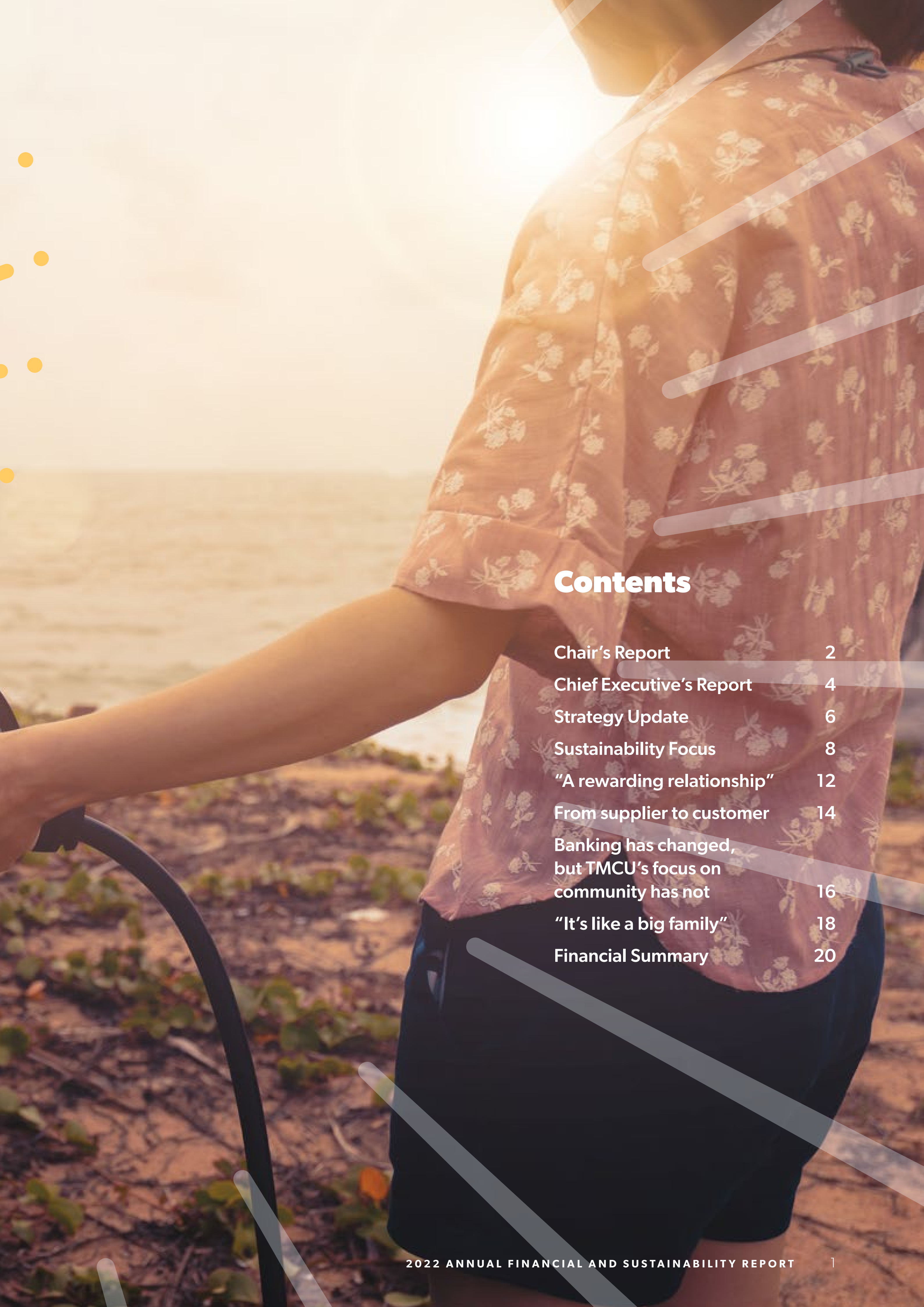
ANNUAL
FINANCIAL AND
SUSTAINABILITY
REPORT 2022

ABN 78 087 650 600

Transport Mutual Credit Union Limited

transport mutual credit union

Looking ahead to positive change



Contents

What does a healthy banking sector look like?

Dear Members, you should take significant pride in being part of a sustainable, values-based mutual. Over 58 years, the team at TMCU has driven strategy and effective governance to ensure your funds are managed well, secured for your future, whilst delivering products and services you need. Be proud of your mutual, and I urge you to continue to support diversity across our sector because the number of regulated mutuals continues to fall. In my view, a healthy financial sector is one where providers are regulated to ensure the protection of funds whilst supporting diversity in scale and structure, as not everyone thinks bigger is better. The aim of the game needs to shift to fostering new entrants to the regulated market to ensure continued protection and choice for customers into the future. Unfortunately, actions in our sector continue to indicate a march towards a future with less choice and competition in the regulated market, with customers forced to accept what's offered by the large few or ,alternatively. use non-regulated finance providers. This isn't much of a choice!

THE CHALLENGE OF SUSTAINABILITY WILL NEED TO BE MET BY ALL, AND WE WILL CONTINUE TO PROVIDE AND PROMOTE PRODUCTS THAT OFFER A PATH FOR MEMBERS TO MAKE SUSTAINABLE AND AFFORDABLE INVESTMENT DECISIONS, WHICH EQUALLY SUPPORT THEIR ABILITY TO MANAGE COST-OF-LIVING PRESSURES.

In our 58th year of operation, your mutual has continued to stand firm and grow. Our continued growth in membership and offerings came from the drive for innovation delivered through our strategic plan *FoCus 2020*. The strategy saw your Credit Union innovate towards better products and services including those through sustainably focused lending initiatives like the green and solar loans, kids accounts, freewheel bike loans, and Clement Card products. This will continue with the Board delivering the roadmap for our future – *FoCus 2025*. Our future looks strong, with initiatives to enhance our mobile and core banking systems, continued growth in our sustainability-based lending program, new and competitive offerings for seniors and investment in growing our MemberCare and connection programs. I thank all those who participated in our focus groups and surveys to help design our future. I am excited about where we are heading, and I am looking forward to working with John and the team as we achieve a brighter future for you.

At this time, we are living in a challenging global environment. Significant pressures result from an inflationary environment, unsettled world relations, the need to grow whilst COVID-19 lingers, challenges for managing in the cyber world, and a world that needs to transition to a new energy future. Without focus, things could seem overwhelming. At TMCU, we look to incremental and small steps for meeting the challenge, using our values as core principles by which we live, work and respond. As an example, the challenge of sustainability will need to be met by all, and we will continue to provide and promote products that offer a path for members to make sustainable and affordable investment decisions, which equally support their ability to manage cost-of-living pressures. Every step counts, every investment decision matters, so make yours count – reach out to the team to see how we can help you meet the challenge.

I also want take this opportunity to thank our dedicated team at TMCU, led by John and Kathy, which delivers for us day in, day out, and to our Board of Directors for their continued dedication and support, with particular reference to Phil Mortimer who retired from the Board with close to a decade of service, and also extend a welcome to new Director and Associate Sharlyn Ho and Mike Collier who bring a wealth of experience and fresh acumen to our team.

As your Chair, I am proud to live the mutual values that bring us together and make us one. These same values will help us forging a path to a sustainable future. This is what a healthy banking sector looks like to me. It is my pleasure to present the Annual Report for 2021/22, our 58th year of serving you.

Anthony J Dann CPA, GAICD

CHAIR

CHIEF EXECUTIVE'S REPORT

A year of growth and change

Dear Members,

I am pleased to report to you on our 2022 operations, and to touch on our plans to take the Credit Union forward over the years ahead.

Lessening impact of COVID

At the time of writing, COVID-19 seems to be less of a daily concern to our members than perhaps it was a year ago. Whilst still presenting the potential for serious health impacts to some, overall we seem to be living with the pandemic rather than running from it. Our members are now less affected by the economic impacts and are back to office or hybrid working environments. This is a good outcome for the Credit Union, in that we now have a measure of certainty that was missing in 2020 and 2021.

Operational achievements

The Credit Union achieved some pleasing results over the 2022 financial year, with membership, assets and loans all growing strongly. Profitability was low, as was to be expected with historically low interest rates being the biggest impact on TMCU's net profit.

Membership grew by 4.4% and many of our newest members were from non-traditional backgrounds, attracted to the Credit Union through its *products with purpose* positioning and through the growing demand for green lending. Loans grew by 7.4% based on strong demand for mortgages across the entire year.

For the first time ever, your Credit Union ended a financial year with total assets in excess of $100m – a great milestone and a testament to decades of commitment from your Board of Directors to nurturing an organisation based on values, and delivering to TMCU a sustainable future.

Strategic plan – to 2025 and beyond!

The Credit Union went through an extensive strategic planning process during the year. I want to thank the many members who contributed to that through our monthly feedback and member survey processes. We took your input seriously and it has informed a number of our upcoming product and service investment decisions.

The four key pillars of our strategic plan involve expanding our fintech investments to build ever more efficient digital processing capability, investing in innovative new products (some of which were the direct result of member feedback), assessing a refresh of our environmentally friendly products under their own brand, and continuing to build our governance skills and capabilities to suit an ever changing, highly digitised service delivery model. It's a demanding set of plans that we intend to roll out over the 2022-25 period and we look forward to bringing news to you in upcoming communications.

Interest rates on the rise

I think it is important to mention the recent increases in the RBA cash rate and the flow-on impact to mortgage interest rates, deposit rates, and the provision of better services to all our members.

It is understandable that borrowers don't like rate rises. And some of our home loan borrowers are halfway through their mortgages *without ever seeing an increase* in interest rates until the last few months. It can be concerning, and for some it can cause financial stress and hardship, particularly with the velocity of recent rate rises.

While we hope for a flattening out of that velocity, it is equally important to recognise that for the same long period of time, the Credit Union's depositors, many of them self-funded retirees, have received *ever decreasing returns* on their investments. It is fair that they can finally achieve higher rates of interest on their deposits, which are the funds we use to lend to borrowers.

MEMBERSHIP GREW BY 4.4% AND MANY OF OUR NEWEST MEMBERS WERE FROM NON-TRADITIONAL BACKGROUNDS, ATTRACTED TO THE CREDIT UNION THROUGH ITS PRODUCTS WITH PURPOSE POSITIONING AND THROUGH THE GROWING DEMAND FOR GREEN LENDING.

While we look forward to a period of calm in rate markets, it is also noteworthy that rate rises allow the Credit Union to invest in the strategies mentioned earlier – aimed at bringing you the products and services that matter to you. As you might imagine, investment in information technology to deliver the kinds of secure and reliable transactions our members expect is a very expensive business. Creating new mobile apps and upgrading our banking software (two of our business plans for 2023) are at the heart of our commitment to providing members the best in financial services.

Building on our sustainability focus

I can report that TMCU continues to build on its sustainability focus, with a Board Sustainability Committee (BSC) created in 2022. This Committee is tasked with supporting the Board's decision-making, and considering sustainability and ESG matters in relation to Credit Union operations and strategy.

I would like to acknowledge the impressive work already under way with the BSC, comprising Director Sharlyn Ho and Board Chair Anthony Dann, and our staff team Jack Lehane, Madeleine Boatto and myself. We are very excited about this opportunity to learn and adapt the business to the evolving needs of our community and stakeholders. To learn about our achievements in ESG, please see page 8 of this report.

Team changes

During the year, one of our longest serving and most respected staff members retired after decades of service in the Credit Union industry. John Watt, who is familiar to many of you, is now enjoying a more relaxing lifestyle and we acknowledge John's service to TMCU Members with thanks. Happily, the Credit Union's long-standing focus on succession planning has allowed John's role of Operations Supervisor to be taken on by our very own Greg Arvanitakis, another name many of you would recognise. We are excited to see what Greg brings to this important member-facing role.

Additionally, Kathy Loutas, in recognition of the broad nature of her role at TMCU, has been promoted from Finance Manager to Deputy CEO, a well-earned promotion and another example of succession planning in action. Jack Lehane, a second-generation Credit Union employee, has been promoted from Finance Officer to Finance Analyst, and the Credit Union recently appointed Maria Reissis to our member call centre, so feel free to say hi to Maria the next time you call TMCU.

I wish to express my thanks to the Board and staff of Transport Mutual Credit Union for another year of commitment to the financial wellness of our members. I owe a debt of gratitude to you the members for your continued commitment to your organisation. I look forward to catching up with many of you at the 2022 AGM in November.

John Kavalieros

CHIEF EXECUTIVE

Our strategic priorities

At the end of the 2020-2021 financial year, we promised our members we would formalise our sustainability strategy and deliver a roadmap for the Credit Union's future. That work has resulted in *FoCus 2022-2025 and Beyond*, a comprehensive strategy that will allow us to meet the needs of our customers, regulators and principles as an organisation. Here's an overview.

An innovative and sustainable future

To live by our values as an organisation and to further differentiate ourselves from market competitors, we plan to bolster our sustainability offering. We want to have a real impact on climate change, pollution control and the way in which our customers use energy. We've already been recognised for our impact in this area, but we can do more to become a market leader in the Green banking space. To achieve that, we must explore further product development around solar loans, electric vehicles and bicycle loans. We will also look at new ways to package those offerings for customers who wish to do more for the planet.

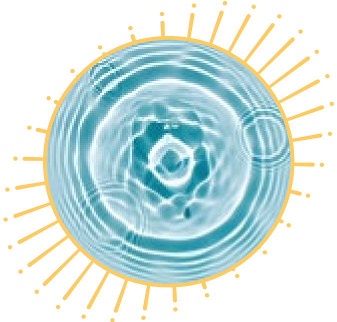
It's worth noting sustainability doesn't just pertain to the environment. For us, it means ensuring we have the financial assets and customer pipeline to ensure our longevity as a standalone entity. It also means delivering on social objectives, such as developing a reverse mortgage product for our older customers to help them free up equity, without compromising their plans for their beneficiaries. We are also looking at self-managed super fund (SMSF) loans and micro-loans to give different segments of the market new opportunities. We will continue to research new innovations that can deliver on our sustainability and social principles, while recognising the needs of both older and younger demographics.

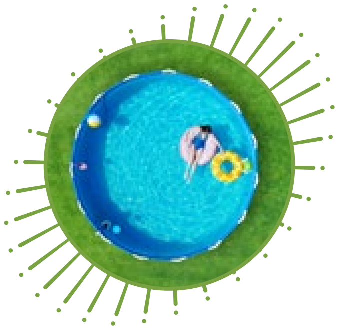
Upgrading our technology

As a competitive player in the banking space, we have long recognised the importance of technology that allows us to match or exceed the offering of other ADIs. To help us in this area, we are improving our Ultradata Core Banking System, which will allow us to meet the needs of current and future members who wish to use applications like Apple or Google Pay. We will also invest in new ways for customers to interact with us seamlessly and have a positive user experience.

Beyond our customers' expectations, our regulatory obligations require us to upgrade our systems. Given the complexity and cost of this task, it's a multi-year endeavour for us and other similarly sized institutions. However, the end result should ensure a better experience for the end customer.

It's important to us that we are technologically robust enough to continue to meet future regulatory requirements and growth trajectory, which is why we are also investing in our IT infrastructure. We are creating an IT future fund, which will better position us to meet compliance requirements and customer expectations.





Expanding our footprint

Despite having a long-standing and loyal customer base, we know a key part of Transport Mutual's future involves building that footprint. Australia's banking market is crowded and subject to frequent – and often expensive – regulatory changes. As such, the longevity of smaller financial institutions like ours hinges on the Renewal of our customer base.

To grow our volume of customers, we plan to diversify our brand and deliver new and prospective members opportunities that don't exist in other parts of the market. One example of this is our bicycle loans, which initially didn't turn a profit for us, but have steadily built up our membership. In other words, members who were attracted to us due to that initial product have stayed with us, which is a pleasing development. We will continue to investigate new mechanisms to attract new customers, while providing competitive rates, fees and a service culture that encourages them to stay.

We are also investigating new ways to recruit members, whether it be through fintech partners, broker arrangements or other marketing. Traditionally, our members have found us through their employer, but we acknowledge we'll have to find new ways to market to members in the future. Shortly, we are releasing a series of wellbeing initiatives to further boost our brand awareness. One example is our fraud awareness campaign, which will also have broader social benefits. Our work in this space will be ongoing and will help to inform our priorities in the future.

Delivering for our Members

As part of our strategy development, we took a close look at our banking and demographic data and surveyed our members. The insights we gained from this research helped to inform our future direction and priorities. After all, we want to deliver a Credit Union that members are proud of and loyal to.

Members told us they appreciate our trustworthiness and value, which are certainly attributes we intend to maintain. To that end, we are committed to being transparent with our customers about changes and Transport Mutual's evolution, while continuing to deliver products that are competitive with the rest of the market.

Our members also expressed optimism about some of the other areas of investment, including sustainability and technology. Digital channels are a top priority for our customers, which is recognised throughout our three-year strategy.

Long-standing members with ties to the transport industry still make up the majority of our customer base, but our research shows most are committed to our Green principles.

As we continue on this journey, we will continue to seek feedback from our Members about their satisfaction, their concerns and their priorities.

While some of the strategic objectives I've discussed are short-term priorities, others will take several years to be fully operationalised. As always, I look forward to your feedback and the next opportunity to discuss our progress with *FoCus 2022-2025 and Beyond*.

John Kavalieros
CHIEF EXECUTIVE

Sustainability Focus

SOLAR IS ONE OF THE BIGGEST WAYS TMCU IS HELPING ITS MEMBERS MAKE A POSITIVE IMPACT ON THE ENVIRONMENT. THESE PAGES ILLUSTRATE THE AMAZING DIFFERENCE THESE DECISIONS ARE HAVING IN ONE YEAR.

YEARLY ENERGY GENERATION

3,550,249 KWh

Based on sunlight in Sydney NSW 2000 postcode

NUMBER OF PANELS GENERATING

6,774

FOOTPRINT OF AREA GENERATING

11,515m^2

The size of about 1.5 rugby fields

DAILY ENERGY GENERATION

9,726 KWh

- Nearly one year's worth of travel for a family car (27,528 km)

  Source https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- Barrels of oil equivalent 16 per day

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- Number of smartphones charged 838,440 per day

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- Kilos of coal burned 3,459 per day

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- Equivalent of 6,983 Kilos of CO^2 equivalent

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

YEARLY CO^2 SAVINGS

2,515,999 Kg

of CO^2 emissions saved

Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- Emissions saving equivalent to electricity use of 317 homes for one year

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- 5,825 barrels of oil

  Source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results

- 6,245,227 kilometres driven in an average petrol powered passenger vehicle

Environment

COMMITMENT

Support a healthier environment and society

ACTUAL

$6,430
Spent on energy

2
2 VEHICLES
Low emissions fleet

COMMITMENT

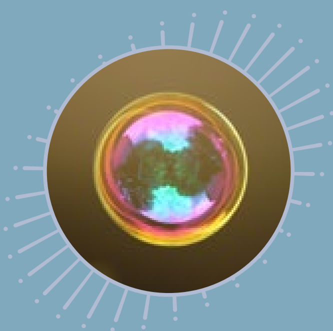
Maintain 100% hybrid or full electric fleet

Commitment to net-zero carbon emissions by 2035 on track

ACTUAL

100%
Proportion of fleet low emissions

Social



COMMITMENT

Support for community activities and good causes

ACTUAL

$4,500
Investment and donations over the year

11
Campaigns around cyber risk and fraud awareness for our members

COMMITMENT

50% Gender balance for staff and management

ACTUAL

Management diversity
50%
Female

Staff diversity
43%
Female

Governance

COMMITMENT

Diversity and equality of Board

ACTUAL

37.5%
Female representation in 2022

COMMITMENT

Robust performance assessment

ACTUAL

100%
Proportion of board members assessed

2022

COMMITMENT

Support active transport growth

ACTUAL

9
Comms campaigns to raise awareness

1
Industry event spoken at to share knowledge

$4,000
Active transport-related sponsorship

COMMITMENT

Working with other ADIs to raise awareness

ACTUAL

4
Number of meetings with industry colleagues to share awareness of ESG

COMMITMENT

Wellbeing support for our team

ACTUAL

— WFH arrangements in place
— Optimise use of technology and awareness of travel impact to encourage better CO^2 outcomes
— Voluntary turnover rate 1/9
— Involuntary turnover rate 0/9

COMMITMENT

Health and safety of our team

ACTUAL

12/12 MONTHS
Monthly disclosure of near misses and incidents

0
Number of near misses and actual WHS events

COMMITMENT

Delivery of continued education to staff

ACTUAL

Spent on continuing and further education

$3,402

COMMITMENT

Director & management skillsets maintained and growing

ACTUAL

Spent on continuing and further education

$15,433

COMMITMENT

Modern slavery

2023 STRATEGIES

— Linking 3rd-party values to those of TMCU
— Building awareness of issue
— All 3rd parties to report on their exposure

PROFILE

"A rewarding relationship"

Transport Mutual's support of Barnados Yurungai

"We tell the kids if they get the right education, they could end up working somewhere like [TMCU]."

— AUNTY VIV FREEMAN

While many charity partnerships primarily involve funding and reporting, Aunty Viv Freeman says the relationship between Barnados Yurungai and Transport Mutual Credit Union (TMCU) is more than that.

Aunty Viv said she feels like the two parties are building something together, with TMCU taking an active interest in the development of children at the Yurungai Centre. It supports school-aged kids, including those from disadvantaged backgrounds, who need a bit of extra support after school.

"The team have met the kids on a number of occasions," she said. "When we invite them to things, they want to come along and they see the real progress."

Even the children have started to recognise the TMCU team and get excited when they come along for a visit, Aunty Viv said.

"We tell the kids if they get the right education, they could end up working somewhere like [TMCU]."

REWARDING WORK

While Aunty Viv acknowledges some days are challenging, she said she loves waking up every day knowing she's going to see the kids.

"When we walk up those stairs, we are one big family," she said.

"Every single day is a different day," she added. "They might have a really good day at school and want to come and tell us about it. If they've had a bad day, they'll also tell us and we'll try to work through it, so they don't take it home."

Through conversations with the learning centre and the children, Aunty Viv said, there's a shared understanding between TMCU and Yurungai about the importance of the work. She also said the two organisations have very similar values.

"I find it very genuine, as we have the same views," she said. "What we face in the community, they understand it."

With TMCU's backing, Yurungai has been able to help children from multiple age groups and nationalities on their learning journeys.

"Having the Credit Union's support behind what we do, that drives us," she said. "It's really crucial to the kids as well and they know that, we tell them."

Aunty Viv said she feels like they're making a difference, which wouldn't be possible without the extra help TMCU offers.

"The support from the Credit Union is really important," she said. "Through my eyes, it's working. We're going really well."

PROFILE

From supplier to customer:

Why René chose Transport Mutual

Elscomm manager and IT guru René Els isn't your typical Transport Mutual Credit Union (TMCU) customer.

He started as a supplier for the Credit Union in 2004, managing its information technology. The role required frequent site visits, so Mr Els got to know the staff and the ins and outs of the business over time.

"I really enjoyed working with [TMCU's staff], as they are all very personable people," he said.

As a result, when Mr Els was looking for somewhere for his own company's banking, TMCU quickly came to mind.

"Eventually I started my own business in IT services, and we needed banking services," Mr Els said. "Knowing the staff there and how they work, it made sense to start our business banking with them."

THE IMPORTANCE OF IT SECURITY TODAY

As a member of the IT industry, Mr Els is more aware than anyone of the importance of robust security systems. He said cybercrime is predicted to cost the world more than USD $10.5 trillion by 2025, which is "very concerning".

Given recent headline-capturing breaches, Mr Els said, most Australians are becoming aware of cybercrime too and will be looking to credit unions and banks to adopt the right responses and proactive protection.

According to Mr Els, financial institutions can certainly shield themselves with the right protocols in place, provided they are "continually assessed and adjusted to fend against these attacks".

Mr Els said TMCU is an institution that takes steps to mitigate cyber risks, which is reassuring for customers and team members alike.

For example, when the Optus breach occurred in September, the Credit Union went above and beyond to help keep its staff's data safe, he said.

"TMCU executives jumped on it immediately, implementing various processes to protect TMCU staff against potential fraud incidents," he said.

"Knowing the staff there and how they work, it made sense to start our business banking with them."

— RENÉ ELS

Banking has changed, but TMCU's focus on community has not

While many will know John Kavalieros as the chief executive of Transport Mutual Credit Union, he also wears another, lesser-known hat: long-standing customer.

Mr Kavalieros has been a member of TMCU for more than two decades, which he said has given him a unique opportunity to observe the Credit Union from a different point of view. It also allows him to sanity check the decisions TMCU makes.

"Over time, we have served Members from a number of branch locations. These days we operate more of a cashless organisation, but the service philosophy hasn't changed," he said.

As a customer, Mr Kavalieros has enjoyed the benefits of faster quicker transactions online, but also a continued sense of community that was around when branch banking was more prominent.

"The Credit Union now has people on the phones who really know the customers," he said.

"I'd say TMCU knows its customers more than the average bank," Mr Kavalieros added. "The personal service is something we often get feedback on and I've seen it myself, as a customer."

"There's just good engagement with members… The Annual General Meeting is a very social affair."

The chief executive said he's also experienced it when on the other side, with customers phoning him and other members of his team directly with questions, ideas and feedback.

AN EVOLVING IDENTITY

As both the CEO and a customer, Mr Kavalieros has witnessed the Credit Union move away from its historical roots with the transport industry towards a broader positioning based on values that combine a strong recognition of history with an eye to the future.

He said while there have been some "growing pains", as one would expect with such a transition, he sees the credit union in a different way as a customer.

"I've seen a huge change in the way that the place is governed and its identity," he said.

"The Credit Union has grown to be something more substantial and has grown its ability to serve both transport related members, as well as those from more diverse backgrounds," Mr Kavalieros said.

> "The personal service is something we often get feedback on and I've seen it myself, as a customer."
>
> — JOHN KAVALIEROS

"It's like a big family"

When Ross Walker OAM joined the NSW Department of Main Roads (DMR) more than 30 years ago, signing up to the Credit Union seemed like a natural next step.

Decades later, the now-retiree is still a loyal member of the Transport Mutual Credit Union, which he said retains the personal touch that makes it so different from a big bank.

"You get to know the staff and stay connected with people from throughout your career," he said.

"The thing with the Credit Union is that it's person; it's like a big family."

Mr Walker particularly enjoys the Credit Union's Annual General Meeting, where he has the opportunity to hear from the team and spend some time with former colleagues and new faces.

PUTTING CUSTOMERS FIRST

Mr Walker said while he's always been a loyal TMCU member, he's also had experience with a Big Four bank. He said while he acknowledges banking is changing, he has been less than impressed with big banks' approach when it comes to face-to-face service.

"My local (Big Bank) branch was shut down, which annoyed a lot of local members, many of whom are pensioners," he said. "I wrote to the CEO and didn't receive a reply."

In contrast, Mr Walker said TMCU is customer-focused, and staff make an effort to get acquainted with customers personally – not just their financial accounts.

"You really get to know the people at your local branch," he said.

For Mr Walker, a sense of community is very important. The TMCU member has received an Order of Australia Medal (OAM) for his service to his local Beecroft-Cheltenham area, where he advocates on behalf of his community at a council, state and federal level.

"I've been involved in the local community for more than 30 years," he said.

> "You really get to know the people at your local branch"
>
> — ROSS WALKER OAM

Financial Summary

Transport Mutual Credit Union Limited

Financial Report for the year ended 30 June 2022

ABN 78 087 650 600

Anthony J Dann

Vince Taranto

Meredyth-Ann Williams

Jacqui McDonald

Clement Siu

Philip Mortimer

(RESIGNED 25/5/22)

Robert Picone

Sharlyn Ho

(APPOINTED 25/5/22)

Michael Collier

NOTICE OF 58TH ANNUAL GENERAL MEETING

The 58th Annual General Meeting of Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held as an online event. Full details of the meeting will be sent to Members in early November. The online event will be held on Friday 25th November 2022 via zoom, commencing at 12.00 pm.

MEMBERS OF THE BOARD OF DIRECTORS

Anthony Dann	Chair, Remuneration and Nominations Committee Chair, Board Risk Committee Deputy Chair, Board Sustainability Committee Member
Vince Taranto	Deputy Chair
Meredyth-Ann Williams	Director, Board Risk Committee Chair
Jacqui McDonald	Director, Board Audit Committee Deputy Chair, Board Risk Committee Member, Whistleblower Complaints Officer
Clement Siu	Director, Board Audit Committee Chair, Board Risk Committee Member
Philip Mortimer	Director (Resigned 25/5/22)
Robert Picone	Director
Sharlyn Ho	Director, Board Sustainability Committee Deputy Chair, Board Audit Committee Member, Board Risk Committee Member

ADMINISTRATION (AS AT 30 JUNE 2022)

John Kavalieros	Chief Executive Officer and 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
Madeleine Boatto	Loans Officer
Sonia Sakr	Business Development Officer
Victoria Loutas	Digital Services Officer

John Kavalieros

CEO AND COMPANY SECRETARY

Kathy Loutas

FINANCE MANAGER

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

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 "Credit Union" 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.

Contents

Key Statistics of the Credit Union

	JUN-18	JUN-19	JUN-20	JUN-21	JUN-22
Members (No.) $	4,276	4,348	4,465	4,575	4,775
Deposits $	60,898,524	66,942,993	70,346,237	73,899,136	83,479,449
Average Member Deposits $	14,242	15,396	15,755	16,153	17,483
Loans $	67,706,398	78,336,630	76,922,347	75,305,259	80,900,395
Average Loan balances $	15,834	18,017	17,228	16,460	16,942
Loans funded in the year $M	20.3	19.8	13.7	17.3	22.6
Bad debts written off against profit $	4,954	–	–	–	–
Capital Adequacy ratio %	22.83	20.86	20.59	20.10	18.95
Total Reserves $	9,246,774	9,432,915	9,864,590	9,941,054	10,095,482
Total Assets $	82,685,974	94,993,435	95,652,084	95,461,867	102,123,874
Reserves to Assets %	11.18	9.93	10.31	10.33	9.89
Return/Average Assets %	0.07	0.08	0.15	0.07	0.08
Staff/Member ratio	1:713	1:621	1:638	1:571	1:596
Staff/Assets ratio	1:$13.78M	1:$13.57M	1:$13.66M	1:$11.93M	1:$12.76M

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

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 2022. 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, GAICD	16 Years	Chair, Remuneration and Nominations Committee Chair, Board Risk Committee Deputy Chair, Board Sustainability Committee Member
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	24 Years	Deputy Chair
Meredyth-Ann Williams	Director	DipTeach, BA (Hons) Psych, Dip.Clin.Hyp, MAMI	17 Years	Board Risk Committee Chair
Jacqui McDonald	Director	MAMI	14 Years	Whistleblower Complaints Officer, Board Audit Committee Deputy Chair, Board Risk Committee Member
Clement Siu	Director	B.Com, CPA, MAGPI, MAMI	12 Years	Board Audit Committee Chair, Board Risk Committee Member
Philip Mortimer (resigned 25/5/22)	Director	M.I.A.M.E, JP, MAMI	9 Years	
Robert Picone	Director	CertCivEng, FAITPM	3 Years	
Sharlyn Ho (appointed 25/5/22)	Director	MFin&Acc, CPA, BCom (ProfAccg&Law), DipFinPlan	<1 Year	Board Sustainability Committee Deputy Chair, Board Audit Committee Member, Board Risk Committee Member

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	26 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
Michael Collier	B.Com (Info Sys), Dip Bus (Legal Serv), Dip Bus (RE Mgmt)	< 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		BOARD REMUNERATION COMMITTEE		BOARD SUSTAINABILITY COMMITTEE	
	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Anthony J. Dann	12	12			4	4	1	1	4	3
Vincent E. Taranto	12	12					1	1		
Meredyth-Ann Williams	12	12	4	2	4	4	1	1		
Jacqui McDonald	12	11	4	3	4	4	1	1		
Clement Siu	12	11	4	3	4	4	1	1		
Philip Mortimer	12	4					1	1		
Robert Picone	12	10					1	1		
Sharlyn Ho	12	12	4	2			1	1	4	2

All directors requested and were granted leave for meetings they were unable to attend.

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 This includes the provision of retail financial services to members in the form of taking deposits and giving financial loans to members 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 $76,788 (2021: $65,861).

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.

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.

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 s307 of the Corporations Act 2001 as set out on page 28.

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.

REGULATORY DISCLOSURES

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the bank's website at https://www.transportmutual.com.au/about-transport-mutual/disclosure-documents/.

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 21ST DAY OF SEPTEMBER 2022

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 2021 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

Clement Siu
BOARD AUDIT COMMITTEE CHAIR

SIGNED AND DATED THIS 21ST DAY OF SEPTEMBER 2022

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

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 2022, 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

Tari Makanda

Tari Makanda
Partner – Audit & Assurance

Sydney, 21 September 2022

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

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 2022, 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 2022 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.

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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 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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

Tari Makanda

Tari Makanda
Partner – Audit & Assurance

Sydney, 21 September 2022

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022	NOTE	2022 $	2021 $
Interest income	3.a	2,496,277	2,691,214
Interest expense	3.c	(347,594)	(579,677)
Net interest income		2,148,683	2,111,537
Fees and commissions and other income	3.b	96,180	175,871
		2,244,863	2,287,408
Less:			
Non-interest expenses			
Impairment losses on loans receivable from Members	3.d	(13,967)	(11,947)
Fee and commission expenses		(148,074)	(98,520)
General administration			
– Employees compensation and benefits		(716,436)	(795,736)
– Depreciation and amortisation	3.e	(232,017)	(208,966)
– Information technology		(537,225)	(594,315)
– Other administration		(199,345)	(185,589)
Other operating expenses		(321,011)	(326,277)
Total non-interest expenses		(2,168,075)	(2,221,350)
Profit before income tax		76,788	66,058
Income tax expense	4	(0)	(197)
Profit after income tax		76,788	65,861
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets held at FVOCI			
Total other comprehensive income		77,640	10,603
		77,640	10,603
Total comprehensive income for the period		154,428	76,464

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

Statement of Financial Position

As of 30 June 2022

	NOTE	2022 $	2021 $
ASSETS			
Cash and cash equivalents	5	6,229,688	4,837,529
Receivables	6	244,997	159,193
Loans to Members	8	80,900,395	75,305,259
Investment securities			
– at amortised cost	7	11,185,892	11,691,918
– at fair value through OCI	7	400,064	351,953
Property, plant and equipment	10	2,516,452	2,603,262
Taxation assets	17	–	46,095
Deferred tax assets	11	167,334	97,580
Intangible assets	12	479,052	369,078
TOTAL ASSETS		102,123,874	95,461,867
LIABILITIES			
Payables to other financial institutions	13	5,500,000	8,500,000
Borrowings	14	2,290,133	2,283,965
Deposits from Members	15	83,479,308	73,899,136
Creditor accruals and settlement accounts	16	495,889	607,867
Provisions	19	82,428	76,962
Taxation liabilities	17	69,365	–
Deferred tax liabilities	18	111,269	152,883
TOTAL LIABILITIES		92,028,392	85,520,813
NET ASSETS		10,095,482	9,941,054
MEMBERS' EQUITY			
Capital reserve account	20	40,810	39,900
FVOCI reserve	23	173,432	137,405
Asset revaluation reserve	22	317,406	275,793
General reserve for credit losses	21	400,000	461,067
Retained earnings		9,163,834	9,026,889
TOTAL MEMBERS' EQUITY		10,095,482	9,941,054

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 2022	CAPITAL RESERVE	RETAINED EARNINGS	RESERVE FOR CREDIT LOSSES	FVOCI RESERVE	ASSET REVALUATION RESERVE	TOTAL EQUITY
	$	$	$	$	$	$
Balance as at 1 July 2020	38,890	8,962,038	461,067	126,802	275,793	9,864,590
Total net profit for the year	–	65,861	–	–	–	65,861
Other comprehensive income for the year	–	–	–	10,603	–	10,603
Sub-total	38,890	9,027,899	461,067	137,405	275,793	9,941,054
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	1,010	(1,010)	–	–	–	–
Total at 30 June 2021	39,900	9,026,889	461,067	137,405	275,793	9,941,054
Balance as at 1 July 2021	39,900	9,026,889	461,067	137,405	275,793	9,941,054
Total net profit for the year	–	76,788	–	–	–	76,788
Other comprehensive income for the year	–	–	–	36,027	41,613	77,640
Sub-total	39,900	9,103,677	461,067	173,432	317,406	10,095,482
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	910	60,157	(61,067)	–	–	–
Total at 30 June 2022	40,810	9,163,834	400,000	173,432	317,406	10,095,482

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

Statement of Cash Flows

For the year ended 30 June 2022	NOTE	2022 $	2021 $
OPERATING ACTIVITIES			
Interest received		2,490,675	2,715,511
Fees and commissions		43,280	44,312
Dividends received		52,900	4,157
Other income		–	217,400
Interest paid		(405,511)	(717,381)
Suppliers and employees		(2,010,030)	(2,027,526)
Income taxes paid		33,621	(84,023)
Net cash from revenue activities	35.b	**204,935**	**152,450**
Inflows/(outflows) from other operating activities			
Net increase in Member deposits		9,544,647	3,697,942
Net decrease in Member loans		(5,618,355)	1,599,206
Net (decrease)/increase in receivables from other financial institutions		(2,490,054)	(7,817,832)
Net cash (used in)/from operating activities		**1,641,173**	**(2,368,234)**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of property, plant and equipment		–	3,500
Less: Outflows			
Purchase of investments in shares		–	–
Purchase of fixed assets		(255,179)	(151,426)
Net cash from/(used in) investing activities		**(212,297)**	**(147,926)**
FINANCING ACTIVITIES			
Inflows/(outflows)			
Increase/(Decrease) in borrowings		6,166	283,965
Net cash from/(used in) financing activities		**6,166**	**283,965**
Total net cash increase/(decrease)		**1,392,159**	**(2,232,195)**
Cash at beginning of year		**4,837,529**	**7,069,724**
Cash at end of year	35.a	**6,229,688**	**4,837,529**

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 2022

1. BASIS OF PREPARATION

a. Nature of operations

The principal activities of Transport Mutual Credit Union Limited ('the Credit Union') include the provision of retail financial services to members in the form of taking deposits and giving financial loans to members.

b. General information and statement of compliance

This financial report is prepared for the Credit Union for the year ended the 30 June 2022. The general purpose financial statements of the Credit Union have been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS's) as issued by the International Accounting Standards Board ('IASB'). Transport Mutual Credit Union Limited is a for-profit entity for the purpose of preparing the financial statements.

Transport Mutual Credit Union Limited is a public company incorporated and domiciled in Australia.

The report was authorised for issue on 21 September 2022 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

c. 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.

d. Foreign currency translations

These financial statements are presented in Australian Dollars ('$AUD'), which is also the functional currency of Transport Mutual Credit Union Limited.

Foreign currency transactions are translated into the functional currency of the Credit Union, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

e. Changes in significant accounting policies

New standards and interpretations applicable for the current year

The Credit Union has not applied any standards and amendments for the first time for their annual reporting period commencing 1 July 2021.

Standards, amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the Credit Union

Certain standards have been issued by the Australian Accounting Standards Board that are not yet effective. The Credit Union has not yet considered these accounting standards to determine their impact on the Credit Union and its financial statements.

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

The new accounting model for insurance contracts impacts certain credit card contracts and loans that include an agreement by the lender to compensate the borrower – by waiving some or all the payments due from the borrower – if a specified uncertain event occurs (for example, if the borrower dies).

The standard is effective for annual reporting periods beginning on or after 1 January 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below.

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 ony 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 Credit Union 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 Credit Union 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 Credit Union 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

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 income

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.

Revenue

Revenue represents revenue from contracts with customers, where the Group has provided services to a customer in exchange for consideration that is not the provision of a lease, an insurance product, or a financial instrument.

Fees on loans – The fees charged on loans after origination of the loan are recognised as revenue over time when the service is provided.

The Group's performance obligation is to provide ongoing services related to account maintenance, a service from which the customer benefits as the service is provided and is recognised over-time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Where fees are discounted due to other relationships, the fees are estimated and recognised as a contract liability measured at the estimated value of the promised services, based on their relative stand-alone selling price and estimated period of delivery.

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. The carrying value of land and buildings is reviewed annually and if the fair value of a revalued asset differs materially from its carrying amount, it is revalued. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

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 high quality corporate 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 25%.

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. Cash equivalents have a short maturity of three months or less from the date of acquisition.

j. Intangible assets

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Credit Union intends to and has sufficient resources to complete the project
- the Credit Union has the ability to use or sell the software; and
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred. Employee (excluding Director) directly attributable costs include software incurred costs for development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described below. The following useful lives are applied:

- Internally developed software: 3-5 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash- generating unit to which the asset belongs.

k. Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Credit Union with the right to access the cloud provider's application software over the contract period. As such the Credit Union does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract

- Fee for use of application software
- Customisation costs

Recognise as an operating expense as the service is received

- Configuration costs
- Data conversion and migration costs
- Testing costs
- Training costs

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note j for an outline of accounting for intangible assets.

l. Accounting estimates and judgements

Valuation of land and buildings

Management has 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.

Expected credit loss provision

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 has 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 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.

Software-as-a-Service (SaaS) arrangements

Note 2k describes the entity's accounting policy in respect of configuration and customisation costs incurred in implementing SaaS arrangements. In applying the entity's accounting policy, the Directors made key judgements that have the most significant effect on the amounts recognised in financial statements.

This includes the determination whether configuration and customisation services are distinct from the SaaS access:

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non- distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, the Credit Union recognised $nil as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022 $	2021 $
a. Analysis of interest income		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	–	345
Receivables from financial institutions	86,477	60,989
Loans to Members	2,409,800	2,629,880
Total interest revenue	2,496,277	2,691,214
b. Fee, commission and other income		
Fee and commission revenue		
Other fee income for service provided at point in time	21,610	19,777
Other commissions	21,670	24,536
Total fee and commission revenue	43,280	44,313
Other income		
Dividends received on held at fair value equity assets	52,900	4,156
Miscellaneous income	–	217,400
Loss on disposal of intangible asset	–	(89,998)
Total other income	52,900	131,558
Total fee, commission and other income	96,180	175,871
c. Interest expenses		
Deposits from other financial institutions	55,797	97,620
Deposits from Members	258,386	451,470
Short term borrowings	33,411	30,587
Total interest expense	347,594	579,677
d. Impairment losses		
Loans and advances		
Increase in provision for impairment	5,245	13,219
Bad debts written off/(recovered)	8,722	(1,272)
Total impairment losses	13,967	11,947

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Continued

	2022 $	2021 $
e. Other prescribed disclosures		
General administration – Depreciation expense		
Buildings	64,604	65,257
Plant and equipment	36,065	88,806
Software	131,348	54,903
	232,017	208,966
f. General administration – Auditor's remuneration (excl. GST)		
Audit fees	74,321	57,170
Other services	–	4,500
	74,321	61,670
g. Loss on disposal of assets		
Intangible assets	–	89,998
	–	89,998

4. INCOME TAX EXPENSE

	2022 $	2021 $
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	76,788	66,058
Prima facie tax payable on profit before income tax at 25% (2021: 26%)	19,197	17,175
Add tax effect of amounts not deductible/(taxable)		
Franking credit uplift	5,584	–
Tax offset for franked dividends	(22,336)	(463)
– Adjustments for current tax of prior periods	–	2,176
– ATO cash flow boost grant	–	(13,000)
– Adjustment for transitional tax rate provision	(2,445)	(5,691)
– Total income tax expense in income statement	–	197

5. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Deposits at call	6,229,688	4,837,529
	6,229,688	4,837,529

6. RECEIVABLES

	2022 $	2021 $
Interest receivable on deposits with other financial institutions	25,603	10,210
Prepayments	111,886	104,146
Sundry debtors and settlement accounts	107,508	44,837
	244,997	159,193

7. INVESTMENT SECURITIES

Investment securities at amortised cost		
Negotiable Certificates of Deposits	–	499,572
Term deposits with Banks	5,985,892	6,992,346
Floating Rate Notes	4,200,000	4,200,000
Treasury Bonds	1,000,000	–
Equity investment securities designated as FVOCI		
Cuscal Limited *	400,064	351,953
	11,585,956	12,043,871

** 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 has 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 has determined that the value of $1.40 (2021: $1.27) 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.

8. LOANS TO MEMBERS

a. Amount due comprises:

	2022 $	2021 $
Overdrafts and revolving credit	35,574	56,337
Term loans	81,086,078	75,446,960
Subtotal	81,121,652	75,503,297
Less:		
Unamortised loan origination fees	(46,330)	(36,539)
Unearned income		
Subtotal	81,075,322	75,466,758
Less: Provision for impaired loans	(174,927)	(161,499)
	80,900,395	75,305,259

8. LOANS TO MEMBERS Continued	2022 $	2021 $
b. Credit quality – Security held against loans		
Secured by mortgage over real estate	72,522,042	68,119,035
Partly secured by goods mortgage	4,010,265	3,821,863
Wholly unsecured	4,589,345	3,562,399
	81,121,652	75,503,297

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:

Security held as mortgage against real estate is on the basis of:		
Loan to valuation ratio of less than 80%	65,530,000	61,071,113
Loan to valuation ratio of more than 80% but mortgage insured	6,992,042	4,603,096
Loan to valuation ratio of more than 80% and not mortgage insured	–	2,444,826
Total	72,522,042	68,119,035

c. Concentration of loans

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

(i) Loans to Individual or related groups of Members which exceed 10% of total Members' equity	13,579,423	8,979,032
Total	13,579,423	8,979,032

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

(ii) Geographical concentrations		
NSW	66,589,430	64,909,895
Victoria	8,752,171	6,654,591
Queensland	2,430,692	1,453,163
South Australia	510,988	235,639
Western Australia	1,391,223	1,139,035
ACT	905,250	876,627
Other	541,898	234,347
	81,121,652	75,503,297

(iii) Loans by purpose		
Residential loans and facilities	72,522,042	68,119,035
Personal loans and facilities	8,599,610	7,384,262
	81,121,652	75,503,297

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 2022 $	ECL ALLOWANCE 2022 $	CARRYING VALUE 2022 $	GROSS CARRYING VALUE 2021 $	PROVISION FOR IMPAIRMENT 2021 $	CARRYING VALUE 2021 $
Loans to Members:						
– Mortgages	72,522,042	–	72,522,042	68,119,035	–	68,119,035
– Personal	8,564,036	174,927	8,389,109	7,327,925	161,499	7,166,426
– Overdrafts	35,574	–	35,574	56,337	–	56,337
Total to natural persons	81,121,652	174,927	80,946,725	75,503,297	161,499	75,341,798
Total	81,121,652	174,927	80,946,725	75,503,297	161,499	75,341,798

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 2022 $	STAGE 2 LIFETIME ECL 2022 $	STAGE 3 LIFETIME ECL 2022 $	TOTAL 2022 $
Loans to Members:				
– Mortgages	–	–	–	–
– Personal	29,807	–	145,120	174,927
– Overdrafts	–	–	–	–
Carrying amount	29,807	–	145,120	174,927

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 2022 $	STAGE 2 LIFETIME ECL 2022 $	STAGE 3 LIFETIME ECL 2022 $	PURCHASED CREDIT IMPAIRED 2022 $	TOTAL 2022 $
Loans to Members:					
Balance at 1 July 2021	21,624	13,420	126,455		161,499
Changes in the loss allowance					
– Transfer to stage 1	26,018	(13,420)	(12,598)	–	–
– Transfer to stage 2	–	–		–	–
– Transfer to stage 3	(311)	–	311	–	–
– Net movement due to change in credit risk	(17,524)	–	30,952	–	13,428
– Write-offs	–	–	–	–	–
Balance at 30 June 2022	29,807	–	145,120		174,927

9. PROVISION ON IMPAIRED LOANS Continued

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.

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 amortisation. 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 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.

10. PROPERTY, PLANT AND EQUIPMENT

	2022 $	2021 $
a. Property	2,070,339	2,070,339
Less: Provision for depreciation	(197,389)	(132,785)
Total property	1,872,950	1,937,554
Plant and equipment – at cost	223,637	277,612
Less: Provision for depreciation	(130,135)	(161,904)
Total plant and equipment	93,502	115,708
Land	550,000	550,000
Total property, plant and equipment	2,516,452	2,603,262

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

	2022				2021			
	PROPERTY	PLANT & EQUIPMENT	LAND	TOTAL	PROPERTY	PLANT & EQUIPMENT	LAND	TOTAL
	$	$	$	$	$	$	$	$
Opening balance	1,937,554	115,708	550,000	**2,603,262**	2,002,811	98,891	550,000	**2,651,702**
Revaluation	–	–	–	**–**	–	–	–	**–**
Purchases	–	13,858	–	**13,858**	–	48,801	–	**48,801**
Less:								
Assets disposed	–	–	–	**–**	–	–	–	**–**
Depreciation charge	(64,604)	(36,064)	–	**(100,668)**	(65,257)	(31,984)	–	**(97,241)**
Balance at the end of the year	**1,872,950**	**93,502**	**550,000**	**2,516,452**	**1,937,554**	**115,708**	**550,000**	**2,603,262**

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

	2022 $	2021 $
Property	1,893,324	1,893,324
Less: Provision for depreciation	(197,389)	(132,785)
Total property	1,695,935	1,760,539
Land	344,806	344,806

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.

The directors determine a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

» current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

» discounted cash flow projections based on reliable estimates of future cash flows

» capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

11. DEFERRED TAXATION ASSETS

	2022 $	2021 $
Deferred tax assets	167,334	97,580
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	13,222	11,461
Provisions for impairment on loans	43,732	44,516
Provisions for employee benefits	34,335	34,816
Depreciation on fixed assets	60,766	(29,525)
Deferred loan fees	11,583	8,184
Other accruals	3,696	28,128
	167,334	97,580

12. INTANGIBLE ASSETS

a. Software

Software	751,713	559,424
Less: Provision for amortisation	(272,661)	(190,346)
	479,052	369,078

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

	2022		2021	
	SOFTWARE	TOTAL	SOFTWARE	TOTAL
	$	$	$	$
Opening balance	369,078	**369,078**	471,676	**471,676**
Purchases	241,322	**241,322**	102,625	**102,625**
Less: Assets disposed	–	**–**	(93,498)	**(93,498)**
Amortisation charge	(131,348)	**(131,348)**	(111,725)	**(111,725)**
Balance at the end of the year	479,052	**479,052**	369,078	**369,078**

13. PAYABLES TO OTHER FINANCIAL INSTITUTIONS

Corporate Deposits	5,500,000	8,500,000

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

14. BORROWINGS

RBA term funding facility	2,290,133	2,283,965
Borrowings	2,290,133	2,283,965

In 2021 Corporate Deposits were repaid prior to maturity and the credit union accessed funding through the Reserve Bank of Australia's Term Funding Facility (TFF). This facility is for a three (3) year term and has a fixed annual interest rate of 0.25%

15. DEPOSITS FROM MEMBERS

	2022 $	2021 $
Member deposits	46,757,085	39,432,174
– At call	36,674,473	34,421,212
– Term	47,750	45,750
Member withdrawable shares	83,479,308	73,899,136

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

Concentration of Member deposits

		2022 $	2021 $
(i)	Significant individual Member deposits which in aggregate represent more than 10% of the total liabilities:	–	–
(ii)	Geographical concentrations		
	NSW	80,079,760	71,189,231
	Victoria	1,304,857	1,288,949
	Queensland	519,390	416,614
	South Australia	7,398	6,363
	Western Australia	118,775	83,139
	ACT	293,336	371,083
	Tasmania	392,600	25,293
	Northern Territory	7,229	15,333
	Other	755,963	503,131
	Total per statement of financial position	83,479,308	73,899,136

16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2022 $	2021 $
Annual leave	54,910	56,946
Creditors and accruals	65,640	148,729
Interest payable on deposits	90,281	144,278
Sundry creditors and settlement accounts	285,058	257,914
	495,889	607,867

17. TAXATION ASSETS AND LIABILITIES

	2022 $	2021 $
Current income tax (receivable)/payable	69,365	(46,095)

18. DEFERRED TAX LIABILITIES

	2022 $	2021 $
Deferred tax liabilities	111,269	152,883

	2022 $	2021 $
Deferred income tax liability comprises:		
– Tax due on assets held at fair value investments held in equity	5,487	50,899
– Tax due on building and land held at fair value	105,782	101,984
	111,269	152,883

19. PROVISIONS

	2022 $	2021 $
Long service leave	82,428	76,962

20. CAPITAL RESERVE ACCOUNT

Balance at the beginning of the year	39,900	38,890
Transfer from retained earnings on share redemptions	910	1,010
Balance at the end of year	40,810	39,900

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.

21. GENERAL RESERVE FOR CREDIT LOSSES

Balance at beginning of year	461,067	461,067
Add: increase (decrease) transferred from retained earnings	(61,067)	–
Balance at end of year	400,000	461,067

22. ASSET REVALUATION RESERVE

Balance at the beginning of the year	275,793	275,793
Other adjustment	41,613	–
Less: deferred tax thereon	–	–
Balance at the end of the year	317,406	275,793

23. FVOCI RESERVE

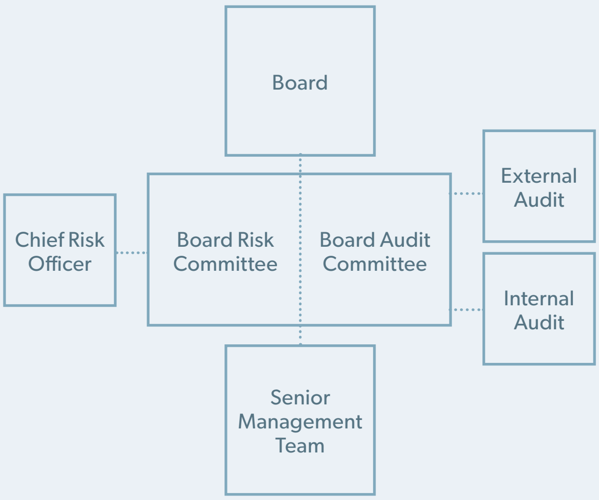
Balance at the beginning of the year	137,405	126,802
Add: Increase on revaluation of investment	36,027	10,777
Less: deferred tax thereon	–	(174)
Balance at the end of the year	173,432	137,405

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 2022 the increase in net income for a 1% increase in interest rates would be ($236,340) (2021: ($132,357)). This means the Credit Union is more exposed to interest rate risk than it was in 2021.

- 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;

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

- 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.

TMCU is a party to the Credit Union Financial Support Scheme (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, TMCU can access emergency liquidity funding via CUFSS drawing upon its available member-contributed funding pool (currently totaling in excess of $900 million), plus additional voluntary liquidity support from members via funds from the Reserve Bank of Australia in accordance with the terms of a "Special Loan Facility", as defined in the ISC.

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 11%, 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:

	2022	2021
LIQUID FUNDS TO TOTAL ADJUSTED LIABILITIES		
As at 30 June	16.60%	17.90%
Average for the year	16.60%	16.49%
Minimum during the year	13.79%	13.83%
LIQUID FUNDS TO MEMBER DEPOSITS		
As at 30 June	19.58%	20.07%

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:

	2022		
LOANS	CARRYING VALUE $	COMMITMENTS $	MAX EXPOSURE $
Mortgage	72,522,042	8,954,712	81,476,754
Personal	8,564,036	1,245,819	9,809,855
Overdrafts	35,574	38,175	73,749
Total to natural persons	**81,121,652**	**10,238,706**	**91,360,358**

	2021		
LOANS	CARRYING VALUE $	COMMITMENTS $	MAX EXPOSURE $
Mortgage	68,119,035	9,983,724	78,102,759
Personal	7,327,925	1,195,215	8,523,140
Overdrafts	56,337	60,905	117,242
Total to natural persons	**75,503,297**	**11,239,844**	**86,743,141**

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. 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

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 9.

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 9.

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 is the 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.

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:

	2022	2021
INVESTMENTS	CARRYING VALUE $	CARRYING VALUE $
Cuscal Deposits – rated A+	6,229,688	5,337,101
Banks and Credit Unions – rated A above	11,185,892	11,192,346
Banks and Credit Unions – rated below A	–	–
Unrated institutions	–	–
Total	**17,415,580**	**16,529,447**

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 and through a system of internal controls overseen by the Board.

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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

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

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:

	2022 $	2021 $
Tier 1 Common Equity		
Capital reserve	40,810	39,900
FVOCI reserve	173,432	137,405
Asset revaluation reserve	317,406	275,793
Retained earnings	9,163,834	9,026,889
	9,695,482	9,479,987
Less: prescribed deductions	(705,727)	(536,891)
Net Tier 1 Common Equity	8,989,755	8,943,096
Tier 2 Capital		
Tier 2 Capital instruments		
Reserve for credit losses	400,000	461,067
Less prescribed deductions / adjustments	–	–
Net Tier 2 Capital	400,000	461,067
Total Capital	**9,389,755**	**9,404,163**

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:

2022	2021	2020	2019	2018
BASEL III	BASEL III	BASEL III	BASEL III	BASEL III
18.95%	20.10%	20.59%	20.86%	22.83%

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 Union's 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 15%.

Capital for 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 $438,354 (2021: $423,754).

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 (2021: $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.

» **Liquidity** – 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 $3,468,020 (2021: $4,678,295).

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	NOTE	2022 $	2021 $
Financial assets – carried at amortised cost			
Cash	5	6,229,688	4,837,529
Investment securities	7	11,185,892	11,691,918
Loans to Members	8&9	80,900,395	75,305,259
Receivables	6	244,997	159,193
Total carried at amortised cost		98,560,972	91,993,899
Equity investment in Cuscal	7	400,064	351,953
Total carried at FVOCI		400,064	351,953
Total financial assets		98,961,036	92,345,852
Financial liabilities – carried at amortised cost			
Creditors	16	440,961	550,921
Deposits from other institutions	13	5,500,000	8,500,000
Borrowings	14	2,290,133	2,283,965
Deposits from Members	15	83,479,308	73,899,136
Total carried at amortised cost		91,710,402	85,234,022
Total financial assets		91,710,402	85,234,022

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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.

2022	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	6,230	–	–	–	–	–	6,230	6,230
Advances to financial institutions	999	4,986	1,700	3,500	–	–	11,185	11,185
Receivables	133	–	–	–	–	112	245	245
Loans & Advances	630	1,297	5,328	24,395	76,126	–	107,776	80,900
FVOCI equity investments	–	–	–	–	–	400	400	400
Total financial assets	**7,992**	**6,283**	**7,028**	**27,895**	**76,126**	**512**	**125,836**	**98,960**
Liabilities								
Creditors	441	–	–	–	–	–	441	441
Deposits from other financial institutions	–	–	5,500	–	–	–	5,500	5,500
Borrowings	–	–	–	2,290	–	–	2,290	2,290
Deposits from Members – at call	46,757	–	–	–	–	–	46,757	46,757
Deposits from Members – term	17,531	6,743	10,111	2,289	–	–	36,674	36,674
On balance sheet	**64,729**	**6,743**	**15,611**	**4,579**	**–**	**–**	**91,662**	**91,662**
Undrawn loan commitments	10,239	–	–	–	–	–	10,239	10,239
Total financial liabilities	**74,968**	**6,743**	**15,611**	**4,579**	**–**	**–**	**101,901**	**101,901**

2021	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	4,838	–	–	–	–	–	4,838	4,838
Advances to financial institutions	500	2,498	4,494	4,200	–	–	11,692	11,692
Receivables	55	–	–	–	–	104	159	159
Loans & Advances	592	1,186	4,988	22,705	67,209	–	96,680	75,305
FVOCI equity investments	–	–	–	–	–	352	352	352
Total financial assets	**5,985**	**3,684**	**9,482**	**26,905**	**67,209**	**456**	**113,721**	**92,346**
Liabilities								
Creditors	551	–	–	–	–	–	551	551
Deposits from other financial institutions	–	–	8,500	–	–	–	8,500	8,500
Borrowings	–	–	–	2,284	–	–	2,284	2,284
Deposits from Members – at call	39,432	–	–	–	–	–	39,432	39,432
Deposits from Members – term	4,119	5,223	23,580	1,592	–	–	34,514	34,514
On balance sheet	**44,102**	**5,223**	**32,080**	**3,876**	**–**	**–**	**85,281**	**85,281**
Undrawn loan commitments	11,240	–	–	–	–	–	11,240	11,240
Total financial liabilities	**55,342**	**5,223**	**32,080**	**3,876**	**–**	**–**	**96,521**	**96,521**

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.

	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	NON-INTEREST BEARING	TOTAL
2022	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Assets							
Cash	6,230	–	–	–	–	–	6,230
Receivables	–	–	–	–	–	245	245
Advances to financial Institutions	999	4,986	1,700	3,500	–	–	11,185
Loans and advances	59,287	214	3,855	16,842	924	–	81,122
FVOCI equity investments	–	–	–	–	–	400	400
Total financial assets	**66,516**	**5,200**	**5,555**	**20,342**	**924**	**645**	**99,182**
Liabilities							
Creditors	–	–	–	–	–	441	441
Deposits from financial institution	–	–	5,500	–	–	–	5,500
Borrowings	–	–	–	2,290	–	–	2,290
Deposits from Members	64,192	6,743	10,207	2,289	–	48	83,479
Sub total	**64,192**	**6,743**	**15,707**	**4,579**	–	**489**	**91,710**
Undrawn loan commitments	10,239	–	–	–	–	–	10,239
Total financial liabilities	**74,431**	**6,743**	**15,707**	**4,579**	–	**489**	**101,949**

2021	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	4,838	–	–	–	–	–	4,838
Receivables	–	–	–	–	–	159	159
Advances to financial Institutions	500	2,498	4,494	4,200	–	–	11,692
Loans and advances	64,895	–	940	9,676	(8)	–	75,503
FVOCI equity investments	–	–	–	–	–	352	352
Total financial assets	**70,233**	**2,498**	**5,434**	**13,876**	**(8)**	**511**	**92,544**
Liabilities							
Creditors	–	–	–	–	–	551	551
Deposits from financial institution	–	–	8,500	–	–	–	8,500
Borrowings	–	–	–	2,284	–	–	2,284
Deposits from Members	43,458	5,223	23,580	1,592	–	46	73,899
On balance sheet	**43,458**	**5,223**	**32,080**	**3,876**	–	**597**	**85,234**
Undrawn loan commitments	11,240	–	–	–	–	–	11,240
Total financial liabilities	**54,698**	**5,223**	**32,080**	**3,876**	–	**597**	**96,474**

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.

	2022			2021		
	FAIR VALUE $,000	CARRYING VALUE $,000	VARIANCE $,000	FAIR VALUE $,000	CARRYING VALUE $,000	VARIANCE $,000
Financial assets						
Cash	6,230	6,230	–	4,838	4,838	–
Advances to other financial institutions	11,186	11,186	–	11,692	11,692	–
Receivables (1)	245	245	–	159	159	–
Loans and advances	80,900	80,900	–	75,305	75,305	–
FVOCI equity investments	400	400	–	352	352	–
Total financial assets	**98,961**	**98,961**	–	**92,346**	**92,346**	–
Financial liabilities						
Deposits from other financial institutions	5,500	5,500	–	8,500	8,500	–
Borrowings	2,290	2,290	–	2,283	2,283	–
Deposits from Members – Call	46,757	46,757	–	39,432	39,432	–
Deposits from Members – Term	36,674	36,674	–	34,514	34,514	–
Creditors (1)	441	441	–	551	551	–
Total financial liabilities	**91,662**	**91,662**	–	**85,280**	**85,280**	–

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

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

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.

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	2,422,950	–	2,422,950	–
Financial assets at FVOCI	400,064	–	–	400,064
Total	**2,823,014**	**–**	**2,422,950**	**400,064**

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).

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

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

	SHARES	LAND AND BUILDING
	351,953	2,487,554
Total gains or losses in other comprehensive income	36,027	–
Adjustment to deferred tax liabilities	–	–
Purchases	12,084	–
Transfers out of Level 3	–	–
Depreciation	–	(64,604)
Closing balance	**400,064**	**2,422,950**

29. FINANCIAL COMMITMENTS

	2022 $	2021 $
a. Outstanding loan commitments		
The loans approved but not funded	1,300,000	2,418,000
b. Loan redraw facilities		
The loan redraw facilities available	8,438,556	8,347,424
c. Undrawn loan facilities		
Loan facilities available to Members for overdrafts and line of credit loans are as follows:		
– Total value of facilities approved	538,325	535,325
– Less: Amount advanced	(38,175)	(60,905)
– Net undrawn value	500,150	474,420
– These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	**10,238,706**	**11,239,844**
d. Computer capital commitments		
– Not later than one year	242,624	230,484
– Later than 1 year but not 2 years	236,592	224,316
– Later than 2 years but not 5 years	394,320	598,176
– Later than 5 years	–	–
	873,536	**1,052,976**
e. Computer Bureau Charges		
– Not later than one year	95,568	95,568
– Later than 1 year but not 2 years	95,568	95,568
– Later than 2 years but not 5 years	15,928	111,496
– Later than 5 years	–	–
	207,064	**302,632**

30. STANDBY BORROWING FACILITIES

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

	2022			2021		
	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

TMCU is a party to the Credit Union Financial Support Scheme (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, TMCU may be called upon by CUFSS to contribute to emergency liquidity loans for one or more other CUFSS members. Should TMCU be required to contribute funding, any such liquidity loans would be structured and priced in accordance with normal commercial terms, as determined by CUFSS. The total amount of funding that TMCU could be required to provide to other members cannot exceed, in aggregate, 3% of TMCU's assets capped at $100 million.

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 (2021: 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:

		2022			2021		
		DIRECTORS	OTHER KMP	TOTAL	DIRECTORS	OTHER KMP	TOTAL
		$	$	$	$	$	$
(a)	Short-term employee benefits	–	369,552	**369,552**	–	356,657	**356,657**
(b)	Post-employment benefits – superannuation contributions	–	36,023	**36,023**	–	33,847	**33,847**
(c)	Other long-term benefits – net increases in long service leave provision	–	–	–	–	–	–
(d)	Termination benefits	–	–	–	–	–	–
	Total	–	405,575	405,575	–	390,504	390,504

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.

32. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL Continued

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 $49,354 (2021: $26,820). 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:

	2022 $	2021 $
b. Loans to Directors, related parties and other key management persons		
(i) The aggregate value of loans to Directors and other key management persons as at balance date amounted to:	1,935,488	1,848,298
(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	276,308	1,713,616
	276,308	1,713,616
(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	33,422	35,218
Other transactions between related parties include deposits from Directors, and other KMP are –		
Total value term and savings deposits from Directors and KMP	1,196,063	1,039,124
Total interest paid on deposits to Directors and KMP	6,148	9,417

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.

35. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of cash

	2022 $	2021 $
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
– Cash on hand		
– Deposits at call	6,229,688	4,837,529
Total cash	6,229,688	4,837,529

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

	2022 $	2021 $
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	76,788	65,861
Add (Deduct):		
– Increases/(Decreases) in amortised fees on loans	9,791	4,663
– Increase in provision for loans	13,428	13,219
– Bad debts written off	–	–
– Depreciation expens	232,017	208,965
– Net loss on sale of non-current assets	–	89,998
Increase/(Decrease) in liabilities		
Creditors and accruals	(28,180)	29,425
Interest payable	(57,917)	(137,704)
Staff entitlements	(51,481)	4,288
Income tax	93,858	(85,803)
Taxation liabilities	(12,084)	–
(Increase)/Decrease in assets		
Interest receivable – deposits FI's	(15,393)	19,634
Prepayments	(7,740)	(62,074)
Deferred tax asset	(94,247)	1,978
Taxation assets	46,095	
Net cash from revenue activities	204,935	152,450
Net cash from operating activities	204,935	152,450

36. CORPORATE INFORMATION

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

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.

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

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REPORT LOST OR STOLEN CARDS (24 HRS/ 7DAYS)
1800 648 027 (Visa cards – from within Australia)
+61 2 8299 9101 (Visa cards – from outside Australia)

REPORT SUSPECTED FRAUDULENT CARD ACTIVITY (24HRS/7DAYS)
1300 705 750

FAX (02) 8202 8566

EMAIL members@transportmutual.com.au

BSB 802 847

transport mutual credit union