran Media Support Fund Reserve | 584,191 | 584,192 |
| LLL Ministry Support Fund Reserve | 18,003,500 | 18,000,000 |
| LLL International Mission Support Fund Reserve | 5,705,995 | 5,705,995 |
| LLL Training and Development Support Fund Reserve | 1,509,421 | 1,509,421 |
| LLL Special Purposes Fund Reserve | 16,800,964 | 15,219,776 |
| LLL Child, Youth & Family Support Fund Reserve | 1,108,167 | 1,108,167 |
| Asset Revaluation Reserve | 5,991,226 | 4,965,812 |
| Adjustments to Common Equity Tier 1 Capital | | |
| Capitalised expenses—IT software costs | (174,652) | (64,662) |
| Unrealised losses on debt securities | (11,439,768) | - |
| Total Common Equity Tier 1 Capital | 150,029,485 | 145,421,336 |
| Tier 2 Capital | | |
| General Reserve for Credit Losses | 2,000,000 | 2,000,000 |
| Collective Provisions | 404,000 | 457,000 |
| Total Tier 2 Capital | 2,404,000 | 2,457,000 |
| Total Prudential Capital | 152,433,485 | 147,878,336 |
| Regulatory Capital Ratio | 21.74% | 20.45% |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 29 Notes to the Statement of Cash Flows

Reconciliation of cash flows from operating activities with net surplus

| | 2023 | 2022 |
|--|---------------------|--------------------|
| | \$ | \$ |
| Surplus from operations | 15,132,493 | 3,910,812 |
| Non cash flows in surplus | | |
| Amortisation of intangible assets | 80,907 | 162,032 |
| Depreciation | 127,481 | 130,643 |
| Loss (Profit) on sale of non-current assets | 417 | (71,297) |
| Unclaimed monies and deposits transferred to income | - | - |
| Impairment (release) charge on loans and investments | (53,000) | 67,000 |
| Intangible assets expensed | | 11,440 |
| Change in assets and liabilities | | |
| Increase in trade payables and accruals | 763,724 | 683,586 |
| (Decrease) Increase in provisions | (156,184) | 54,869 |
| (Increase) Decrease in accrued interest receivables | (6,133,749) | 37,939 |
| Increase in accrued interest payable | 2,792,558 | 282,817 |
| Net (Increase) Decrease in loan facilities | (3,565,864) | 13,594,800 |
| Net (Decrease) in Depositors' funds | (79,739,274) | (28,624,140) |
| Total | (70,750,491) | (9,759,499) |

Reconciliation of Cash

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

| | 2023 | 2022 |
|--------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank and at call | 83,444,903 | 78,033,091 |
| Total | 83,444,903 | 78,033,091 |

Cash includes cash at bank and on hand and deposits held at-call with banks.

Note 30 Related Party Disclosures

Remuneration of Key Management Personnel

The Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director of the Company. Control is the power to govern the financial and operating policies of the Company so as to obtain benefits from its activities.

Key management personnel comprise the 8 (2022: 9) Directors of the Company, the Chief Executive Officer and six Executive Staff. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for, but excluding out of pocket expense reimbursements, was as follows:

| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Key Management Personnel Compensation | | |
| - short term employee benefits | 2,736,055 | 1,680,303 |
| - post employment benefits | 279,253 | 165,409 |
| - other long term benefits | - | - |
| Total | 3,015,308 | 1,845,712 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Deposit accounts held by Key Management Personnel

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Total value of deposit accounts from Key Management Personnel | 394,112 | 315,874 |
| Total | 394,112 | 315,874 |
| Total interest paid on deposit accounts | 3,039 | 160 |

Other related parties

The Lutheran Church of Australia Incorporated and its related entities are related parties of the Company.

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loan balances outstanding – LCA and related parties | 251,067,412 | 247,690,141 |
| Total | 251,067,412 | 247,690,141 |
| Total interest received on loans | 7,914,881 | 4,567,578 |

The above represents outstanding loans made to the LCA and its related entities together with interest received and accrued on those loans for the financial year ended 30 June 2023.

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Total value of deposit accounts from the LCA and its related entities | 501,060,909 | 508,267,493 |
| Total | 501,060,909 | 508,267,493 |
| Total interest paid on deposit accounts | 6,757,216 | 303,937 |

The above represents total deposits from the LCA and its related entities together with interest paid and accrued on those deposits for the financial year ended 30 June 2023.

Note 31 Auditor's Remuneration

| | 2023 | 2022 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| Remuneration of the audit firm | | |
| Auditing the financial report | 255,078 | 88,312 |
| Other regulatory assurance services | 49,483 | 46,254 |
| Other services | 46,478 | 173,331 |
| Total | 351,039 | 307,897 |

Notes to the Financial Statements for the Year Ended 30 June 2023

Note 32 Subsequent Events

Subsequent to the reporting date, LLL received correspondence from APRA advising that APRA had determined that LLL was in breach of certain related entity exposure limits and notification requirements under Prudential Standard APS 222 Associations with Related Entities (APS 222) (APRA decision). Relevantly, APS 222 establishes certain limits (as a proportion of available prudential capital) on an ADI's exposure to its related entities because of transactions between the ADI and those related entities.

The basis for APRA's conclusion was that it had assessed that LLL was a related entity of the LCAZ, its Districts, congregations, Lutheran education bodies and schools (collectively LCAZ bodies) for the purposes of APS 222. Given the conditions imposed by APRA on LLL's Authority to carry on banking business (ADI licence) at the time of its grant in 2019 (which specify that LLL may **only** provide loans to the LCAZ and LCAZ bodies), the effect of APRA's application and renewed interpretation of the related entity definition in APS 222 is that APRA considers that 100% of LLL's lending arrangements are with its related entities, meaning that LLL was in breach of all relevant exposure limits.

The nature of LLL's lending activities have not changed materially since it received its ADI licence in February 2019. APRA's conclusion follows because of changes to the definition and interpretation of 'related entity' in APS 222, which took effect on 1 January 2022. These changes had the effect of significantly broadening the definition of 'related entity' compared with the definition that applied at the time LLL was granted its ADI licence. As a result, the types of LLL borrowers that are caught by the updated definition of 'related entity', and therefore must be counted when calculating exposure limits, has expanded materially.

Following receipt of APRA's decision, the LLL Board has determined that, given the conditional nature of LLL's ADI licence and the overarching requirement established in LLL's constitution to promote its charitable purposes and mission to support the LCAZ, it is no longer feasible for LLL to continue to operate as an ADI. While the precise details of any transition are yet to be resolved upon and are subject to ongoing engagement with APRA and other regulators, the Board has decided that LLL should cease operating as an ADI, and instead transition to operating as a Religious Charitable Development Fund (RCDF), taking advantage of exemptions made available by the Australian Securities and Investments Commission (ASIC) in respect of certain regulatory obligations under the Corporations Act 2001 (Cth).

LLL will continue operations as an ADI on a business-as-usual basis in the next few months, such that there will be no immediate change for depositors or borrowers. As and when further detail of the approved transitional arrangements become available, further communications with depositors and borrowers will follow, with the transition expected to be completed by the end of 2024.

LLL has received approval of transitional relief from Australian Securities and Investments Commission (ASIC) on 31 January 2024. The transition relief period will end on 28 February 2025.

LLL has developed a Liquidity Strategy in preparation for the transition to an RCDF and has maintained a higher level of liquid assets and Minimum Liquidity Holdings. As at 31 December 2023, LLL maintained liquid assets of \$964.9m and a minimum liquidity holdings ratio of 77.78% (June 2023: 61.61%).

The maturity profile of LLL's investments has changed as a result of holding a higher level of liquid assets. As at 31 December 2023, LLL held cash and cash equivalents of \$537.0m (June 2023: \$83.4m), Term deposits of \$77.7m (June 2023: \$191.7m) and Debt securities of \$446.3m (June 2023: \$808.5m) of which, \$119.6m is due to mature before 30 June 2024 and another \$81.7m due to mature by 31 December 2024.

Note 33 Restatement of Comparative Balances

The comparative Statement of Cash flows have been restated for the period ended 30 June 2022 as a result of presenting cashflows from Interest bearing securities on a net basis rather than presenting it on a gross basis. The impact of this restatement is that the net cash flows incurred on interest bearing securities \$9.9m have been restated to gross basis showing the cash flows incurred on purchase of interest bearing securities \$751.8m and cash flows from disposal of interest bearing securities \$761.7m, separately. There is no impact on the Company's Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position as a result of this adjustment.

Note 34 Entity Details

The registered office of the Company is:

Lutheran Laypeople's League of Australia Limited
175 Archer Street
North Adelaide SA 5006

The principal place of business is:

Lutheran Laypeople's League of Australia Limited
175 Archer Street
North Adelaide SA 5006

Notes to the Financial Statements for the Year Ended 30 June 2023

Directors' Declaration

In the Directors' opinion

- a. The financial statements and notes, as set out on pages 31 to 72 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and the Corporations Act 2001 including:
 - i. giving a true and fair view of the financial position of the Entity as at 30 June 2023 and of its performance for the year ended on that date; and
 - ii. complying with Australia Accounting Standards, the Corporations Regulations 2001, Australian Charities and Not-for-profits Commission Regulations 2022.
- b. there are reasonable grounds to believe that Lutheran Laypeople's League of Australia Limited will be able to pay its debts as and when they fall due and payable.

Signed in accordance with a resolution of the Directors.

For and on behalf of the Board by:



Steve Podlich
Director, Chairperson



David Kalisch
Director, Vice Chairperson

Dated the 15th day of February 2024



Independent Auditor's Report

To the members of Lutheran Laypeople's League of Australia Limited

Opinion

We have audited the **Financial Report**, of the Lutheran Laypeople's League of Australia Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022 (ACNCR)*.

The **Financial Report** comprises:

- i. Statement of Financial Position as at 30 June 2023.
- ii. Statement of Income and Expenditure and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' Declaration.

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 Company in accordance with the auditor independence requirements of the *ACNC Act 2012* 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.

We confirm that the independence declaration required by the *ACNC Act 2012*, which has been given to the Directors of the Company on 14 February 2024, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Material uncertainty related to going concern

We draw attention to Note 2 in the Financial Report. The conditions disclosed in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect to this matter.



Emphasis of matter – restatement of comparative balances

We draw attention to Note 33 in the Financial Report, which describes that the Statement of Cash Flows has been restated. Our opinion is not modified in respect of this matter.

Other information

Other Information is financial and non-financial information in Company'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 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:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and ACNCR.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the 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 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:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 this Financial Report.

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

We also:



- i. 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.
- ii. 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 registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. 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 registered 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 registered Company to cease to continue as a going concern.
- v. 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 of the registered Company 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.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in blue ink, appearing to read 'Neil Ediriweera'.

Neil Ediriweera
Partner

Adelaide

16 February 2024

LLL Annual Report

for the year ended 30 June 2023

