transport mutual credit union®

2020 Annual Financial Report

Registered Office:
Ground Floor
410 Elizabeth Street Surry Hills NSW 2010
ABN 78 087 650 600
AFSL / Australian Credit License 240718

Notice of 56th Annual General Meeting

The 56th Annual General Meeting of Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held at as a hybrid online event, due to COVID-19 precautions. Members are strongly encouraged to consider attending the meeting online rather than in person. Full details of the meeting will be sent to Members in early November. The live event will be held on Friday 27th November 2020, commencing at 1:30pm and will be broadcast from TMCU Head Office, Ground Floor, 410 Elizabeth Street Surry Hills NSW.

Members of the Board of Directors

Anthony Dann	Chair, Board Audit Committee Member, Board Risk Committee Member
Vince Taranto	Deputy Chair, Product Innovation Committee Chair
Meredyth-Ann Williams	Director, Board Audit Committee Deputy Chair, Board Risk Committee Deputy Chair
Jacqui McDonald	Director, Board Risk Committee Chair, Board Audit Committee Member, Whistleblower Complaints Officer
Clement Siu	Director, Board Audit Committee Chair, Board Risk Committee Member, Product Innovation Committee Member
Philip Mortimer	Director
Robert Picone	Director

Administration

John Kavalieros	Chief Executive Officer & Company Secretary
Kathy Loutas	Finance Manager
John Watt	Operations Supervisor
Greg Arvanitakis	Senior Operations Officer
Harry Maragos	Loans and I.T. Officer
Jack Lehane	Accounts Officer
Omar Bahbah	Trainee Member Services Officer

External Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street, Sydney NSW

Internal Auditor

DBP Consulting Pty Ltd
Level 9, 24 Albert Road, South Melbourne VIC

Solicitors

Daniels Bengtsson Lawyers
Level 8, 46 Market Street, Sydney NSW

Hall & Wilcox Lawyers
Level 18, 347 Kent Street, Sydney NSW

Bankers

Cuscal Limited Centralised Banking Scheme – National Australia Bank
1 Margaret Street, Sydney NSW

Transport Mutual Credit Union Limited

Year ended 30 June 2020

Abbreviations

AFSL — **Australian Financial Services Licence**

Financial Services law covering the provision of banking services and credit.

APRA — **Australian Prudential Regulation Authority**

Federal Government regulatory body responsible for the prudential supervision of banks, life insurers, general insurers, superannuation funds, building societies, Credit Unions and friendly societies. APRA is fully funded by the industries that it supervises. TMCU contributes to APRA's costs via an annual supervisory levy.

ASIC — **Australian Securities and Investments Commission**

Federal Government corporate and financial services regulator. Regulations include advising, selling and disclosure of financial products and services, protection of markets and consumers from manipulation, deception and unfair practices, and promotion of honesty and fairness in securities and futures markets and in company affairs.

CUFSS — **CUFSS Limited**

An industry based liquidity support provider with the objective of protecting the interests of Credit Union Members as depositors and to promote financial sector stability in relation to Credit Unions.

Cuscal — **Cuscal Limited**

An organisation which provides assistance to Credit Unions with wholesale banking, electronic funds transfers and other services. Cuscal is registered under the Corporations Act 2001, and is subject to direct supervision by APRA.
Refer Note 33 for further information.

Note: Any further reference to the "company" is reference to Transport Mutual Credit Union Limited (TMCU, the Credit Union) and vice versa. Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) is a public company limited by shares, under the Corporations Act 2001.

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Key Statistics of the Credit Union

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Members (No.)	4,104	4,172	4,276	4,348	4,465
Deposits $	49,717,494	55,328,809	60,898,524	66,942,993	70,346,237
Average Member Deposits $	12,114	13,262	14,242	15,396	15,755
Loans $	53,825,326	57,956,872	67,706,398	78,336,630	76,922,347
Average Loan balances $	13,115	13,892	15,834	18,017	17,228
Loans funded in the year $M	15.5	16.5	20.3	19.8	13.7
Bad debts written off against profit $	5,109	16,820	4,954	-	-
Capital Adequacy ratio %	26.28	25.04	22.83	20.86	20.59
Total Reserves $	9,157,920	9,188,320	9,246,774	9,432,915	9,864,590
Total Assets $	67,372,141	71,939,150	82,685,974	94,993,435	95,652,084
Reserves to Assets %	13.59	12.77	11.18	9.93	10.31
Return/Average Assets %	0.18	0.04	0.07	0.08	0.15
Staff / Member ratio	1:513	1:596	1:713	1:621	1:638
Staff / Assets ratio	1:$8.42m	1:$10.27M	1:$13.78M	1:$13.57M	1:$13.66M

PRODUCTS AND SERVICES

Loans and Other Services		Deposits and Access Services
FastRoad Home Loan		At Call Savings
1 Year Fixed Home Loan		Fixed Term Deposits
Other Housing or Investment Loans		BPAY
Red Hot Car Loan		Bank@Post
GreenRoad EV / Hybrid / Solar Loans		Visa Debit Cards
Personal Loans		Payroll Deposits and Direct Credits
FreeWheel Bicycle Loan		Direct Debits
Personal Overdrafts		Financial Planning Services
My Viewpoint – Internet Banking		Multi-Currency Cash Passport
Telephone Banking		Traveller’s Cheques
Mobile Banking		ATM and EFTPOS access

Chair's Report

Dear Members,

Unprecedented times. A review of the past twelve months draws out a challenging mix of emotions as we continue to manage the impact of the COVID-19 pandemic. Whilst we are expected to restrain certain aspects of our 'normal lives', we are also expected to be resilient, to adapt and evolve. With this firmly in focus, our Credit Union has worked relentlessly to adapt to the new 'normal', to support our members, and to position for the future.

In our 56th year of operation and faced with the first recession in thirty years, continued support of our members has meant that our Credit Union has achieved **sustainable levels of growth**, growth in membership, and continued to exceed operational benchmarks for capital and liquidity set by our regulator. We are well-placed to weather the storm.

Whilst property lending slowed, the Credit Union has evolved to position itself in new markets with continued growth in our award-winning product, **GreenRoad**. We are growing our investment in new areas with $1million provided for members to install solar and/or battery systems. These systems help our members manage cost-of-living pressures, whilst delivering over 500 Megawatt hours of clean energy capacity to the grid!

This is just part of our story. We are continuing to evolve as we deliver the Board's Strategic Plan ***FoCus2020***. The plan was developed as a collaborative effort with Board and staff using input from our members. The plan aims to build a positive culture around our community of members, by delivering products and services that are effective, yet also designed within the broader context of social, environmental and member values. The GreenRoad continues to build the stock of award-winning products including the FreeWheel and Credit Card Crusher. We will keep you informed as we develop and deliver these products to market.

We also continued to invest in our systems and technology-based services. John and the team have been working to lay the foundation for enhancing our electronic services for you. In the coming years our industry will evolve with changes in mobility of and access to data as the ACCC implements its initiative called **Open Banking**. The program, which is being implemented in stages commencing 1st July this year, aims to improve competition by providing consumers greater mobility and access to and control over data. I urge you as consumers to be aware of the changes being driven by the ACCC and the benefits that it aims to deliver to consumers of financial services. Our Credit Union will work to embrace the change.

Following the Royal Commission into the Banking Sector, APRA our regulator, took action to affect a stronger focus toward better outcomes for cyber security and IT systems, governance, culture, remuneration and accountability (GCRA). Whilst we may be small, the commitment we make to you is significant, and members security is at the core of our operations. It's also important that as members, you take steps to build and grow your awareness around IT issues and market developments. I ask that you reach out to the Credit Union should you come across anything that feels suspicious. You should also stay connected with our member service team through either phone, website, or via our TMCU Facebook group. We want to ensure that you are aware of potential scams and market developments, because **a major defence to cyber-attack is being aware and being alert**.

A second focus area for APRA will be GCRA. The Royal Commission identified deficiencies in organisational culture within certain large financial institutions. This included poor controls and standards around performance targets and remuneration systems leading to the abuse of the customer relationship. In certain cases, effective controls and governance structures such as audit committees and risk functions were shown to be no more than window dressing. APRA will be working to assess the inherent culture of ADIs in order to assess the effectiveness of the governance framework. Poor standards around ethics and accountability lead to situations where the 'customer' is at risk. Whilst I am comforted that that the mutual sector was not called out in the deliberations by the Commission, it's important to reflect on the significant governance framework our Board and management delivers to support the effective control of our member funds. These are the back-office codes, policies, processes and controls you don't necessarily see, yet depend on for the success of our Credit Union. We continue to grow our capability, to harness and leverage the skills of risk, legal, and accounting specialists to support your membership. This year, we have also taken steps to expand our collective skills and knowledge around the Board with three additional Associate Director roles engaged to further strengthen our strategic capacity and connection with members. I recognise the major commitment made by Sharlyn Ho, Tony Schesser and Murray Cleaver in accepting these voluntary roles and look forward to their contribution and connection in the coming years.

I would also like to reflect on the significant achievements of your dedicated Board, staff and Executive team at TMCU. Relentless business continuity review and pandemic planning and testing undertaken consistently in the past decade enabled the Credit Union to respond effectively to the operational challenges created by COVID-19. The team continues to deliver outstanding service for all members and I thank all the team at TMCU for their ongoing dedication and commitment.

During the year we also reported the passing of our dear friend and colleague, former Chair, **Noel Hancock**. I would like to formally recognise the significant commitment Noel made over two decades to both the movement and for the effective governance of our Credit Union. Through his leadership Noel laid a strong foundation for TMCU to grow, and prosper. Whilst we miss him dearly, we know he will always be part of the fabric of our Credit Union. It was an honour to work alongside and learn from Noel. Our thoughts and gratitude go out to Daphne Hancock and all the Hancock family.

During these challenging times I ask that you maintain your sense of **humanity**, and support for one another. Always take the time to check in with friends and family, to support, to be compassionate. Make sure you also connect with John and the team, and watch out for our posts on our **Facebook page**. We genuinely want to hear from you because **together we make TMCU our Credit Union**!

On behalf of the Board of Directors of Transport Mutual Credit Union, I am honoured to present to you our 56th Annual Report for the financial year ended 30th June 2020.

Anthony J Dann
Chair
CPA, MAICD
24th September 2020

Chief Executive’s Report

It is my pleasure to present the CEO’s Report for the year ended 30th June 2020.

The year was unforgettable in more ways than one. We delivered strategic business objectives in I.T, adapted to a change in Board leadership, met challenges of regulation & competition and then in early 2020, we were given a challenge like no other – to respond to the growing social and economic impacts of a global pandemic.

Our year

By most measures the Credit Union’s financial performance in 2020 was solid. Whilst lending came off the record highs of the previous two years due to economic uncertainty, we managed to continue to build our asset base, edging closer to the $100 million mark. We also returned record new member growth, and almost doubled our net profit over 2019.

We were well prepared for COVID-19. TMCU has had in place a detailed and robust pandemic plan since 2007. It was enacted this year and I am happy to say it served the Credit Union very well as a tool to guide our response. Our staffs were relocated home earlier than most other Credit Unions, due to our I.T. investment in the past year which enabled a smooth working transition without a material impact on service levels. Our Board meetings quickly shifted to remote arrangements and have continued the important governance role they perform on your behalf. We rolled out an extensive communications plan so that Members understood the levels of support available to them from TMCU. Like all banking institutions, we have had a number of Members seek deferrals of their mortgage repayments due to loss of income or employment disruption. And as you would expect the Credit Union has taken a very supportive stance to the needs of the Members, and I am happy to report that the number of COVID-19 impacted Members continues to fall. Having most of our Members based in NSW and many employed in public service roles has been a great benefit in these difficult times, and we will continue to support impacted Members as they make small steps towards financial recovery.

The past year has seen the Credit Union awarded a number of accolades, the most important of which being Money Magazine’s 2020 *Best of the Best* Award, for our very competitive new car loans. It was a thrill to represent the Credit Union at the awards ceremony, and for TMCU to be individually recognised for our product’s value. In other awards, TMCU’s car loans have been recognised by Mozo and by Ratecity for their value and features in 2020, adding to our recognition in industry awards for value and innovation over the past ten years and is a credit to the product features and design work by the TMCU team.

Our people

I want to acknowledge the marvellous effort by Kathy Loutas in steering the Credit Union whilst I was on long service leave earlier this year. It was a challenging time to be in charge but Kathy met all the challenges head on and that effort is appreciated by me and the Board of Directors.

In March we received word that our good friend and former Chair Noel Hancock passed away after his brave battle against illness. Noel’s decades of service leave an indelible mark on the Credit Union and he will be long remembered by us all. I was grateful for the messages of support and remembrances of Noel shared by our Members.

Over the past year or so, we have had the opportunity to grow the TMCU team by bringing some new full and part time employees on board. I’d like to welcome Omar, Victoria and Sonia and we are all enjoying the energy and creative input they bring to their roles.

There has been some movement in the Director ranks too. I’d like to join the Chair in welcoming new Associate Directors Sharlyn Ho, Antony Schesser and Murray Cleaver. TMCU’s Associate Director program allows prospective Directors to gain hands on experience around the Board table ahead of possible full Directorship in the future.

Our future

Our 2020-2022 Strategic Plan targets a number of key business objectives, some of which arose from feedback in the 2019 Member Survey. Thank you to the hundreds of Members who took the survey. These objectives include growing our sustainability credentials through a number of exciting new & refreshed *products with purpose*, investing in an improved digital banking experience through the release of a new native app for iOS and Android, and building on key strategic partnerships within the wider transport community.

At the same time, we will upgrade our banking and lending software to better deliver services to you, and to ensure we meet ongoing compliance and regulatory responsibilities.

Delivering these objectives during the socially and economically challenging period we are living in will take commitment and drive from our staff and Directors. I am confident in our collective ability to deliver for you, over another big year.

I thank each member of the staff and Board for another tremendous year of service, and I thank you for your ongoing membership and support of Transport Mutual Credit Union.

Yours faithfully

John Kavalieros
Chief Executive
24th September 2020

Directors' Report

The Directors of Transport Mutual Credit Union Limited (Credit Union) present their report together with the Financial Statements for the financial year ended 30 June 2020. The Credit Union is a company registered under the *Corporations Act 2001*.

Information on Directors

The following persons were Directors of Transport Mutual Credit Union during or since the end of the financial year:

Name	Position	Qualifications	Experience	Responsibilities
Anthony J. Dann	Chair	BEc, CPA, MAcc, MAMI, MAGPI, MAICD	14 Years	Chair, Board Audit Committee Member, Board Risk Committee Member
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	22 Years	Deputy Chair, Product Innovation Committee Chair
Meredyth-Ann Williams	Director	DipTeach, BA (Hons) Psych, Dip.Clin.Hyp, MAMI	15 Years	Board Audit Committee Deputy Chair, Board Risk Committee Deputy Chair
Jacqui McDonald	Director	MAMI	12 Years	Whistleblower Complaints Officer, Board Risk Committee Chair, Board Audit Committee Member
Clement Siu	Director	B.Com, CPA, MAMI	10 Years	Board Audit Committee Chair, Board Risk Committee member, Product Innovation Committee Member
Philip Mortimer	Director	M.I.A.M.E, JP, MAMI	7 Years	
Robert Picone	Director	CertCivEng, FAITPM	1 Year	

The name of the Company Secretary in office at the end of the year is:

Name	Qualifications	Experience
John Kavalieros	GCert BusAdmin, DipFS, AIM, FAMI	24 Years

The Credit Union's *Associate Directorship* programme allows prospective Directors to gain experience and understanding of Board membership prior to possible future nomination as full Directors on the Board. The names of *Associate Directors* during or since the end of the year are:

Name	Qualifications	Experience
Sharlyn Ho	MFinAcc, CPA, BCom – ProfAccg&Law, DipFinPlan	1 Year
Antony Schesser	Adv Dip HRM,MBA	< 1 Year
Murray Cleaver	BUrbReg Pl., Dip Govt	< 1 Year

Directors' meeting attendance

The number of meetings held and attended by Directors of the Board are as follows:

Director	Board		Board Audit Committee		Board Risk Committee	
	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Anthony J. Dann	12	11	6	6	5	5
Vincent E. Taranto	12	12	-	-	-	-
Meredyth-Ann Williams	12	10	6	5	5	4
Jacqui McDonald	12	11	6	3	5	4
Clement Siu	12	11	6	6	5	4
Philip Mortimer	12	10	-	-	-	-
Robert Picone	12	9	-	-	-	-

Directors' benefits

No Director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Credit Union, or a controlled entity, or a related body corporate with a Director, a firm of which a Director is a Member or a Credit Union in which a Director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

Indemnifying officer or auditor

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

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

Principal activities

The principal activities of the Credit Union during the year were the provision of retail financial services to Members in the form of taking deposits and providing financial services as governed by the Constitution. No significant changes in the nature of these activities occurred during the year.

Operating results

The net profit of the Credit Union for the year after providing for income tax was $141,594 (2019: $73,627).

Dividends

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

Review of operations

The results of the Credit Union's operations from its activities of providing financial services to its Members did not change significantly from those of the previous year. As a result of COVID-19, the Credit Union has provided loan repayment deferrals to Members. Provisions for impairment have also increased as a result of these conditions and economic outlook.

Significant changes in state of affairs

There were no significant changes in the state of the affairs of the Credit Union during the year.

Events occurring after the end of the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the Credit Union in subsequent financial years.

Likely developments, business strategies and prospects

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

1 The operations of the Credit Union;
2 The results of those operations; or
3 The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

The Credit Union will continue to develop its product and services offerings and to develop processes and systems necessary to support the delivery of its products and services. Further details can be found in the Chair and CEO reports.

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Environmental legislation

Transport Mutual Credit Union's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Auditor's independence

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 8.

Rounding

The Credit Union is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Anthony J Dann
Chair

Clement Siu
Board Audit Committee Chair

Signed and dated this 24th day of September 2020

Directors' Declaration

In the opinion of the Directors of Transport Mutual Credit Union Limited:

a. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Member Equity, and accompanying notes, are in accordance with the *Corporations Act 2001*, including:

  i Giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

b. There are reasonable grounds to believe that Transport Mutual Credit Union Limited will be able to pay its debts as and when they become due and payable.

c. The financial statements comply with International Financial Reporting Standards as stated in Note 1.

Signed in accordance with a resolution of the Directors:

Anthony J Dann
Chair

Dated this 24th day of September 2020

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Sydney NSW 2000

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Auditor's Independence Declaration

To the Directors of Transport Mutual Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Transport Mutual Credit Union Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 24 September 2020

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Sydney NSW 2000

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Independent Auditor's Report

To the Members of Transport Mutual Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Transport Mutual Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 24 September 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020	2019
		$	$
Interest income	3.a	3,311,448	3,320,444
Interest expense	3.c	(1,136,029)	(1,322,259)
Net interest income		2,175,419	1,998,185
Fees and commissions and other income	3.b	142,433	60,541
		2,317,852	2,058,726
Less:			
Non-interest expenses			
Impairment losses on loans receivable from Members	3.d	(44,571)	(12,287)
Fee and commission expenses		(80,998)	(103,418)
General administration			
- Employees compensation and benefits		(777,865)	(737,197)
- Depreciation and amortisation	3.e	(163,011)	(96,062)
- Information technology		(499,770)	(465,664)
- Other administration		(193,666)	(180,026)
Other operating expenses		(340,085)	(379,330)
Total non-interest expenses		(2,099,966)	(1,973,984)
Profit before income tax		217,886	84,742
Income tax expense	4	(76,292)	(11,115)
Profit after income tax		141,594	73,627
Other comprehensive income		290,081	-
Total comprehensive income for the period		431,675	73,627

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

Statement of Financial Position

As of 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Cash and cash equivalents	5	7,069,724	6,283,883
Receivables	6	117,895	160,417
Loans to Members	8	76,922,347	78,336,630
Investment securities			
- at amortised cost	7	7,978,006	7,442,042
- at fair value through OCI	7	341,176	321,468
Property, plant and equipment	10	2,790,039	2,283,659
Deferred tax assets	11	99,558	106,063
Intangible assets	12	333,339	59,273
TOTAL ASSETS		95,652,084	94,993,435
LIABILITIES			
Payables to other financial institutions	13	12,600,000	9,250,000
Borrowings	14	2,000,000	8,500,000
Deposits from Members	15	70,346,237	66,942,993
Creditor accruals and settlement accounts	16	580,685	744,646
Provisions	19	68,156	74,782
Taxation liabilities	17	39,708	5,421
Deferred tax liabilities	18	152,709	42,678
TOTAL LIABILITIES		85,787,495	85,560,520
NET ASSETS		9,864,590	9,432,915
MEMBERS' EQUITY			
Capital reserve account	20	38,890	38,070
FVOCI reserve	23	126,802	112,514
Asset revaluation reserve	22	275,793	-
General reserve for credit losses	21	461,067	461,067
Retained earnings		8,962,038	8,821,264
TOTAL MEMBERS' EQUITY		9,864,590	9,432,915

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

Statement of Changes in Member Equity

For the year ended 30 June 2020

	Capital Reserve	Retained Earnings	Reserve For Credit Losses	FVOCI Reserve	Asset Revaluation Reserve	Total Equity
	$	$	$	$	$	$
Balance as at 1 July 2018	36,930	8,748,777	461,067	-	-	9,246,774
Changes on initial adoption of AASB 9 (Note 1)	-	-	-	112,514	-	112,514
Restated balance at 1 July 2018	36,930	8,748,777	461,067	112,514	-	9,359,288
Total net profit for the year	-	73,627	-	-	-	73,627
Other comprehensive income for the year	-	-	-	-	-	-
Sub – total	36,930	8,822,404	461,067	112,514	-	9,432,915
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	1,140	(1,140)	-	-	-	-
Total at 30 June 2019	38,070	8,821,264	461,067	112,514	-	9,432,915
Balance as at 1 July 2019	38,070	8,821,264	461,067	112,514	-	9,432,915
Total net profit for the year	-	141,594	-	-	-	141,594
Other comprehensive income for the year	-	-	-	14,288	275,793	290,081
Sub – total	38,070	8,962,858	461,067	126,802	275,793	9,864,590
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	820	(820)	-	-	-	-
Total at 30 June 2020	38,890	8,962,038	461,067	126,802	275,793	9,864,590

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

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $	2019 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		3,338,847	3,320,958
Fees and commissions		38,141	53,280
Dividends received		18,290	6,928
Other income		86,000	332
Less: Revenue outflows			
Interest paid		(1,177,627)	(1,249,986)
Suppliers and employees		(1,878,882)	(1,800,050)
Income taxes paid		(35,500)	(47,623)
Net cash from revenue activities	35.b	**389,269**	**283,839**
Inflows / (outflows) from other operating activities			
Net increase in Member deposits		3,288,834	6,176,487
Net decrease in Member loans		1,356,554	(10,652,123)
Net (increase) in receivables from other financial institutions		2,814,036	996,148
Net cash from operating activities		**7,848,693**	**(3,195,649)**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		-	-
Proceeds on sale of property, plant and equipment		-	-
Less: Outflows			
Purchase of investments in shares		-	-
Purchase of fixed assets		(562,852)	(100,740)
Net cash from investing activities		**(562,852)**	**(100,740)**
FINANCING ACTIVITIES			
Inflows / (outflows)			
Increase/(Decrease) in borrowings		(6,500,000)	5,750,000
Net cash from financing activities		**(6,500,000)**	**5,750,000**
Total net cash increase/(decrease)		**785,841**	**2,453,611**
Cash at beginning of year		**6,283,883**	**3,830,272**
Cash at end of year	35.a	**7,069,724**	**6,283,883**

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

Notes to the Financial Statements

For the year ended 30 June 2020

1 Statement of accounting policies

This financial report is prepared for Transport Mutual Credit Union Limited as a single Credit Union, for the year ended the 30th June 2020. The report was authorised for issue on 24th September 2020 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board Urgent Issues Group and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS). Transport Mutual Credit Union Limited is a for-profit entity for the purpose of preparing the financial statements.

a Basis of measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The accounting policies are consistent with the prior year unless otherwise stated.

b Changes in significant accounting policies

New standards applicable for the current year
The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatments.

AASB 16 Leases
The standard replaces AASB 117 Leases and has for lessees removed the current distinction between operating and finance leases. The standard requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The company had no existing or new leases as at 1 July 2019 as such the change in accounting policy has had no impact on the financial report at the date of adoption.

Interpretation 23 (Int 23) Uncertainty over Income Tax Treatments
Int 23 clarifies the application of AASB 112 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. There was no effect from the adoption of Int 23 in relation to accounting for uncertain tax positions.

2 Summary of significant accounting policies

a Classification and measurement of financial assets

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

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

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

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

Classifications are determined by both:

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

Amortised cost
Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.
Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

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

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

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

Debt instruments at FVOCI
Debt instruments at fair value through other comprehensive income includes changes in the fair value of investments in debt instruments. The changes recognised in reserve are transferred to profit or loss when the asset is derecognised or impaired.

Equity instruments at FVOCI
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. This equity security represents investment that the Group intends to hold long term for strategic purposes. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity entities.

b Classification and measurement of financial liabilities

The Credit Union's financial liabilities include borrowings, Members deposits and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Credit Union has designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense, or non- interest expenses.

c Loans and advances

Recognition and measurement
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees.

These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Group considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract.

Impairment of financial assets
AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of the new requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

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

Note 24 details the credit risk management approach for loans.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. In this situation the ECL are measured as follows;

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Credit Union assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision; and
- *where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component:* The Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

d Interest income and other income

Interest earned
Term loans - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a Members account on the last day of each month.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a Members account on the last day of each month.

Loan origination fees and discounts
Loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan as interest revenue.

Transaction costs
Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan, and included as part of interest revenue.

Fees on loans
The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Net gains and losses
Net gains and losses on loans to Members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

e Property, plant and equipment

Land is recognised at fair value and revalued every 3 years. Buildings are measured at fair value less accumulated depreciation. Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the reporting date are as follows:

- Buildings - 40 years
- Leasehold improvements – over the life of each asset
- Plant and equipment - 3 to 7 years
- Assets less than $300 are not capitalised
- Land is not depreciated.

f Provision for employee benefits

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using Federal Government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union, based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's preferred choice of compliant superannuation fund and are charged to the income statement as incurred.

g Income tax

The income tax expense shown in profit or loss is based on the profit before income tax adjusted for any non-deductible, or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 27.5%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

h Goods and services tax (GST)

As a financial institution the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

i Cash and cash equivalents

Cash comprises at call deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

j Accounting estimates and judgements

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the valuation of land. In accordance with AASB 13 fair value for land should be based on highest and best use and should take into account a number of factors including: physical characteristic e.g. location or size, any legal restriction e.g. zoning and financial feasibility, recent sales evidence for comparable properties, and overall market conditions

The Credit Union uses various models and assumptions in measuring fair value of financial assets.(e.g. Cuscal Shares). Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of price risk and factors such as sales evidence, dividend history, price earning multiple and overall market conditions.

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the measurement of expected credit loss (ECL) allowance – refer Note 9. Key areas of judgement to be considered under the new standard include:

- Recognition of credit losses based on "Stage 1" 12 month expected losses and "Stage 2" and "Stage 3" lifetime expected credit losses.
- Determining criteria for significant increase in credit risk: An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing Credit Unions of similar financial assets for the purposes of measuring ECL. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

	2020	2019
	$	$

3. Statement of profit or loss and other comprehensive income

a. Analysis of interest income

	2020 $	2019 $
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	9,642	21,255
Receivables from financial institutions	142,375	212,140
Loans to Members	3,159,431	3,087,049
Total interest revenue	3,311,448	3,320,444

b. Fee, commission and other income

	2020 $	2019 $
Fee and commission revenue		
Other fee income for service provided at point in time	14,227	11,763
Insurance commissions *	(3,643)	10,441
Other commissions	27,359	31,077
Total fee and commission revenue	37,943	53,281
Other income		
Dividends received on held at fair value equity assets	18,290	6,928
Miscellaneous income ^	86,000	332
Gain on disposal of asset	200	-
Total other income	104,490	7,260
Total fee, commission and other income	142,433	60,541

* Insurance commissions relate to performance obligations that are transferred at a point in time.

^ Miscellaneous income relates to Government assistance in the form of Jobkeeper and Cashboost - $86,000 (2019: nil)

c. Interest expenses

	2020 $	2019 $
Deposits from other financial institutions	248,819	270,145
Deposits from Members	793,196	924,859
Short term borrowings	94,014	127,255
Total interest expense	1,136,029	1,322,259

d. Impairment losses

	2020 $	2019 $
Loans and advances		
Increase in provision for impairment	44,571	12,287
Total impairment losses	44,571	12,287

	2020	2019
	$	**$**
3. Statement of profit or loss and other comprehensive income continued		
e. Other prescribed disclosures		
General administration – Depreciation expense		
Buildings	64,787	62,592
Plant and equipment	56,799	33,470
Software	41,425	-
	163,011	96,062
f. General administration - Auditor's remuneration (excl. GST)		
- Audit fees	54,620	50,340
- Other services – other	6,500	6,300
	61,120	56,640

4. Income tax expense

	2020	2019
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	217,886	84,742
Prima facie tax payable on profit before income tax at 27.5% (2019: 27.5%)	59,919	23,304
Add tax effect of amounts not deductible/(taxable)		
- Franking credit uplift	-	816
- Tax offset for franked dividends	(2,155)	(2,969)
- Adjustments for current tax of prior periods	32,278	(10,036)
- ATO cash flow boost grant	(13,750)	-
Total income tax expense in income statement	76,292	11,115
Current tax expense	37,509	26,056
Deferred Tax expense	6,505	(20,362)
Under / (Over) provision	32,278	5,421
Total income tax expense in income statement	76,292	11,115

5. Cash and cash equivalents

	2020	2019
Deposits at call	7,069,724	6,283,883
	7,069,724	6,283,883

	2020	2019
	$	$
6. Receivables		
Interest receivable on deposits with other financial institutions	29,844	51,752
Prepayments	42,072	41,672
Sundry debtors and settlement accounts	45,979	66,993
	117,895	160,417
7. Investment securities		
Investment securities at amortised cost		
Negotiable Certificates of Deposits	498,172	997,560
Term deposits with Banks	7,479,834	6,444,482
Equity investment securities designated as FVOCI		
Cuscal Limited *	341,176	321,468
Total investment securities including AFS and equity investments	8,319,182	7,763,510

*** Cuscal Limited**

This company supplies services to its member organisations which are all Credit Unions and Mutual Banks. The shares are able to be traded but within a market limited to other mutual ADI's.

Management have used unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value. Management have determined that the value of $1.23 per share is a reasonable approximation of fair value based on the likely value available on a sale, taking into consideration factors such as sales evidence, dividend history and overall market conditions.

The Credit Union is not intending to dispose of these shares.

	2020 $	2019 $
8. Loans to Members		
a. Amount due comprises:		
Overdrafts and revolving credit	52,177	158,728
Term loans	77,050,326	78,300,330
Subtotal	77,102,503	78,459,058
Less:		
Unamortised loan origination fees	(31,876)	(26,386)
Unearned income	-	-
Subtotal	77,070,627	78,432,672
Less : Provision for impaired loans	(148,280)	(96,042)
	76,922,347	78,336,630
b. Credit quality - Security held against loans		
Secured by mortgage over real estate	70,905,490	73,235,759
Partly secured by goods mortgage	4,374,589	3,198,946
Wholly unsecured	1,822,424	2,024,353
	77,102,503	78,459,058

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

	2020 $	2019 $
Security held as mortgage against real estate is on the basis of:		
– Loan to valuation ratio of less than 80%	63,812,519	65,583,711
– Loan to valuation ratio of more than 80% but mortgage insured	5,462,101	4,119,298
– Loan to valuation ratio of more than 80% and not mortgage insured	1,630,870	3,532,750
Total	70,905,490	73,235,759

c. Concentration of loans

The values detailed below include 'statement of financial position' values, and undrawn facilities as described in Note 29.

	2020 $	2019 $
(i) Loans to Individual or related groups of Members which exceed 10% of total Members' equity	9,036,152	6,221,247
Total	9,036,152	6,221,247

Loans to Members are concentrated to individuals employed in the transport sector in NSW.

	2020 $	2019 $
(ii) Geographical concentrations		
NSW	69,119,458	69,309,601
Victoria	4,653,892	5,800,251
Queensland	951,777	574,388
South Australia	96,261	32,272
Western Australia	1,126,349	1,036,139
ACT	1,135,995	1,697,060
Other	18,771	9,347
	77,102,503	78,459,058
(iii) Loans by purpose		
Residential loans and facilities	70,905,490	73,235,759
Personal loans and facilities	6,197,013	5,223,299
	77,102,503	78,459,058

9. Provision on impaired loans

(a) Amounts arising from ECL

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

	Gross Carrying value 2020 $	ECL Allowance 2020 $	Carrying value 2020 $	Gross Carrying value 2019 $	Provision for impairment 2019 $	Carrying value 2019 $
Loans to Members:						
- Mortgages	70,905,490	-	70,905,490	73,235,759	-	73,235,759
- Personal	6,144,836	148,280	5,996,556	5,064,571	96,042	4,968,529
- Overdrafts	52,177	-	52,177	158,728	-	158,728
Total to natural persons	77,102,503	148,280	76,954,223	78,459,058	96,042	78,363,016
Total	77,102,503	148,280	76,954,223	78,459,058	96,042	78,363,016

An analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	Stage 1 12 month ECL 2020 $	Stage 2 Lifetime ECL 2020 $	Stage 3 Lifetime ECL 2020 $	Total 2020 $
Loans to Members:				
- Mortgages	-	-	-	-
- Personal	13,258	12,430	122,592	148,280
- Overdrafts	-	-	-	-
Carrying amount	13,258	12,430	122,592	148,280

9. Provision on impaired loans continued

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

	Stage 1 12 month ECL 2020 $	Stage 2 Lifetime ECL 2020 $	Stage 3 Lifetime ECL 2020 $	Purchased credit impaired 2020 $	Total 2020 $
Loans to Members					
Balance at 1 July 2019	5,591	4,068	86,383		96,042
Balance at 1 July 2019 per AASB 9	5,591	4,068	86,383	-	96,042
Changes in the loss allowance					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	(162)	162	-	-	-
- Transfer to stage 3	(599)	(4,068)	4,667	-	-
- Net movement due to change in credit risk	8,428	12,268	31,542	-	52,238
- Write-offs	-	-	-	-	-
Balance at 30 June 2020	13,258	12,430	122,592		148,280

Key assumptions in determining the ECL

Measurement of ECL

The key inputs into the measurement of ECL include the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below.

Stage 1 of the impairment model is calculated using the inputs as follows:

PD estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future payments is low. The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Instruments which are 90 days past due are generally considered to be in default.

LGD is the magnitude of the likely loss if there is a default. The Credit Union estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by residential property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

9. Provision on impaired loans continued

EAD represents the expected exposure in the event of a default. The Credit Union derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

The Credit Union has elected to calculate the impairment model by reviewing all loans 30+ days in arrears to determine the expected credit loss. Where no repayments have been received, a provision has been included for unsecured loans. No provision has been included for secured loans.

(a) Significant increase in credit risk

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

- Loans more than 30 days past due
- Loans with more than 2 instances of arrears experience in the previous 12 months
- Loans with approved hardship or modified terms

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

The Credit Union presumes that the credit risk on a financial asset has increased significantly since initial recognition when the exposure is more than 30 days past due unless the Credit Union has reasonable and supportable information that demonstrates otherwise.

The approach to determining the ECL includes forward-looking information. The Credit Union has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Given the lack of loss experience by the Credit Union and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Credit Union has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are deemed to have an impact and therefore adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis. The Credit Union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. Periodically the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

Stage 3 of the impairment model will be assessed on an individual basis based on the provisioning requirement in APS 220.

	2020	2019
	$	$
10. Property, plant and equipment		
a. Property	2,226,974	2,049,959
Less: Provision for depreciation	(224,163)	(159,376)
Total land & buildings	2,002,811	1,890,583
Plant and equipment - at cost	450,164	447,460
Less: Provision for depreciation	(212,936)	(399,190)
Total plant and equipment	237,228	48,270
Land	550,000	344,806
Total property, plant and equipment	2,790,039	2,283,659

b. Movement in the assets balances during the year were:

	2020				2019			
	Property	Plant & equipment	Land	Total	Property	Plant & equipment	Land	Total
	$	$	$	$	$	$	$	$
Opening balance	1,890,583	48,270	344,806	**2,283,659**	1,953,176	40,272	344,806	**2,338,254**
Revaluation	177,015	-	205,194	**382,209**	-	-	-	**-**
Purchases	-	245,757	-	**245,757**	960	40,507	-	**41,467**
Less: Assets disposed	-	-	-	**-**	-	-	-	**-**
Depreciation charge	(64,787)	(56,799)	-	**(121,586)**	(63,553)	(32,509)	-	**(96,062)**
Balance at the end of the year	**2,002,811**	**237,228**	**550,000**	**2,790,039**	**1,890,583**	**48,270**	**344,806**	**2,283,659**

c. Carrying amounts that would have been recognised if land and buildings were stated at cost:

Property	2,049,959	2,049,959
Less: Provision for depreciation	(224,163)	(159,376)
Total land & buildings	1,825,796	1,890,583
Plant and equipment - at cost	450,164	447,460
Less: Provision for depreciation	(212,936)	(399,190)
Total plant and equipment	237,228	48,270
Total		
Land	344,806	344,806
Total property, plant and equipment	2,407,830	2,283,659

d. Measuring property and buildings at fair value

The fair value of the Credit Union's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers as at 13 May 2020. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

	2020 $	2019 $
11. Deferred taxation assets		
Deferred tax assets	99,558	106,063
Deferred tax assets comprise:		
- Accrued expenses not deductible until incurred	17,648	17,966
- Provisions for impairment on loans	37,126	26,412
- Provisions for employee benefits	35,646	35,259
- Depreciation on fixed assets	(8,771)	3,053
- Deferred loan fees	8,766	7,256
- AASB 9	3,646	-
- Other accruals	5,497	16,117
	99,558	106,063

12. Intangible assets

a. Software

	2020 $	2019 $
Software	374,764	59,273
Less: Provision for amortisation	(41,425)	-
	333,339	59,273

b. Movement in the assets balances during the year were:

	2020		2019	
	Software	Total	Software	Total
	$	$	$	$
Opening balance	59,273	**59,273**	-	**-**
Purchases	315,491	**315,491**	59,273	**59,273**
Less: Assets disposed				
Amortisation charge	(41,425)	**(41,425)**	-	**-**
Balance at the end of the year	333,339	**333,339**	59,273	**59,273**

13. Payables to other financial institutions

	2020 $	2019 $
Corporate Deposits	12,600,000	9,250,000

Corporate deposits represent payables to other financial institutions on term deposits which range from 2 to 12 months. These are not secured.

14. Borrowings

	2020 $	2019 $
Borrowings	2,000,000	8,500,000

The borrowings were reclassified from liability Corporate Deposits as regulatory reporting requirement from 1st July 2019. These are not secured and repayable in two $1m tranches in September 2020 and December 2020. Under the terms of the borrowing, an average interest rate of 1.79% is payable.

15. Deposits from Members

	2020 $	2019 $
Member deposits		
- At call	32,967,505	29,385,632
- Term	37,334,082	37,513,881
Member withdrawable shares	44,650	43,480
	70,346,237	66,942,993

There were no defaults on interest and capital payments on these liabilities in the current or prior year.

	2020 $	2019 $
Concentration of Member deposits		
(i) Significant individual Member deposits which in aggregate represent more than 10% of the total liabilities:	-	-
(ii) Geographical concentrations		
NSW	64,669,740	58,533,629
Victoria	1,986,056	987,252
Queensland	3,058,004	7,115,275
South Australia	9,955	11,043
Western Australia	42,592	40,184
ACT	467,615	166,427
Tasmania	20,573	-
Northern Territory	1,232	-
Other	90,470	89,183
Total per statement of financial position	70,346,237	66,942,993

16. Creditor accruals and settlement accounts

	2020 $	2019 $
Annual leave	61,465	53,451
Creditors and accruals	119,305	114,258
Interest payable on deposits	285,902	327,500
Sundry creditors & settlement accounts	114,013	249,437
	580,685	744,646

17. Taxation liabilities

	2020 $	2019 $
Current income tax payable	39,708	5,421

18. Deferred tax liabilities

	2020 $	2019 $
Deferred tax liabilities	152,709	42,678
Deferred income tax liability comprises:		
- Tax due on assets held at fair value investments held in equity	48,098	42,678
- Tax due on building and land held at fair value	104,611	-
	152,709	42,678

19. Provisions

	2020 $	2019 $
Long service leave	68,156	74,782

20. Capital reserve account

	2020 $	2019 $
Balance at the beginning of the year	38,070	36,930
Transfer from retained earnings on share redemptions	820	1,140
Balance at the end of year	38,890	38,070

Share redemption

The accounts represent the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to Members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

	2020 $	2019 $
21. General reserve for credit losses		
Balance at beginning of year	461,067	461,067
Add: increase (decrease) transferred from retained earnings	-	-
Balance at end of year	461,067	461,067

This reserve records amount maintained to comply with the Prudential Standards set down by APRA

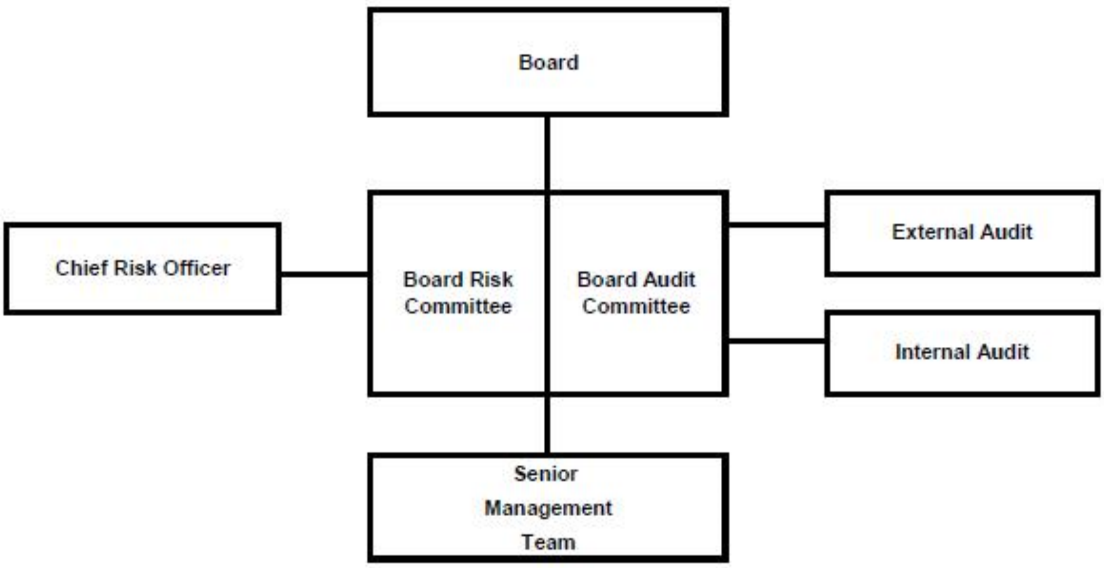
	2020 $	2019 $
22. Asset revaluation reserve		
Balance at the beginning of the year	-	-
Add: Increase on revaluation of investment	382,209	-
Less: deferred tax thereon	(106,416)	-
Balance at the end of the year	275,793	-
23. FVOCI reserve		
Balance at the beginning of the year	112,514	-
Add: Increase on revaluation of investment	19,707	155,192
Less: deferred tax thereon	(5,419)	(42,678)
Balance at the end of the year	126,802	112,514

The Credit Union has elected to recognise changes in fair value of certain investments in equity securities in Other Comprehensive Income. These changes are accumulated within the FVOCI reserve within equity. The Credit Union transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

24. Financial risk management objectives and policies Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union and to comply with APRA's risk management standards. The Credit Union's risk management framework focuses on the major areas of market risk, strategic risk, capital risk, liquidity risk, credit risk and operational risk. Authority flows from the Board of Directors to the Board Audit Committee (BAC) and Board Risk Committee (BRC) which is integral to the management of risk.

The following diagram gives an overview of the risk management structure:



The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk to which the Credit Union is exposed and the framework for reporting and mitigating those risks. The Board carries out monitoring through monthly review of operational reports, to ensure risk levels are within the parameters set by the Board. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruption to business operations. The Board is held accountable for risk governance by APRA.

Senior Management: Senior Management is responsible for management of the Credit Union's compliance frameworks in accordance with Board approved criteria and policy, and is responsible for implementation of the Board approved risk management strategy, as well as developing policies, controls, processes and procedures for identifying and managing risks in all of the Credit Union's activities.

Board Audit Committee (BAC): The BAC is charged with providing the Board with reports designed to give an independent and objective view of the organisation's compliance with its controls that are in place to effectively manage risk. The BAC recommends the appointment of internal and external auditors and assesses auditor performance against annual plans.

Board Risk Committee (BRC): The BRC is charged with assisting the Board to formulate a risk strategy and to nurture an organisation-wide culture of appropriate risk management. In addition the BRC reviews the effectiveness of the risk management framework and monitors adherence to risk-related policy and procedures. The BRC approves the appointment of the Chief Risk Officer.

Chief Risk Officer (CRO): The CRO is responsible for conducting targeted and random testing of the Board approved risk management framework to ensure the Credit Union meets its risk related policy, legislative and prudential requirements in active support of the Board's risk based culture.The CRO is responsible for challenging Senior Management around business decisions within the Risk Management Framework compliance testing.

Internal Audit: Internal audit is responsible for implementing controls testing and assessment as required by the BAC to ensure the Credit Union complies with all policy, legislative and prudential requirements.

External Audit: External audit is charged with giving an independent opinion to the Board and APRA, on the reliability of the Credit Union's financial performance and position. The external auditor communicates to the Board through the BAC.

Key risk management policies encompassed in the overall risk management framework include:-

- Corporate Governance with strategic risk including strategic planning
- Market Risk (Interest rate risk)
- Liquidity management
- Credit risk management
- Operations risk management
- Cyber risk management
- Capital management including ICAAP
- BCP, Response and Recovery
- Pandemic Planning
- Fraud and Whistleblowing
- Complaints resolution

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

a. Market risk

The Credit Union aims to manage and control market risk exposures in order to optimise risk and return. Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates. Day-to-day management of market risk is the responsibility of Senior Management, with monthly and quarterly reporting going to the Board.

Interest rate risk
Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. Most Credit Unions are exposed to interest rate risk within its treasury operations. This Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book
The Credit Union is exposed to interest rate risk in its Banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the Banking book is measured daily, reported to senior management weekly, and to the Board.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 26 which displays the period that each asset and liability will reprice as at the reporting date.

Method of managing risk
The Credit Union manages its interest rate risk through the use of interest rate sensitivity analysis, the detail and assumptions used are set out below. The Credit Union's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Credit Union to manage this risk is to maintain a balanced strategy by ensuring the net interest rate gap between assets and liabilities is not excessive. The measured gap resulting from a 1% and a 2% change in interest rates is reported to the Board monthly and is subject to approved limits. The gap identifies any large repricing exposure to interest rate movement, which the Credit Union can then reduce to acceptable levels through targeted fixed rate interest investment and loan products.

Based on the calculations as at 30 June 2020 the increase in net income for a 1% increase in interest rates would be ($49,167) (2019: ($797)). This means the Credit Union is more exposed to interest rate risk than it was in 2019.

- The method used in determining the sensitivity is to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that the interest rate change would be applied equally to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would reprice in less than 30 days;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- variable loans would reprice between 31 and 90 days;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the way the Credit Union manages and measures market risk in the reporting period.

b. Liquidity risk

Liquidity risk is the risk that the Credit Union may encounter difficulty raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or Member withdrawal demands. It is the policy of the Board, that Management maintains adequate cash reserves and committed credit facilities so as to meet Member withdrawal demands.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Credit Union has a long-standing arrangement with the industry liquidity support organisation, CUFSS Limited which can access industry funds to provide support to the Credit Union should that be necessary at short notice.

The Credit Union is required to maintain at least 9% of total liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union policy is to maintain a minimum 12% and the ratio is checked daily. Should the liquidity ratio fall below 14%, Management and Board are to address the matter and ensure that funds are obtained from new deposits, or borrowing facilities.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the specific Note 26. The ratio of liquid funds over the past year is set out below:

Liquid funds to total adjusted liabilities	**2020**	**2019**
As at 30 June	16.40%	15.81%
Average for the year	16.42%	15.44%
Minimum during the year	13.83%	14.01%
Liquid funds to Member Deposits		
As at 30 June	20.55%	20.50%

c. Credit risk

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

Credit risk – loans
The analysis of the Credit Union's loans by class, is as follows:

	2020		
Loans	**Carrying value**	**Commitments**	**Max exposure**
	$	**$**	**$**
Mortgage	70,905,490	8,247,123	79,152,613
Personal	6,146,929	1,068,784	7,215,713
Overdrafts	50,084	29,307	79,391
Total to natural persons	**77,102,503**	**9,345,214**	**86,447,717**

	2019		
Loans	**Carrying value**	**Commitments**	**Max exposure**
	$	**$**	**$**
Mortgage	73,235,759	7,714,981	80,950,740
Personal	5,064,571	1,080,090	6,144,661
Overdrafts	158,728	96,901	255,629
Total to natural persons	**78,459,058**	**8,891,972**	**87,351,030**

Carrying value is the gross value on the statement of financial position before any impairment of loans. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced; redraw facilities; line of credit facilities; overdraft facilities; credit cards limits). The details are shown in Note 29.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 8.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loans is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board and compliant with TMCUs responsible lending obligations to ensure that loans are only made to Members that are capable of meeting loan repayments.

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, and commercial lending;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies;

A regular review of compliance is conducted as part of the internal and external audit scope.

Past due and impaired
A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due

exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Weekly reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in profit or loss. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including changes in a counterparty's industry, regional economic factors and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more. The ECL allowance relates to the loans to Members.

Details are as set out in Note 8.

Bad debts
Amounts are written off when collection of the loan or advance is considered to be unlikely. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in movement of both past due and impaired exposure provision is provided in Note 8.

Collateral securing loans
The majority of the portfolio of the loan book is secured on residential property in Australia, primarily in New South Wales. Therefore, the Credit Union is exposed to risks in the increase of the Loan to Value (LVR) ratio should the property market be subject to a decline in NSW.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Board policy is to maintain at least 70%-85% of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 8 describes the nature and extent of the security held against the loans held as at the reporting date.

Concentration risk – individuals
Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or Group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) a large exposure is considered to exist. No additional capital is required to be held against these but APRA must be consulted. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans is set out in Note 8. Concentration exposures to counterparties are closely monitored on a monthly basis and reviews being prepared for all exposures over 5% of the capital base.

Concentration risk – industry
The Credit Union has a concentration in retail lending to Members, who are employed in the transport sector in NSW. This concentration is considered acceptable on the basis that the Credit Union was formed to service these Members, and the employment concentration is not exclusive. Should Members leave the industry the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 8.

Credit risk – liquid investments
Credit risk isthe risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal and/or other ADIs. . Credit risk is reduced by having a policy that only allows the Credit Union to invest funds in APRA approved ADIs, and the concentration risk is controlled by policies that limit the exposure to any one ADI at $2 million for institutions other than Cuscal.

Under the liquidity support scheme at least 3.0% of the total assets must be invested in Cuscal Limited, to allow the scheme to have adequate resources to meet its obligations if needed. All other investment must be with financial institutions with a rating of a minimum of BB minus.

External credit assessment for institution investments
The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are as follows:

	2020	2019
Investments	**Carrying value**	**Carrying value**
Cuscal Deposits – rated A+	7,567,896	7,281,443
Banks and Credit Unions – rated A above	7,479,834	6,444,482
Banks and Credit Unions – rated below A	-	-
Unrated institutions	-	-
Total	**15,047,730**	**13,725,925**

d. Fraud

Fraud can arise from Member card PIN's and internet passwords being compromised.. The Credit Union has systems in place which are considered to be robust enough to prevent material fraud. However, in common with all retail banking institutions, fraud is potentially a real cost. Fraud is ever evolving and loss has traditionally occurred across the industry from methods includingcard skimming, internet password theft and false loan applications.TMCU mitigates some fraud risk under its corporate insurance policy.

e. IT systems

A serious risk would be the failure of the Credit Union's core banking and IT network suppliers, to meet contractual obligations and service requirements. The Credit Union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of Credit Unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on the Credit Union by the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

f. Capital management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operations risk.

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises

- Capital Reserve (Member shares)
- Retained profits
- FVOCI Reserve
- Asset Revaluation Reserve.

Tier 2 Capital

Tier 2 Capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity.

There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA. Tier 2 capital generally comprises of the General Reserve for Credit Losses.

Capital in the Credit Union is made up as follows:

	2020	2019
Tier 1 Common Equity		
Capital reserve	38,890	38,070
FVOCI reserve	126,802	112,514
Asset revaluation reserve	275,793	-
Retained earnings	8,962,038	8,821,264
	9,403,523	8,971,848
Less: prescribed deductions	(674,515)	(427,531)
Net Tier 1 Common Equity	8,729,008	8,544,317
Tier 2 Capital		
Tier 2 Capital instruments		
Reserve for credit losses	461,067	461,067
Less prescribed deductions / adjustments	-	-
Net Tier 2 Capital	461,067	461,067
Total Capital	**9,190,075**	**9,005,384**

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance APS 112. The rules apply the risk weights according to the level of underlying security.

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2020	2019	2018	2017	2016
Basel III	**Basel III**	**Basel III**	**Basel III**	**Basel II**
20.59%	**20.86%**	**22.83%**	**25.04%**	**26.28%**

The level of capital ratio can be affected by growth in asset relative to growth in reserves and by changes in the mix of assets. Over the last 5 years TMCU has experienced a high level growth in assets.

To manage the Credit Unions capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 18%.

Capital on Operational Risk

The Credit Union uses the standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Credit Union’s three year average net interest income and net non-interest income to the Credit Union’s various business lines.

Based on this approach, the Credit Union’s operational risk requirement is as follows:

- Operational risk capital requirements of $389,213 (2019: $350,429)

It is considered that the Standardised approach accurately reflects the Credit Union’s operational risk other than for the specific items set out below.

The Credit Union manages its capital level for both current and future activities through the Board Risk Committee. The reports of the Committee are approved by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union’s forecasts for asset growth or unforeseen circumstances is assessed by the Board, and factored into the annual budget. Additionally the Board prepares a capital budget to underpin the Credit Union’s strategic and business plans.

In relation to the operational risks, the major measurements for additional capital are recognised by the monitoring and stress testing for :

- Fraud risk - The capital held to cover fraud risks is equal to the higher of our largest loss in the last ten years is at $4,870 (2019: $4,870).
- Asset impairment – the impact of economic and employment factors on the loan losses, and/or recovery of investments.
- Property value decline – the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets. The Credit Union’s approach is to take a 5 per cent capital charge in instances where the LVR exceeds 80 per cent only in instances where the exposure is on an impaired loan in excess of 90 days. This is considered appropriate as it is only in these relatively poor-quality exposures where there is a significant risk that the Credit Union may need to draw on the security held.
- Interest rate risk – measures the impact on capital from changes in interest rates impacting the net interest margin and net surplus.
- Events impacting the additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

The optional additional capital charge recognised by the Board equates to $4,463,782 (2019: $4,317,410).

25. Categories of financial instruments

The following information classifies the financial instruments into measurement classes

	Note	2020 $	2019 $
Financial assets - carried at amortised cost			
Cash	5	7,069,724	6,283,883
Investment securities	7	7,978,006	7,442,042
Loans to Members	8&9	76,922,347	78,336,630
Receivables	6	117,895	160,417
Total carried at amortised cost		92,087,972	92,222,972
Equity investment in Cuscal	7	341,176	321,468
Total carried at FVOCI			
Total financial assets		92,429,148	92,544,440
Financial liabilities – carried at amortised cost			
Creditors	16	519,220	691,195
Deposits from other institutions	13	12,600,000	9,250,000
Borrowings	14	2,000,000	8,500,000
Deposits from Members	15	70,346,237	66,942,993
Total carried at amortised cost		85,465,457	85,384,188
Total financial liabilities		85,465,457	85,384,188

26. Maturity profile of financial assets and liabilities (undiscounted)

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will differ from the statement of financial position.

2020	Within 1 month $,000	1-3 months $,000	3-12 months $,000	1-5 years $,000	After 5 years $,000	No Maturity $,000	Total cash flows $,000	Total carrying value $,000
Assets								
Cash	7,070	-	-	-	-	-	7,070	7,070
Advances to financial institutions	498	-	7,480	-	-	-	7,978	7,978
Receivables	76	-	-	-	-	42	118	118
Loans & Advances	588	1,148	5,063	23,557	76,053	-	106,409	106,409
FVOCI equity investments	-	-	-	-	-	341	341	341
Total financial assets	**8,232**	**1,148**	**12,543**	**23,557**	**76,053**	**383**	**121,916**	**121,916**
Liabilities								
Creditors	519	-	-	-	-	-	519	519
Deposits from other financial institutions	12,600	-	-	-	-	-	12,600	12,600
Borrowings	2,000	-	-	-	-	-	2,000	2,000
Deposits from Members – at call	32,968	-	-	-	-	-	32,968	32,968
Deposits from Members – term	(6,473)	9,023	34,385	488	-	-	37,423	37,423
On balance sheet	**41,614**	**9,023**	**34,385**	**488**	-	-	**85,510**	**85,510**
Undrawn loan commitments	9,345	-	-	-	-	-	9,345	9,345
Total financial liabilities	**50,959**	**9,023**	**34,385**	**488**	-	-	**94,855**	**94,855**

2019	Within 1 month $,000	1-3 months $,000	3-12 months $,000	1-5 years $,000	After 5 years $,000	No Maturity $,000	Total cash flows $,000	Total carrying value $,000
Assets								
Cash	6,284	-	-	-	-	-	6,284	6,284
Investment securities	998	-	6,444	-	-	-	7,442	7,442
Receivables	75	-	-	-	-	42	117	117
Loans	589	1,229	5,323	23,514	85,763	-	116,418	78,459
FVOCI equity investments	-	-	-	-	-	321	321	321
Total financial assets	**7,946**	**1,229**	**11,767**	**23,514**	**85,763**	**363**	**130,582**	**92,623**
Liabilities								
Creditors	516	-	-	-	-	-	516	516
Deposits from other financial institutions	9,250	-	-	-	-	-	9,250	9,250
Borrowings	8,500	-	-	-	-	-	8,500	8,500
Deposits from Members – at call	29,386	-	-	-	-	-	29,386	29,386
Deposits from Members – term	2,965	8,318	23,404	2,913	-	-	37,600	37,600
On balance sheet	**50,617**	**8,318**	**23,404**	**2,913**	-	-	**85,252**	**85,252**
Undrawn loan commitments	8,754	-	-	-	-	-	8,754	8,754
Total financial Liabilities	**59,371**	**8,318**	**23,404**	**2,913**	-	-	**94,006**	**94,006**

27. Interest rate change profile of financial assets and liabilities

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2020	**Within 1 month $,000**	**1-3 months $,000**	**3-12 months $,000**	**1-5 years $,000**	**After 5 years $,000**	**Non-interest bearing $,000**	**Total $,000**
Assets							
Cash	7,070	-	-	-	-	-	7,070
Receivables	-	-	-	-	-	118	118
Advance to financial Institutions	498	-	7,480	-	-	-	7,978
Loans and advances	71,918	1	3,289	1,630	265	-	77,103
FVOCI equity investments	-	-	-	-	-	341	341
Total financial assets	**79,486**	**1**	**10,769**	**1,630**	**265**	**459**	**92,610**
Liabilities							
Creditors	-	-	-	-	-	519	519
Deposit from financial institution	1,600	5,500	5,500	-	-	-	12,600
Borrowings	-	1,000	1,000	-	-	-	2,000
Deposits from Members	26,450	9,023	34,385	488		45	70,391
Sub total	**28,050**	**15,523**	**40,885**	**488**	**-**	**564**	**85,510**
Undrawn loan commitments	9,345	-	-	-	-	-	9,345
Total financial liabilities	**37,395**	**15,523**	**40,885**	**488**	**-**	**564**	**94,855**

2019	**Within 1 month $,000**	**1-3 months $,000**	**3-12 months $,000**	**1-5 years $,000**	**After 5 years $,000**	**Non-interest bearing $,000**	**Total $,000**
Assets							
Cash	6,284	-	-	-	-	-	6,284
Receivables	-	-	-	-	-	117	117
Advance to financial Institution	998	-	6,444	-	-	-	7,442
Loans and advances	68,991	968	2,522	5,697	281	-	78,459
FVOCI equity investments	-	-	-	-	-	321	321
Total financial assets	**76,273**	**968**	**8,966**	**5,697**	**281**	**438**	**92,623**
Liabilities							
Creditors	-	-	-	-	-	516	516
Deposit from financial institution	750	3,500	5,000				9,250
Borrowings	8,500	-	-	-	-	-	8,500
Deposits from Members	26,378	8,318	29,334	2,913	-	43	66,986
On balance sheet	**35,628**	**11,818**	**34,334**	**2,913**	**-**	**559**	**85,252**
Undrawn loan commitments	8,754	-	-	-	-	-	8,754
Total financial liabilities	**44,382**	**11,818**	**34,334**	**2,913**	**-**	**559**	**94,006**

28. Fair value of financial assets and liabilities

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

For the financial and non-financial assets where the fair values are reported below, all are measured using Level 3 unobservable inputs. The description of the valuation technique(s) and the inputs used in the fair value measurement are in the notes that follow.

Fair value has been determined on the basis of the present value **of expected future cash flows** under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to original term

The information is only relevant to circumstances at the reporting date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

	2020			2019		
	Fair Value $,000	**Carrying Value $,000**	**Variance $,000**	**Fair Value $,000**	**Carrying Value $,000**	**Variance $,000**
Financial assets						
Cash	7,070	7,070	-	6,284	6,284	-
Advances to other financial institutions	7,978	7,978	-	7,442	7,442	-
Receivables (1)	118	118	-	117	117	-
Loans and advances	76,922	76,922	-	78,337	78,337	-
FVOCI equity investments	341	341	-	321	166	155
Total financial assets	**92,429**	**92,429**		**92,501**	**92,346**	**155**
Financial liabilities						
Deposits from other financial institutions	12,600	12,600	-	9,250	9,250	-
Borrowings	2,000	2,000	-	8,500	8,500	-
Deposits from Members – Call	32,968	32,968	-	29,386	29,386	-
Deposits from Members – Term	37,423	37,423	-	37,600	37,600	-
Creditors (1)	512	512	-	516	516	-
Total financial liabilities	**85,503**	**85,503**	**-**	**85,252**	**85,252**	**-**

(1) For these assets and liabilities the carrying value approximates the fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

28. Fair value of financials assets and liabilities continued

For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value subject to the assessment of the credit spread on personal loans considered to be less marketable. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from Members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

Assets measured at fair value on the Statement of Financial Position

		Fair value measurement at end of the reporting period using:		
	Balance	Level 1	Level 2	Level 3
Land and building	2,552,811	-		2,552,811
Financial assets at FVOCI	341,176	-	-	341,176
Total	2,893,987	-	-	2,893,987

The fair value hierarchy has the following levels:
Level 1 - 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value based on Level 3 in the Statement of Financial Position.

Fair value measurement at the end of the reporting period

	Cuscal Shares	Land and building
Opening balance	321,468	2,235,389
Total gains or losses in other comprehensive income	14,288	275,793
Adjustment to deferred tax liabilities	5,420	41,629
Purchases	-	-
Transfers out of Level 3	-	-
Closing balance	341,176	2,552,811

	2020 $	2019 $
29. Financial commitments		
a. Outstanding loan commitments		
– The loans approved but not funded	1,430,000	1,140,000
b. Loan redraw facilities		
– The loan redraws facilities available	7,401,195	7,092,048
c. Undrawn loan facilities		
– Loan facilities available to Members for overdrafts and line of credit loans are as follows:		
– Total value of facilities approved	543,325	756,825
– Less: Amount advanced	(29,307)	(96,901)
– Net undrawn value	514,018	659,924
– These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	**9,345,213**	**8,891,972**
d. Computer capital commitments		
– Not later than one year	222,418	154,960
– Later than 1 year but not 2 years	217,308	150,240
– Later than 2 years but not 5 years	651,924	450,720
– Later than 5 years	144,872	250,400
	1,236,522	1,006,320
e. Computer Bureau Charges		
– Not later than one year	95,568	90,278
– Later than 1 year but not 2 years	95,568	95,568
– Later than 2 years but not 5 years	207,064	286,704
– Later than 5 years	-	15,928
	398,200	488,478

30. Standby borrowing facilities

The Credit Union has a borrowing facility with Cuscal Limited of:

	2020			2019		
	Gross	Current Borrowing	Net Available	Gross	Current Borrowing	Net Available
	$	$	$	$	$	$
Overdraft facility	500,000	-	500,000	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000	500,000	-	500,000

Withdrawal of the loan facility is subject to the availability of funds at Cuscal. Cuscal holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under the facility arrangements.

31. Contingent liabilities

Liquidity support scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Credit Unions and Credit Unions in the event of a liquidity or capital difficulty. As a member, the Credit Union is committed to maintaining 3.0% of the total assets as deposits with Cuscal Limited.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.0% of the Credit Union's total assets. This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

32. Disclosures on Directors and other key management personnel

Remuneration of key management persons (KMP)

Key Management Persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of that Credit Union. *Control* is the power to govern the financial and operating policies of a Credit Union so as to obtain benefits from its activities.

KMP have been taken to comprise the Directors and the 2 members (2019: 2 members) of the executive management responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation to *key management persons* during the year comprising amounts paid or payable or provided for was as follows:

	2020			2019		
	Directors $	**Other KMP** $	**Total** $	**Directors** $	**Other KMP** $	**Total** $
(a) Short-term employee benefits	-	349,205	**349,205**	-	330,161	**330,161**
(b) Post-employment benefits - superannuation contributions	-	35,240	**35,240**	-	30,493	**30,493**
(c) Other long-term benefits – net increases in long service leave provision	-	-	**-**	-	-	**-**
(d) Termination benefits	-	-	**-**	-	-	**-**
Total	**-**	**384,445**	**384,445**	**-**	**360,654**	**360,654**

In the above table, remuneration shown as short-term benefits means salaries, paid annual leave and paid sick leave, value of fringe benefits received, but excludes out of pocket expense reimbursements.

Loans to Director, related parties and other Key Management Persons

The Credit Union's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions which are available to Members for each class of loan or deposit. Employees of the Credit Union are entitled to apply for personal loans at a discounted staff interest rate. The aggregate value of such loans as at balance date amounted to $22,291 (2019: $25,779). There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

The details of transactions during the year are as follows:

b. Loans to Directors, related parties and other key management persons	2020 $	2019 $
(i) The aggregate value of loans to Directors and other key management persons as at balance date amounted to:	541,199	1,236,434
(ii) The total value of revolving credit facilities to Directors and other key management persons, as at balance date amounted to:	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	-	-
(iii) During the year the aggregate value of loans disbursed to Directors and other key management persons amounted to:		
Revolving credit facilities	-	-
Personal loans	-	-
Term Loans	-	-
	-	-
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other key management persons amounted to:	-	-
	-	-
(v) Interest and other revenue earned on loans and revolving credit facilities to Directors /KMP	26,502	30,779

Other transactions between related parties include deposits from Directors, and other KMP are -

	2020 $	2019 $
Total value term and savings deposits from Directors and KMP	1,127,329	1,248,401
Total interest paid on deposits to Directors and KMP	22,112	2,840

The Credit Union's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions which applied to Members for each type of deposit.

Transactions with Other Related Parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other Key Management Persons.

The Credit Union's policy for receiving deposits from related parties is that all transactions are approved, and deposits accepted on the same terms and conditions which applied to Members for each type of deposit.

There are no benefits paid or payable to the close family members of key management persons.

There are no material service contracts to which key management persons or their close family members are an interested party.

33. Outsourcing arrangements

The Credit Union has outsourcing arrangements with the following providers of services:

a. Cuscal Limited

(i) Provides the license rights to Visa Card in Australia and settlement other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa cards for use by Members;

(ii) This company operates the computer network used to link Visa cards operated through approved ATM providers to the Credit Union's EDP Systems

(iii) Provides treasury and money market facilities to the Credit Union. The Credit Union invests a significant part of its liquid assets with Cuscal to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. Ultradata Australia Pty Ltd

Provides and maintains the Core Banking application software utilised by the Credit Union, and hosts the Credit Union's corporate website and e-business marketing services.

c. TransAction Solutions Limited (TAS)

TAS operates computer bureau facilities on behalf of the Credit Union and other mutual financial institutions. The Credit Union has a management contract with TAS for the supply of I.T. support staff and services to meet the day to day needs of the Credit Union and to ensure compliance with Prudential Standards.

d. DBP Consulting Pty Ltd

DBP provides internal audit services to the Credit Union under an agreement overseen by Board Audit Committee.

e. InterAction

InterAction is the mailing house contracted by the Credit Union to provide statement mailing services to Members.

f. Laminar Group

Laminar is the Credit Union's proxy to participate in the Austraclear debt securities transfer system.

g. G.A.P. Tech Pty Ltd

G.A.P. Tech provides Chief Risk Officer services to the Credit Union under an agreement overseen by the Board Risk Committee.

34. Events occurring after the reporting period

There are no events occurring after the reporting period that materially impact the financial statements measurement of assets and liabilities.

	2020 $	2019 $
35. Notes to cash flow statement		
(a) Reconciliation of cash		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
– Cash on hand	-	-
– Deposits at call	7,069,724	6,283,883
Total cash	7,069,724	6,283,883

(b) Reconciliation of cash from operating activities to operating profit

	2020	2019
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	141,594	73,627
Add (Deduct):		
– Increases/(Decreases) in amortised fees on loans	5,489	4,939
– Increase in provision for loans	52,238	16,952
– Bad debts written off	-	-
– Depreciation expense	162,811	96,062
Increase/(Decrease) in liabilities		
Creditors and accruals	5,047	22,385
Interest payable	(41,598)	40,437
Staff entitlements	1,388	8,879
Income tax	34,287	(1,205)
Taxation liabilities	-	42,678
(Increase)/Decrease in assets		
Interest receivable – deposits FI's	21,908	(9,214)
Prepayments	(400)	8,661
Deferred tax asset	6,505	(20,362)
Net cash from revenue activities	389,269	283,839
Net cash from operating activities	389,269	283,839

36. Corporate information

The Credit Union is a company limited by shares, and is registered under the *Corporations Act 2001*

The address of the registered office is:	Ground Floor 410 Elizabeth Street Surry Hills NSW 2010
The address the principal place of business is:	Ground Floor 410 Elizabeth Street Surry Hills NSW 2010

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the Members of the Credit Union.

Registered Office:
Ground Floor
410 Elizabeth Street Surry Hills NSW 2010
ABN 78 087 650 600
AFSL / Australian Credit License 240718