Transport Mutual Credit Union Limited Annual Financial and Sustainability Report

FOR THE YEAR ENDED
30 JUNE 2024
ABN 78 087 650 600

CELEBRATING 60 60 YEARS

2024

transport
mutual
credit union

2024

CELEBRATING 60 YEARS

Contents

CHAIR'S REPORT

Reflecting on our 60 years of service

It is customary for the Chair to address the key events of the past year and how they have influenced your credit union. But in this, our 60th year, it would be remiss of me to not pause for a moment and reflect on our proud history.

The inaugural meeting to form the Main Roads Staff Credit Union was held in the DMR Head Office on 12 August 1964. Seventy-one staff were in attendance, and after the approval paperwork was completed and lodged, the credit union officially commenced operations on 29 September 1964. In later years the name changed to *RTA Staff Credit Union* and then to *Transport Mutual Credit Union*. We are presently digitising all of our annual reports which will be made available to members on our website. They do make interesting reading for those who are curious about our journey across the decades.

The 1960s was a time of rapid change and growth in post-war Australia and indeed the world. It was also the glory era for credit union development in Australia, pushed along by the hardships resulting from the credit squeeze of the early 1960s and a desire for "people to help people". Most large government departments, large councils, and some industrial companies had an in-house credit union! Many local communities also created a local mutual credit union to serve their needs and, in some cases, the mutual is now the sole remaining banking organisation in the town. While there have been many amalgamations within the sector over the years, over five million Australians today choose to do their banking with a mutual. Mutuals also consistently outscore the Big 4 banks on customer satisfaction, by a significant margin.

What all mutuals have in common is of course mutual ownership – the organisation is owned by its members, and exists to serve their needs, not those of remote shareholders. The owners, directors, members and customers are all the same people. Credit unions are regulated just like the big banks but unlike the big banks they do not exist for the primary purpose of making a profit for investors; they exist to help people achieve their financial goals, and to help them through periods of financial hardship. These noble objectives are very well depicted in the famous 'Umbrella Man' logo developed by the credit union movement in the US after the Great Depression.

As a bit of context for those who may not remember, or were not there, let me remind you of some other memorable 1964 events: The HMAS Voyager sinking; the first Ford Mustang was released; the Beatles toured Australia; Donald Campbell broke the land and water

speed records; the first shinkansen train ran in Japan; Gladesville Bridge opened (on 2nd October, just three days after we opened for business!)

The Opera House, the Sydney-Newcastle Expressway and the Snowy Mountains Scheme were all still under construction at that time. Standard gauge rail had not yet reached Western Australia. The Apollo moon landing was still five years away. There were no faxes, no mobile phones, no internet, no colour TVs, no VCRs, no FM or digital radio, no speed cameras, no Medicare, no jumbo jets, no ATMs, no Uber, no ChatGPT, no self-checkouts and Sydney had no private tollways; they were called FREEways back then. And I'm sure you could add many, many more examples to this list. It all just shows how things have changed.

But, dear members, while the world around us continues to change, in so many different ways, at an ever-increasing pace, one reassuring constant is that credit unions stay true to their core beliefs and objectives – to treat people fairly, to encourage regular saving and responsible borrowing, and to offer assistance during times of hardship. Members can be proud to be associated with a values-based mutual that exists to serve its members with sound products & services to secure their financial future. Your credit union's directors, management and staff are proud to uphold these timeless values.

Reflecting now on the bigger picture issues of the past year, probably the most significant external issue impacting your credit union's operations is the return of interest rates from their historic lows to levels closer to their long-term average. Despite media stories of some homeowners suffering acute mortgage stress as they came off their fixed rated mortgage loans, we are pleased that there has been little evidence of such mortgage stress amongst our members. This is in no small part the result of the conservative position we adopt when assessing loan applications and borrowers' capacity to repay, even if interest rates were to rise further. Across all loan types, delinquency has remained at low levels. But despite the string of interest rate increases, the CPI remains doggedly above the RBA's target, which puts pressure on the cost of living. I would like to take this opportunity to remind members that we are here for you and will continue to support our members should they encounter repayment difficulties.

Your credit union is an ADI – an Authorised Deposit-Taking Institution – fully regulated by APRA just like all other banks. We are not a large ADI, but we believe that, as with all systems, a well-functioning financial system benefits from diversity and competition across the sector – bigger is not always better. To that end we engage actively in industry forums and are a member of the Mutual Support Network, an active grouping of smaller credit unions that explores areas of cooperation and cost-saving initiatives. One of those recent initiatives has been a joint approach to the Clean Energy Finance Corporation seeking funding to support more green lending.

We have ongoing good relations with regulator APRA and this year we made representations regarding APRA's stance on risk weighting rules that have the effect of inhibiting the growth in our green lending. Those representations included face-to-face discussions with APRA chair John Lonsdale. Also, the credit union movement was pleased to hear that APRA is adopting a Regulatory Grid – a forward program of regulatory reforms that will give financial services providers, particularly medium and smaller players, clear visibility of upcoming

CHAIR'S REPORT CONT.

regulatory changes that might impact their businesses and provide an avenue for improved engagement with proposed reforms and their implementation.

Your credit union remains strongly committed to the three key pillars of social, environmental, and economic sustainability and continues to promote sustainable forms of transport; to build connections within Transport for NSW and across the transport community; to support our members transition to a new energy future; and to help our next generation save through well-designed products like our 'Kids Saver' accounts.

We continue to steadily grow our membership base on the back of our award-winning green loans for solar panels, batteries, electric vehicles and e-bikes. This year Transport Mutual won four awards in the WeMoney 2024 Banking Awards. John and I were also pleased to be able to meet with Jenny Aitchison, Minister for Regional Transport and Roads, to outline our vision for sustainable transport, renewable energy and batteries, and how we work with the transport sector and support active transport initiatives like social bike rides and e-bike trials. TMCU staff also regularly visit Transport offices and bus depots, and we also maintain an active presence on social media.

In a healthy financial sector, providers are regulated to ensure the protection of member and customer funds and protection from unfair lending practices. The proliferation of predatory lending like 'buy now-pay later' products has attracted the attention of the Federal Government, which has recently completed a round of industry consultation and prepared a draft Bill with regulatory powers to ensure responsible lending. This is critical to ensure that the community continues to have trust in our financial system. You may be aware of our 'Clement Card', which provides an effective no-frills low-cost alternative to credit cards and 'buy now-pay later' schemes. This is a further indication of how TMCU aims to demonstrate our mutual values for members. I strongly encourage all of you to avail yourselves of the Clement Card if you would like to better manage your monthly commitments. Details of the Clement Card are, of course, available on the TMCU website.

There is some evidence in the marketplace of the return of 'term accounts' offered by finance companies, some with very attractive returns. Some members might remember the problems with similar funds in earlier years, and I would like to take this opportunity to remind members to be aware that these investment offerings are not offered by ADIs, are not regulated deposit products and are thus not covered by the government's deposit guarantee scheme.

Over the past year the Transport Mutual team led by our CEO John Kavalieros has continued to deliver and grow our economic sustainability with a solid year in lending after two hectic post-covid years, and steady membership growth. After-tax profit was a pleasing $157,534 and total reserves rose to $10.66M. The year also saw a successful update to the credit union's core banking system, and refreshes to both the internet banking product and the mobile banking app. It certainly demonstrates that TMCU remains competitive, is innovative and nimble, and that being big is not always better.

Transport Mutual welcomes member feedback. Members will shortly receive a survey about our products and services and the responses will form a key part of our discussions in the New Year towards the development of our updated Strategic Plan.

TMCU is well-placed for a strong future. This year we welcomed Lindy Gerke as an Associate Director, joining Chris Goudanas and Trish Barber. The seven Directors and three Associates all volunteer their time to represent your interests, and I thank them for their service. I would also like to acknowledge the 17 years of distinguished Board service of Anthony Dann, my predecessor as Chair.

We all appreciate the dedication and ceaseless drive for excellence of our CEO John Kavalieros and Deputy CEO Kathy Loutas, and the contributions of our support partners – Mark Bengtsson at DB Legal; our Chief Risk Officer Glenn Pannam; and our Audit Partners – Bill Chen at DBP Consulting and Brad Bohun from Crowe Audit. All are committed to ensuring that your Credit Union remains a compliant, robust and effective financial institution.

I also want to take this opportunity to acknowledge the efforts of the dedicated staff on the front line at Transport Mutual. Everyone in this member-focused team is dedicated to delivering our simple yet effective products and services, and I thank them for their excellent customer service and support over the years. They are part of a continuum of excellent service, a defining characteristic of our credit union, that spans all the way back to our humble beginnings in 1964.

And, last but not least, I thank our members for their ongoing support of their credit union. They are the reason it exists.

I want to take this opportunity to acknowledge the efforts of the dedicated staff on the front line at Transport Mutual. Everyone in this member-focused team is dedicated to delivering our simple yet effective products and services, and I thank them for their excellent customer service and support over the years.

Vince Taranto

Vince Taranto BSc, DipTCP

CHAIR

Our history

From a roads-based staff credit union to a future-focused leader in 'Green' banking, Transport Mutual Credit Union has accomplished a lot in 60 years. Here are some key milestones from our journey.

1964

The institution we now know as Transport Mutual Credit Union (TMCU) began in 1964, as the Main Roads Staff Credit Union. Sixty years ago, its primary goal was to help staff from the NSW Department of Main Roads (DMR) and their families to access loans and savings or checking accounts. Our early members still remember having their cash pay packets dropped off on pay day, alongside their other colleagues.

1990s

Twenty-five years after the credit union first formed, the NSW Government created the Roads and Traffic Authority (RTA), which led to the credit union changing its name to the RTA Staff Credit Union. Over the next decade, it broadened its membership base, initially by including other transport workers and their families to join. This included employees of RailCorp, Sydney Buses and Sydney Ferries.

2012

As a result of this membership growth and the RTA's migration to the Roads & Maritime Services, a vote was cast in 2012 to change the name to the more inclusive Transport Mutual Credit Union – the name you know today. We now welcome customers from other employment backgrounds and communities, including those from private transport companies.

2020s

While TMCU has always supported its members from transport-based organisations, in recent history, the credit union has developed a name for itself as a leader in sustainable banking products. As such, we've developed a brand-new following from environmentally-conscious Australians who see a future in supporting the planet through day-to-day behaviours. For example, our popular GreenRoad initiative has helped to put more electric and hybrid vehicles on our roads, while giving our customers flexibility in terms of their repayment options. It's also helped customers to purchase solar panels and battery storage systems for their homes.

future

As we look to the future, TMCU will continue to invest in initiatives designed to help reduce our customers' environmental footprint, while also catering to the needs of our original membership base. The credit union has maintained many of its early members over the past few decades by offering competitive interest rates, a strong customer service culture and by nourishing our connection to our communities. Our leadership team intends to stick to its original, customer-owned principles, while finding innovative ways to design new, sustainable products. We're making changes today to build a better future for our members tomorrow.

CHIEF EXECUTIVE'S REPORT

Dear Members,

It is my pleasure to report on Transport Mutual Credit Union's financial performance and strategic progress for the year ended 30th June 2024. This year has been one of resilience, adaptation, and continued transformation. Despite challenges in the broader economic environment, TMCU has delivered solid outcomes for our members, driven by our strategic roadmap and commitment to long-term sustainability.

FINANCIAL PERFORMANCE OVERVIEW

In 2024, our net profit after tax was $157,534, compared to $308,632 in 2023. The decline in profit reflects the pressures of higher interest rates and increased operational expenses, particularly in respect of rolling out digital services upgrades. Interest income rose to $5.9 million in 2024 from $4.4 million in 2023, which improved returns on both loans and investments. However, the increased interest rate environment also led to a rise in interest expenses, which nearly doubled to $2.99 million in 2024. These higher costs reflect the competitive rates we have offered to our members to attract and retain their deposits. We maintained a stable financial foundation with total assets ending the year at $108 million, down from $119 million in 2023 and primarily driven by reduced loan demand, which we view as a prudent response to higher interest rates. Our ability to navigate these conditions while staying focused on our members' needs is a testament to the strength of our cooperative values.

Member deposits grew to $96.0 million in 2024, up from $93.4 million in 2023. This demonstrates that, despite the uncertainty, our members continue to view TMCU as a safe and reliable financial institution in which to place their savings.

Our capital adequacy ratio improved to 17.62%, underscoring our financial strength and ability to withstand economic uncertainties. Our total reserves also increased, reaching $10.66 million in 2024, further reinforcing our long-term stability.

Member loans ended the year at $83.9 million, down from $90.6 million in 2023. This decrease also reflects more conservative borrowing patterns as members adjusted to higher interest rates. Despite this, we are pleased to have supported members with over $14.3 million in new loans throughout the year. Membership growth was solid, with 5,934 members on the books at 30th June 2024, our highest number ever.

ECONOMIC OUTLOOK AND IMPACTS

The broader economic environment, particularly rising inflation and interest rates has had a marked effect on consumer confidence and demand. Inflation remained above the RBA's target range throughout 2024, driven by continued supply chain disruptions and domestic cost pressures in key areas such as energy and housing. As a result, the RBA maintained a high interest rate stance, which, while beneficial for depositors, has led to a reduction in borrowing demand.

Despite this, Australia's low unemployment rate of around 4% provided some economic cushioning, as many households retained employment. However, the gap between wage growth and inflation continues to squeeze household budgets. We anticipate that borrowing will remain cautious in the short term, while deposit levels remain healthy as members seek to grow their savings buffers amidst economic uncertainty.

STRATEGIC PLAN ACHIEVEMENTS

Our successes in 2024 go beyond financial performance. This year marked significant progress in delivering on the key pillars of our FoCus 2022–2025 strategic plan, ensuring that we continue to meet the evolving needs of our members and lead the way in sustainable, responsible banking. We have largely delivered on this three-year plan and are now looking forward to shaping the next phase of our strategy. In early 2025, we will hold our next three-year strategic planning session, and as always, member feedback will play a crucial role. Members will shortly receive a survey, allowing you to have your say on our future direction.

DIGITAL TRANSFORMATION

A major achievement in 2024 was the successful upgrade of our banking app and internet banking site. Both platforms received excellent feedback from members, who have appreciated the enhanced functionality, user experience,

and security. These upgrades are pivotal in ensuring that TMCU remains a leader in providing seamless and secure banking services. Additionally, the recent Ultradata 5.1 core banking software upgrade has positioned us to introduce Apple Pay and Google Pay in the coming months, a service our members have eagerly anticipated. We delivered numerous enhancements in security and services across our digital services channel throughout the year.

PRODUCT INNOVATION

Our GreenRoad product suite continues to drive innovation. In 2024, we originated over 290 GreenRoad loans, funding more than $4 million in green assets, including electric vehicles and solar panels. We continue to work towards RIAA certification for our green loans, and green term deposits. We are committed to delivering products that align with our members' values.

Looking ahead, we will shortly release a new business banking package designed to support both transport sector small businesses, and members who are building their own 'side hustle' for extra income. This offering will provide tailored solutions for business banking needs, ensuring that TMCU continues to support the entrepreneurial spirit within our transport and non-transport communities.

PARTNERSHIPS AND MEMBER ACCESS

2024 has been a year of building and strengthening partnerships. One such key partnership has been with the Community Transport Organisation, where we support initiatives that benefit both our members and the broader transport community. Additionally, we partnered with ATMx, giving members direct charge-free access to their funds across more than 1750 ATMs nationwide. This partnership greatly enhances our members' ability to access their money, and to deposit funds into their TMCU accounts, in towns and cities across Australia.

SUSTAINABILITY LEADERSHIP

Sustainability remains at the core of our strategy. In addition to the continued success of our GreenRoad program, we have expanded our partnerships with community organisations, such as Bicycle NSW, to promote sustainable and active transport and to encourage members to make eco-friendly choices. This year, we helped fund nearly 5000 solar panels, contributing to both environmental impact and long-term energy savings for our members.

GOVERNANCE AND RISK MANAGEMENT

In 2024, we enhanced our governance processes, ensuring that we remain well-positioned for future growth. Our associate directorship program was expanded, bringing in new talent and fresh perspectives. We also said farewell to long serving Director and Board Chair Anthony Dann, who tirelessly served the members' interests with his expertise and guidance.

FINAL THOUGHTS AND ACKNOWLEDGEMENTS

2024 has been a year of transformation and resilience for TMCU, against the backdrop of challenging economic realities. We have made substantial progress in delivering on our strategic plan and are now looking to the future, with our next three-year strategy on the horizon. I want to express my gratitude to our Board, management team and staff for their dedication to our mission. I encourage all members to engage in the upcoming member survey and share your thoughts on the direction of TMCU. Together, we will continue to build a sustainable future, grounded in our cooperative values.

Thank you for your trust and support throughout 2024.

John Kavalieros

CHIEF EXECUTIVE

Our sustainability focus at a glance

NUMBER OF PANELS GENERATING

40,522
(cumulative)

Solar is one of the biggest ways TMCU is helping its members make a positive impact on the environment. These pages illustrate the tangible difference these decisions are having.

ANNUAL ENERGY GENERATION IN KILOWATTS

21,215,856 KWh

Assumptions: 40,522 panels generating in Sydney 2000

Source: https://solar4ever.com.au/PowerProduction.php

FOOTPRINT OF AREA GENERATING

64,832m²

(cumulative)

The size of 9.3 rugby fields

Source: https://www.harrodsport.com/advice-and-guides/rugby-pitch-dimensions-markings

DAILY ENERGY GENERATION

58,126 KWh

(cumulative)

Average household in Australia uses 18-24 kwh per day.

Source: https://gosolarquotes.com.au/how-many-watts-does-a-house-use-per-day-week-month/

YEARLY CO^2 SAVINGS

14,821,188

kilograms

source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

YEARLY EQUIVALENT CO^2 EMISSIONS OF

1,933

homes energy use for one year

source: https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator

196

Tanker trucks worth of petrol

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

34,314

barrels of oil consumed

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

Building a greener, brighter future for our communities

For almost 60 years, Transport Mutual Credit Union (TMCU) has stayed true to its co-operative values of serving its members and local communities. Our evolving commitment to building more a more sustainable future for communities takes many forms, from helping charities to advocating for better climate options. Here are some of the ways we gave back in 2023-24.

Transport Mutual's original purpose was to serve people working in the roads and transport industries, but as members know, our remit has broadened in recent years and we are increasingly attracting attention for our commitment to sustainability.

Our passion for a sustainable planet is also reflected in the work we do in the community, both at a grassroots and advocacy level. We try to lead by example by getting out and about – often on our bikes. Though our partnership with Bicycle NSW, we enjoyed a social ride around Bicentennial Park early in the financial year, where we got to meet some new faces and discuss more sustainable transport options.

In 2023-24, we also continued to advocate for more cycleways and the electrification of vehicles through meetings with elected representatives in order to build more resilient communities. We had the pleasure of meeting Independent MP Kylea Tink at the Clean Energy Community Fair to discuss our ideas, while we also enjoyed speaking to the Minister for Regional Roads and Transport Jenny Aitchison about the promising Shiraz to Shore trail and building out EV charging infrastructure. We believe these changes can have important, lasting impacts on our local regions, particularly when it comes to enhancing community wellbeing.

The TMCU team spent time this financial year attending events and supporting causes that matter to the credit union and our members. For example, recently, we supported the 'A Touch of Kindness' charity, which provides food and clothing to more than 200 people in need each week. As winter set in, we donated sleeping bags to try and do our bit for this worthy cause.

With cyber security an increasing issue of our concern, we also further invested in financial education to keep our communities safe. We provided tips to our customers and the broader community to reduce the risk of fraud and to help keep banking details secure.

As we continue to evolve as the credit union of choice for people invested in a healthier planet, we'll find new ways to support our communities and build a greener future.

It became much more than a bank: Why Bruce stuck with TMCU

Bruce McNamara has been with us as a member for more than five of our six decades. He reflects on why he joined, how the credit union has changed and how it adapts for the future.

> "It's always very innovative. They do demonstrate their credentials and put their money where their mouth is."
>
> — BRUCE MCNAMARA

Bruce McNamara first joined what's now known as Transport Mutual Credit Union (TMCU) in the early 1970s, initially because it was a convenient option.

Over the years, however, his affinity for TMCU as a mutual grew and he stayed with the credit union due to its desire to put members first.

"At first, it was the convenience factor, but the older I got, the more I came to appreciate the fact it was a mutual, a not-for-profit," he said. "Everything I was doing was helping other members, everything other members were doing was helping me."

'Everything I wanted'

As a veteran member, Mr McNamara is better placed than most to comment on the credit union's evolution.

"When I joined, there were no ATMs and we were paid in cash," he said.

Mr McNamara worked in the environmental planning division of the Department of Main Roads (DMR) from 1970 and recalls signing up to what was then the Main Roads Staff Credit Union because it was close to his office.

"I heard about the credit union, I liked what I heard, went down, and signed up," he recalled. "It had everything I wanted at the time," which was primarily somewhere to hold his savings.

"It was also explained to me what a mutual was and I liked that idea, too."

As time went on, Mr McNamara became more involved with the credit union and appreciated the broader range of products TMCU began to offer. He said the convenience factor also continued, as the credit union followed the DMR to a new office in Sydney.

"When ATMs came in, it became even more convenient, because I could withdraw money at my local shops," he said.

"[TMCU] made life easy…There were no hassles, you knew the people you were talking to, and it offered good rates," he said.

In more recent years, Mr McNamara has been proud to be part of a banking organisation that takes a different approach to how it prepares for the future, even serving as a Director.

"It's always very innovative," he said, citing the bicycle loan as an example of TMCU's out-of-the-box thinking.

"They do demonstrate their credentials and put their money where their mouth is," he said.

After 60 years, it's a legacy and direction that makes TMCU proud.

FEATURE

Making dreams come true

With fresh products and an intricate understanding of members' needs, Transport Mutual Credit Union (TMCU) is attracting a new generation of customers. One of them is proud husband and new father Valantis Toras, who purchased his first family home with help from TMCU four years ago.

For Valantis Toras and wife, Sian, life is looking pretty rosy at the moment. They've just celebrated the birth of their baby daughter – Christiane – and welcomed her into a home they purchased a few years ago, with a loan from Transport Mutual.

Mr Toras, who has been a member with TMCU for "at least 10 years", said choosing the credit union for his home loan was a no-brainer.

"I was first introduced to TMCU through my then-girlfriend, now wife, who was a long-term member," he said, noting his mother-in-law works for the credit union.

"About three years ago, six months before our wedding, we were looking to buy a property…. [TMCU] made the process easy," he said.

The young couple settled in 2020 and were grateful to have TMCU's guidance throughout what can otherwise be a stressful process, especially amid the pandemic and a tricky housing market.

'More than a case number'

Mr Toras dealt with Greg at the credit union throughout the home loan process and said one of the things he really liked was the feeling his business – and that of all members – was important to TMCU.

Comparing the credit union to other financial institutions, he said there are clear distinctions in how Transport Mutual considers its customers, especially in an age where many banks are downsizing or going completely digital.

"You're treated like a human; you're more than a case number," he said.

Mr Toras said he appreciates being able to get in touch with the credit union quickly and easily if he ever needs help with something.

"There's no call centre and every time I call them, I speak to someone right away," he said.

"It's much easier for them to connect to their customers that way," he added.

For now, the Toras family is enjoying their time with baby Christiane, knowing TMCU is by their side for anything banking related.

> "There's no call centre and every time I call them, I speak to someone right away."
>
> — VALANTIS TORAS

Financial Summary

Transport Mutual Credit Union Limited

Financial Report for the year
ended 30 June 2024

ABN 78 087 650 600

Vince Taranto

Clement Siu

Meredyth-Ann Williams

Jacqui McDonald

Robert Picone

Sharlyn Ho

Michael Collier

NOTICE OF 60TH ANNUAL GENERAL MEETING

The 60th Annual General Meeting of Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held at the Royal Automobile Club of Australia, 89 Macquarie Street Sydney on Friday 29th November 2024, commencing at 6.00 pm.

MEMBERS OF THE BOARD OF DIRECTORS

Vince Taranto	Chair, Board Sustainability Committee Member
Clement Siu	Deputy Chair, Board Risk Committee Deputy Chair, Board Audit Committee Member
Meredyth-Ann Williams	Director, Board Risk Committee Chair, Board Audit Committee Member
Jacqui McDonald	Director, Board Audit Committee Deputy Chair, Board Risk Committee Member, Whistleblower Complaints Officer
Robert Picone	Director, Board Risk Committee Member
Sharlyn Ho	Director, Board Audit Committee Chair, Board Sustainability Committee Deputy Chair
Michael Collier	Director

ADMINISTRATION (AS AT 30 JUNE 2024)

John Kavalieros	Chief Executive Officer and Company Secretary
Kathy Loutas	Deputy Chief Executive
Greg Arvanitakis	Operations Supervisor
Harry Maragos	I.T. Officer
Jack Lehane	Finance Analyst
Maria Reissis	Member Services Officer
Steven Day	Loans Officer
Ebony Kreshl	Member Services Officer

John Kavalieros

CEO AND COMPANY SECRETARY

Kathy Loutas

DEPUTY CHIEF EXECUTIVE

External Auditor
Crowe Audit Australia
491 Smollett Street, Albury 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.

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Key Statistics of the Credit Union

	JUN-20	JUN-21	JUN-22	JUN-23	JUN-24
Members (No.)	4,465	4,575	4,775	5,805	5,934
Deposits $	70,346,237	73,899,136	83,479,449	93,436,675	96,023,399
Average Member Deposits $	15,755	16,153	17,483	16,096	16,182
Loans $	76,922,347	75,305,259	80,900,395	90,626,772	83,889,024
Average Loan balances $	17,228	16,460	16,942	15,612	14,137
Loans funded in the year $M	13.7	17.3	22.6	24.2	14.3
Bad debts written off against profit $	-	-	-	-	-
Capital Adequacy ratio %	20.59	20.10	18.95	17.39	17.62
Total Reserves $	9,864,590	9,941,054	10,095,482	10,407,102	10,663,678
Total Assets $	95,652,084	95,461,867	102,123,874	119,125,435	107,983,749
Reserves to Assets %	10.31	10.33	9.89	8.74	9.88
Return/Average Assets %	0.15	0.07	0.08	0.28	0.14
Staff / Member ratio	1:638	1:571	1:596	1:726	1:741
Staff / Assets ratio	1:$13.66M	1:$11.93M	1:$12.76M	1:$14.89M	1:$13.49M

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
FreeWheel Bicycle Loan	Direct Credits
Personal Overdrafts	Direct Debits
Internet Banking	Financial Planning Services
Mobile App	International Transfers
Mobile Banking	ATM and EFTPOS access
Clement Card	Kid's Saver account

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 2024. 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 (resigned 24/11/23)	Chair	BEc, CPA, MAcc, GAICD	18 Years	Chair, Remuneration and Nominations Committee Chair, Board Risk Committee Deputy Chair, Board Sustainability Committee Member
Vincent E. Taranto	Chair	BSc, DipTCP	26 Years	Chair, Board Sustainability Committee Member
Clement Siu	Deputy Chair	B.Com, CPA, MAGPI	14 Years	Deputy Chair, Board Risk Committee Deputy Chair, Board Audit Committee Member
Meredyth-Ann Williams	Director	DipTeach, BA (Hons) Psych, Dip.Clin.Hyp	19 Years	Board Risk Committee Chair, Board Audit Committee Member
Jacqui McDonald	Director		16 Years	Whistleblower Complaints Officer, Board Audit Committee Deputy Chair, Board Risk Committee Member
Robert Picone	Director	CertCivEng, FAITPM	5 Years	Board Risk Committee Member
Sharlyn Ho	Director	MFin&Acc, CPA, BCom (ProfAccg&Law), DipFinPlan	3 Years	Board Audit Committee Chair, Board Sustainability Committee Deputy Chair
Michael Collier	Director	B.Com (Info Sys), Dip Bus (Legal Serv), Dip Bus (RE Mgmt)	3 Years	

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

NAME	QUALIFICATIONS	EXPERIENCE
John Kavalieros	MBA, DipFS, AIM	28 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
Chris Goudanas	BE Civil, MPM	2 Years
Patricia Barber	B,Bus (Bus Mgt), Dip Fin Mkts (SIA), GAICD, SA FINSIA	< 1 Year
Lindy Gerke	BSc	< 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	5	4	-	-	2	1	1	-	1	1
Vincent E. Taranto	12	11	-	-	-	-	1	1	-	-
Meredyth-Ann Williams	10	10	3	2	5	4	-	-	-	-
Jacqui McDonald	12	10	6	4	5	3	1	1	-	-
Clement Siu	12	12	6	5	5	4	1	1	-	-
Robert Picone	12	8	-	-	5	3	1	1	-	-
Sharlyn Ho	12	7	6	4	-	-	1	-	1	1
Michael Collier	9	8	-	-	-	-	1	-	-	-

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 $157,534 (2023: $308,632).

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 10.

ROUNDING

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

THIS REPORT IS MADE IN ACCORDANCE WITH A RESOLUTION OF THE BOARD OF DIRECTORS AND IS SIGNED FOR AND ON BEHALF OF THE DIRECTORS BY:

Vince Taranto

Vince Taranto
CHAIR

Sharlyn Ho
BOARD AUDIT COMMITTEE CHAIR

SIGNED AND DATED THIS 27TH DAY OF SEPTEMBER 2024

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Transport Mutual Credit Union Limited ('the Company') is a public company limited by guarantee.

The Company does not have any controlled entities and is therefore not required by the Australian Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3A)(a) of the Corporations Act 2001 does not apply to the Company.

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 2024 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; and

c. The information disclosed in the consolidated entity disclosure statement is true and correct.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS:

Vince Taranto
CHAIR

Sharlyn Ho
BOARD AUDIT COMMITTEE CHAIR

SIGNED AND DATED THIS 27TH DAY OF SEPTEMBER 2024

Crowe Audit Australia
ABN 13 969 921 386

491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

Main 02 6021 1111
Fax 02 6041 1892
www.crowe.com.au

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Transport Mutual Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2024 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2) Any applicable code of professional conduct in relation to the audit.

CROWE AUDIT AUSTRALIA

BRADLEY D BOHUN
Partner

27 September 2024
Albury

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Transport Mutual Credit Union Limited

Independent Auditor's Report to the Members of Transport Mutual Credit Union Limited

Opinion

We have audited the financial report of Transport Mutual Credit Union Limited (the 'Credit Union'), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including the material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of Transport Mutual Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2024 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards report 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 Credit Union in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have 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.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report information contained in the Credit Union's annual report for the year ended 30 June 2024, 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 Credit Union are responsible for the preparation of

- the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001; and*
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Credit Union 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 Credit Union 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Crowe

CROWE AUDIT AUSTRALIA

BRADLEY D BOHUN
Partner

27 September 2024
Albury

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

	Note	2024 $	2023 $
Interest income	3.a	5,905,920	4,367,291
Interest expense	3.c	(2,987,569)	(1,458,370)
Net interest income		2,918,351	2,908,921
Fees and commissions and other income	3.b	212,404	306,991
		3,130,755	3,215,912
Less:			
Non-interest expenses			
Impairment losses on loans receivable from Members	3.d	(31,264)	10,302
Fee and commission expenses		(196,796)	(166,599)
General administration			
- Employees compensation and benefits		(970,312)	(964,520)
- Depreciation and amortisation	3.e	(243,829)	(224,042)
- Information technology		(804,077)	(787,598)
- Other administration		(278,370)	(277,480)
Other operating expenses		(399,442)	(440,021)
Total non-interest expenses		(2,924,090)	(2,849,958)
Profit before income tax		206,665	365,954
Income tax expense	4	(49,131)	(57,322)
Profit after income tax		157,534	308,632
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, net of tax		99,042	2,988
Total other comprehensive income		99,042	2,988
Total comprehensive income for the period		256,576	311,620

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

Statement of Financial Position

As at 30 June 2024

	Note	2024 $	2023 $
ASSETS			
Cash and cash equivalents	5	14,468,292	11,919,703
Receivables	6	255,635	270,631
Investment securities			
- at amortised cost	7	5,464,639	12,930,010
- at fair value through OCI	7	514,350	403,053
Loans to Members	8	83,889,024	90,626,772
Property, plant and equipment	10	2,391,180	2,439,654
Intangible assets	12	982,272	508,856
Deferred tax assets	11	18,357	26,756
TOTAL ASSETS		107,983,749	119,125,435
LIABILITIES			
Deposits from Members	15	96,023,399	93,436,675
Payables to other financial institutions	13	-	12,000,000
Borrowings	14	-	2,295,834
Creditor accruals and settlement accounts	16	1,053,663	693,565
Current tax liabilities	17	(30,460)	31,949
Deferred tax liabilities	18	100,019	87,764
Employee benefits	19	173,450	172,546
TOTAL LIABILITIES		97,320,071	108,718,333
NET ASSETS		10,663,678	10,407,102
MEMBERS' EQUITY			
Capital reserve account	20	44,140	42,250
FVOCI reserve	23	287,717	176,420
Asset revaluation reserve	22	305,151	317,406
General reserve for credit losses	21	400,000	400,000
Retained earnings		9,626,670	9,471,026
TOTAL MEMBERS' EQUITY		10,663,678	10,407,102

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 2024

	Capital Reserve	Retained Earnings	Reserve For Credit Losses	FVOCI Reserve	Asset Revaluation Reserve	Total Equity
	$	$	$	$	$	$
Balance as at 1 July 2022	40,810	9,163,834	400,000	173,432	317,406	10,095,482
Total net profit for the year	-	308,632	-	-	-	308,632
Other comprehensive income for the year	-	-	-	2,988	-	2,988
Sub – total	40,810	9,472,466	400,000	176,420	317,406	10,407,102
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	1,440	(1,440)	-	-	-	-
Total at 30 June 2023	42,250	9,471,026	400,000	176,420	317,406	10,407,102
Balance as at 1 July 2023	42,250	9,471,026	400,000	176,420	317,406	10,407,102
Total net profit for the year	-	157,534	-	-	-	157,534
Other comprehensive income for the year	-	-	-	111,297	(12,255)	99,042
Sub – total	42,250	9,628,560	400,000	287,717	305,151	10,663,678
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	1,890	(1,890)	-	-	-	-
Total at 30 June 2024	44,140	9,626,670	400,000	287,717	305,151	10,663,678

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

Statement of Cash Flows

For the year ended 30 June 2024

	Note	2024 $	2023 $
OPERATING ACTIVITIES			
Interest received		5,875,874	4,294,523
Fees and commissions		189,708	288,818
Dividends received		22,378	18,173
Interest paid		(2,724,761)	(1,018,537)
Suppliers and employees		(2,720,832)	(2,596,773)
Income taxes (paid)/refunded		(103,141)	22,335
Net cash from revenue activities	35.b	**539,226**	**1,008,539**
Inflows from other operating activities			
Net increase in Member deposits		2,750,698	9,820,256
Net (increase)/decrease in Member loans		6,757,898	(9,723,313)
Net (decrease)/increase in receivables from other financial institutions		(4,534,628)	4,755,882
Net cash from operating activities		**5,513,194**	**5,861,364**
INVESTING ACTIVITIES			
Outflows			
Purchase of fixed and intangible assets		(668,771)	(177,048)
Net cash used in investing activities		**(668,771)**	**(177,048)**
FINANCING ACTIVITIES			
Inflows/ (outflows) from financing activities			
Increase/ (decrease) in borrowings		(2,295,834)	5,699
Net cash from/(used in) financing activities		**(2,295,834)**	**5,699**
Total net cash increase		**2,548,589**	**5,690,015**
Cash at beginning of year		**11,919,703**	**6,229,688**
Cash at end of year	35.a	**14,468,292**	**11,919,703**

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 2024

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 2024. 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 27th September 2024 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. Changes in material accounting policies

Adoption of new and revised accounting standards

The Credit Union has adopted all standards which became effective for the first time at 30th June 2024, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Credit Union.

The Credit Union has adopted the amendments to AASB 101 Presentation of Financial Statements which require only the disclosure of material accounting policy information rather than significant accounting policies and therefore, policy information which does not satisfy one of the following requirements has been removed from these financial statements:

- Relates to change in accounting policy
- Policy has been developed in the absence of an explicit accounting standard requirement
- Documents an accounting policy choice
- Relates to an area of significant judgement or estimation
- Relates to a complex transaction and is required to explain the treatment

2 Summary of material accounting policies

This note provides a list of the material 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
- equity fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

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

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

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 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.

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).

Transport Mutual Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

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

Measurement of ECL

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

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

Note 24 details the credit risk management approach for loans.

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 reorganisation; 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.

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, with the exception of Green Loan establishment fees that are recognised on the income statement immediately.

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 Credit Union 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 Credit Union'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
- Plant and equipment - 3 to 7 years
- Assets less than $300 are not capitalised
- Land is not depreciated.

f. Provision for employee benefits

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

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

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 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 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:

- Software: 3-5 years

k. 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 and buildings. In accordance with AASB 13 fair value for land should be based on highest and best use. Management has considered 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.
- Financial instruments are grouped on the basis of shared risk characteristics.

3. Statement of profit or loss and other comprehensive income

	2024	2023
	$	$
a. Analysis of interest income		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	428,883	104,043
Receivables from financial institutions	574,979	461,039
Loans to Members	4,902,058	3,802,209
Total interest revenue	5,905,920	4,367,291
b. Fee, commission and other income		
Fee and commission revenue		
Other fee income for service provided at point in time	168,937	264,832
Other commissions	20,772	23,986
Total fee and commission revenue	189,709	288,818
Other income		
Dividends received on held at fair value equity assets	22,378	18,173
Miscellaneous income	317	-
Total other income	22,695	18,173
Total fee, commission and other income	212,404	306,991
c. Interest expenses		
Deposits from other financial institutions	281,369	366,043
Deposits from Members	2,687,725	1,061,535
Short term borrowings	18,475	30,792
Total interest expense	2,987,569	1,458,370
d. Impairment losses		
Loans and advances		
Increase/(decrease) in provision for impairment	(784)	10,302
Bad debts written off against provision	32,048	-
Total impairment losses	(31,264)	10,302

	2024	2023
	$	$

3. Statement of profit or loss and other comprehensive income continued

e. Other prescribed disclosures

	2024	2023
General administration – Depreciation and amortisation expense		
Buildings	64,604	64,604
Plant and equipment	46,704	34,192
Software	132,521	125,246
	243,829	224,042

	2024	2023
f. General administration - Auditor's remuneration (excl. GST)		
Audit fees	55,550	51,500
Other regulatory services	12,650	10,500
	68,200	62,000

4. Income tax expense

The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2024	2023
Profit before tax	206,665	365,954
Prima facie tax payable on profit before income tax at 25%	51,667	91,489
Add tax effect of amounts not deductible/(taxable)		
Franking credit uplift	2,360	1,930
Tax offset for franked dividends	4,544	(7,719)
- Adjustments for current tax of prior periods	(9,440)	(28,378)
- Adjustment for transitional tax rate provision	-	-
- **Total income tax expense in income statement**	49,131	57,322

5. Cash and cash equivalents

	2024	2023
Deposits at call	14,468,292	11,919,703
	14,468,292	11,919,703

	2024	2023
	$	$
6. Receivables		
Interest receivable on deposits with other financial institutions	104,301	93,382
Prepayments	127,513	115,296
Sundry debtors and settlement accounts	23,821	61,953
	255,635	270,631
7. Investment securities		
Investment securities at amortised cost		
Term deposits with Banks	2,964,639	6,930,010
Floating Rate Notes	2,500,000	5,000,000
Treasury Bonds	-	1,000,000
	5,464,639	12,930,010
Equity investment securities designated as FVOCI		
Cuscal Limited*	501,602	390,751
Experteq**	12,748	12,302
	514,350	403,053
Total investment securities	5,978,989	13,333,063

*** Cuscal Limited**

This Company supplies services to its member organisations which include 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 basis of valuation is the net asset value per share based on unobservable inputs and as a proxy for market value.

**** Experteq**

This Company supplies computer bureau services to the Credit Union.

8. Loans to Members

a. Amount due comprises:

	2024 $	2023 $
Overdrafts and revolving credit	78,290	55,351
Term loans	84,008,777	90,789,614
Subtotal	84,087,067	90,844,965
Less:		
Unamortised loan origination fees	(21,897)	(41,341)
Subtotal	84,065,170	90,803,624
Less: Provision for impaired loans	(176,146)	(176,852)
	83,889,024	90,626,772

b. Credit quality - Security held against loans

	2024 $	2023 $
Secured by mortgage over real estate	66,748,627	72,690,653
Partly secured by goods mortgage	4,320,926	4,240,904
Wholly unsecured	13,017,514	13,913,408
	84,087,067	90,844,965

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:

	2024 $	2023 $
Security held as mortgage against real estate is on the basis of:		
– Loan to valuation ratio of less than 80%	56,878,146	59,200,026
– Loan to valuation ratio of more than 80% but mortgage insured	4,003,128	7,655,163
– Loan to valuation ratio of more than 80% and not mortgage insured	5,867,353	5,835,464
Total	66,748,627	72,690,653

c. Concentration of loans

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

		2024 $	2023 $
(i)	Loans to Individual or related groups of Members which exceed 10% of total Members' equity	7,752,388	11,848,844
	Total	7,752,388	11,848,844

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

		2024 $	2023 $
(ii)	Geographical concentrations		
	NSW	60,830,338	67,692,471
	Victoria	10,171,164	10,930,341
	Queensland	8,459,493	6,198,433
	South Australia	672,381	778,348
	Western Australia	1,984,362	3,092,274
	ACT	1,016,746	1,246,130
	Other	952,583	906,968
		84,087,067	90,844,965
(iii)	Loans by purpose		
	Residential loans and facilities	66,748,627	72,690,653
	Personal loans and facilities	17,338,440	18,154,312
		84,087,067	90,844,965

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 2024 $	ECL Allowance 2024 $	Carrying value 2024 $	Gross Carrying value 2023 $	Provision for impairment 2023 $	Carrying value 2023 $
Loans to Members:						
- Mortgages	66,748,627	-	66,748,627	72,690,653	-	72,690,653
- Personal	17,260,151	176,146	17,084,005	18,098,962	176,852	17,922,110
- Overdrafts	78,289	-	78,289	55,350	-	55,350
Total to natural persons	84,087,067	176,146	83,910,921	90,844,965	176,852	90,688,113
Total	84,087,067	176,146	83,910,921	90,844,965	176,852	90,688,113

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 2024 $	Stage 2 Lifetime ECL 2024 $	Stage 3 Lifetime ECL 2024 $	Total 2024 $
Loans to Members:				
- Mortgages	-	-	-	-
- Personal	42,112	-	134,034	176,146
- Overdrafts	-	-	-	-
Carrying amount	42,112	-	134,034	176,146

9. Provision on impaired loans continued

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

	Stage 1 12-month ECL 2024 $	Stage 2 Lifetime ECL 2024 $	Stage 3 Lifetime ECL 2024 $	Purchased credit impaired 2024 $	Total 2024 $
Loans to Members					
Balance at 1 July 2023	42,034	-	134,818	-	176,852
Changes in the loss allowance					
- Transfer to stage 1	7,658	-	(7,658)	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	(566)	-	566	-	-
- Net movement due to change in credit risk	(7,014)	-	38,166	-	31,152
- Write-offs		-	(31,858)		(31,858)
Balance at 30 June 2024	42,112	-	134,034	-	176,146

Key assumptions in determining the ECL

<u>Measurement of ECL</u>

The key inputs into the measurement of ECL include the following variables:
• probability of default (PD);
• loss given default (LGD); and
• exposure at default (EAD).

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

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

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

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

9. Provision on impaired loans continued

EAD represents the expected exposure in the event of a default. The Credit Union derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including 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.

	2024 $	2023 $
10. Property, plant and equipment		
a. Property – at fair value	2,070,339	2,070,339
Less: Provision for depreciation	(326,598)	(261,993)
Total property	1,743,741	1,808,346
Plant and equipment - at cost	276,699	243,216
Less: Provision for depreciation	(179,260)	(161,908)
Total plant and equipment	97,439	81,308
Land – at fair value	550,000	550,000
Total property, plant and equipment	2,391,180	2,439,654

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

	2024				2023			
	Property	Plant & equipment	Land	Total	Property	Plant & equipment	Land	Total
	$	$	$	$	$	$	$	$
Opening balance	1,808,346	81,308	550,000	**2,439,654**	1,872,950	93,502	550,000	**2,516,452**
Revaluation	-	-	-	**-**	-	-	-	**-**
Purchases	-	62,834	-	**62,834**	-	21,997	-	**21,997**
Less: Assets disposed	-	-	-	**-**	-	-	-	**-**
Depreciation charge	(64,605)	(46,703)	-	**(111,308)**	(64,604)	(34,191)	-	**(98,795)**
Balance at the end of the year	**1,743,741**	**97,439**	**550,000**	**2,391,180**	**1,808,346**	**81,308**	**550,000**	**2,439,654**

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

Property	1,893,324	1,893,324
Less: Provision for depreciation	(326,598)	(261,993)
Total property	1,566,726	1,631,331
Land	344,806	344,806

d. Measuring property and buildings at fair value

The fair value of the Credit Union's land and buildings is estimated based on appraisals performed by independent, professionally qualified property valuers as at 27 March 2023. 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.

	2024 $	2023 $
11. Deferred taxation assets		
Deferred tax assets	18,357	26,756
Deferred tax assets comprise:		
- Accrued expenses not deductible until incurred	3,583	15,265
- Provisions for impairment on loans	33,509	33,705
- Provisions for employee benefits	43,363	43,139
- Depreciation on fixed assets	(78,100)	(86,196)
- Deferred loan fees	5,474	10,335
- Allowance for expected credit losses	10,528	10,508
	18,357	26,756
12. Intangible assets		
a. Software		
Software	1,381,969	855,671
Less: Provision for amortisation	(399,697)	(346,815)
	982,272	508,856

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

	2024		2023	
	Software	Total	Software	Total
	$	$	$	$
Opening balance	508,856	**508,856**	479,052	**479,052**
Purchases	605,937	**605,937**	155,050	**155,050**
Amortisation charge	(132,521)	**(132,521)**	(125,246)	**(125,246)**
Balance at the end of the year	982,272	**982,272**	508,856	**508,856**

	2024 $	2023 $
13. Payables to other financial institutions		
Corporate Deposits	-	12,000,000

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

	2024 $	2023 $
14. Borrowings		
RBA term funding facility	-	2,295,834
Borrowings	-	2,295,834

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 was for a three (3) year term and has a fixed annual interest rate of 0.25%. In September 2023, the TFF facility was fully repaid to the Reserve Bank of Australia.

	2024 $	2023 $
15. Deposits from Members		
Member deposits		
- At call	45,539,422	39,735,114
- Term	50,424,637	53,643,511
Member withdrawable shares	59,340	58,050
	96,023,399	93,436,675

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

	2024 $	2023 $
Concentration of Member deposits		
(i) Significant individual Member deposits which in aggregate represent more than 10% of the total liabilities:	-	-
(ii) Geographical concentrations		
NSW	88,899,373	86,117,146
Victoria	2,666,053	3,980,526
Queensland	1,958,938	971,834
South Australia	8,748	506,634
Western Australia	339,093	579,327
ACT	258,030	272,551
Tasmania	1,349,914	381,009
Northern Territory	3,829	6,272
Other	539,421	621,376
Total per statement of financial position	96,023,399	93,436,675

	2024 $	2023 $
16. Creditor accruals and settlement accounts		
Creditors and accruals	32,507	61,059
Interest payable on deposits	792,922	530,114
Sundry creditors & settlement accounts	228,234	102,392
	1,053,663	693,565

	2024 $	2023 $
17. Taxation assets and liabilities		
Current income tax (receivable)/ payable	(30,460)	31,949

18.Deferred tax liabilities

	2024 $	2023 $
Deferred tax liabilities	100,019	87,764
Deferred income tax liability comprises:		
- Tax due on assets held at fair value investments held in equity	44,672	32,417
- Tax due on building and land held at fair value	55,347	55,347
	100,019	87,764

19. Employee Benefits

Current		
Long service leave	99,954	88,522
Annual leave	72,741	83,368
	172,695	171,890
Non-current		
Long service leave	755	656
	755	656
	173,450	172,546

20. Capital reserve account

Balance at the beginning of the year	42,250	40,810
Transfer from retained earnings on share redemptions	1,890	1,440
Balance at the end of year	44,140	42,250

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

General reserve for credit losses	400,000	400,000

22. Asset revaluation reserve

Balance at the beginning of the year	317,406	317,406
Less: deferred tax thereon	(12,255)	-
Balance at the end of the year	305,151	317,406

23. FVOCI reserve

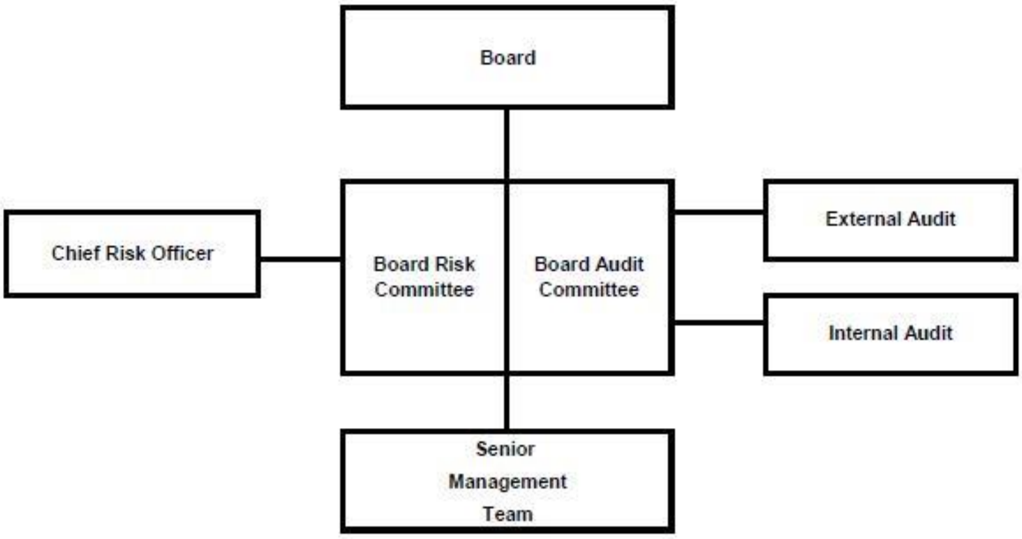
Balance at the beginning of the year	176,420	173,432
Add: Increase on revaluation of investment	111,297	2,988
Balance at the end of the year	287,717	176,420

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
- Market Risk
- Liquidity management
- Credit risk management
- Operations risk management
- Information Security risk management
- Capital management including ICAAP
- Business Continuity Planning
- Recovery and Exit Planning
- Pandemic Planning
- Fraud Risk Management
- Whistleblowing
- Complaints and Dispute 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 changes in interest rates. 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 30th June 2024 the decrease in net income for a 1% increase in interest rates would be $136,525 (2023: ($5,491)). This means the Credit Union is more exposed to interest rate risk than it was in 2023.

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

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

b. Liquidity risk

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

The Credit Union manages liquidity risk by:

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

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 15% and the ratio is checked daily. Should the liquidity ratio fall below 14%, Management and Board are to address the matter and ensure that funds are obtained from new deposits, or borrowing facilities.

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

Liquid funds to total adjusted liabilities	**2024**	**2023**
As at 30th June	20.13%	22.47%
Average for the year	21.39%	17.39%
Minimum during the year	18.11%	13.56%
Liquid funds to Member Deposits		
As at 30th June	20.77%	23.58%

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:

	2024		
Loans	**Carrying value**	**Commitments**	**Max exposure**
	$	**$**	**$**
Mortgage	66,748,627	7,414,515	74,163,142
Personal	17,260,150	1,943,971	19,204,121
Overdrafts	78,290	48,806	127,096
Total to natural persons	**84,087,067**	**9,407,292**	**93,494,359**

	2023		
Loans	**Carrying value**	**Commitments**	**Max exposure**
	$	**$**	**$**
Mortgage	72,690,652	9,328,585	82,019,237
Personal	18,098,962	1,630,422	19,729,384
Overdrafts	55,351	46,571	101,922
Total to natural persons	**90,844,965**	**11,005,578**	**101,850,543**

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.

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 principal 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.

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. Recent green initiatives has brought a non-transport customer demographic to the Credit Union. Should Members leave the transport 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 minus.

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

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

	2024	**2023**
Investments	**Carrying value**	**Carrying value**
Cuscal Deposits – rated A+	14,468,292	11,919,703
Banks and Credit Unions – rated A above	-	12,930,010
Banks and Credit Unions – rated below A	5,464,640	-
Total	**19,932,932**	**24,849,713**

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 material expense. Fraud is ever evolving and loss has traditionally occurred across the industry from methods including card 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 number of Credit Unions. This organisation has the experience in-house to manage short-term problems and has a contingency plan to manage related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay.

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

f. Capital management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:
- Credit risk
- Market risk (trading book)
- Operations risk.

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

Capital resources
Tier 1 Capital
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:

	2024	2023
Tier 1 Common Equity		
Capital reserve	44,140	42,250
FVOCI reserve	287,717	176,420
Asset revaluation reserve	305,151	317,406
Retained earnings	9,626,670	9,471,026
	10,263,678	10,007,102
Less: prescribed deductions	(1,308,248)	(596,558)
Net Tier 1 Common Equity	8,955,430	9,410,544
Tier 2 Capital		
Tier 2 Capital instruments		
Reserve for credit losses	400,000	400,000
Less prescribed deductions / adjustments	-	-
Net Tier 2 Capital	400,000	400,000
Total Capital	**9,355,430**	**9,810,544**

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:

2024	**2023**	**2022**	**2021**	**2020**
Basel III	**Basel III**	**Basel III**	**Basel III**	**Basel III**
17.62%	**17.39%**	**18.95%**	**20.10%**	**20.59%**

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 if the capital ratio falls below 16%, and to 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 $482,751 (2023: $512,787).

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 at $4,870 (2023: $4,870).
- Asset impairment – the impact of economic and employment factors on the loan losses, and/or recovery of investments.
- Property value decline – the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets. The Credit Union's approach is to take a 5 per cent capital charge in instances where the LVR exceeds 80 per cent only in instances where the exposure is on an impaired loan in excess of 90 days. This is considered appropriate as it is only in these relatively poor-quality exposures where there is a significant risk that the Credit Union may need to draw on the security held.
- Interest rate risk – measures the impact on capital from changes in interest rates impacting the net interest margin and net surplus.
- Events impacting the additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

The optional additional capital charge recognised by the Board equates to $531,026 (2023: $564,065).

25. Categories of financial instruments

The following information classifies the financial instruments into measurement classes

	Note	2024 $	2023 $
Financial assets - carried at amortised cost			
Cash	5	14,468,292	11,919,703
Investment securities	7	5,464,640	12,930,010
Loans to Members	8&9	83,889,024	90,626,772
Receivables	6	255,635	270,631
Total carried at amortised cost		104,077,591	115,747,116
Equity investment in Cuscal and Experteq	7	514,350	403,053
Total carried at FVOCI		514,350	403,053
Total financial assets		104,591,941	116,150,169
Financial liabilities – carried at amortised cost			
Creditors	16	980,921	693,565
Deposits from other institutions	13	-	12,000,000
Borrowings	14	-	2,295,834
Deposits from Members	15	96,023,399	93,436,675
Total carried at amortised cost		97,004,320	108,426,075
Total financial liabilities		97,004,320	108,426,075

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.

2024	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	14,468	-	-	-	-	-	14,468	14,468
Advances to financial institutions	2,930	7,429	2,561	3,500	-	-	16,420	16,420
Receivables	128	-	-	-	-	128	256	256
Loans & Advances	840	1,788	7,493	34,537	101,226	-	145,884	145,884
FVOCI equity investments	-	-	-	-	-	514	514	514
Total financial assets	**18,366**	**9,217**	**10,054**	**38,037**	**101,226**	**642**	**177,542**	**177,542**
Liabilities								
Creditors	1,054	-	-	-	-	-	1,054	1,054
Deposits from other financial institutions	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Deposits from Members – at call	45,539	-	-	-	-	-	45,539	45,539
Deposits from Members – term	6,685	13,562	26,722	3,575	-	-	50,544	50,544
On balance sheet	**53,278**	**13,562**	**26,722**	**3,575**	**-**	**-**	**97,137**	**97,137**
Undrawn loan commitments	9,407	-	-	-	-	-	9,407	9,407
Total financial liabilities	**62,685**	**13,562**	**26,722**	**3,575**	-	-	**106,544**	**106,544**

2023	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	11,920	-	-	-	-	-	11,920	11,920
Advances to financial institutions	2,930	7,429	2,561	3,500	-	-	16,420	16,420
Receivables	155	-	-	-	-	115	270	270
Loans & Advances	832	1,749	7,292	33,909	105,480	-	149,262	149,262
FVOCI equity investments	-	-	-	-	-	403	403	403
Total financial assets	**15,837**	**9,178**	**9,853**	**37,409**	**105,480**	**518**	**178,275**	**178,275**
Liabilities								
Creditors	694	-	-	-	-	-	694	694
Deposits from other financial institutions	-	-	12,000	-	-	-	12,000	12,000
Borrowings	-	2,296	-	-	-	-	2,296	2,296
Deposits from Members – at call	39,735	-	-	-	-	-	39,735	39,735
Deposits from Members – term	6,465	19,165	26,020	2,110	-	-	53,760	53,760
On balance sheet	**46,894**	**21,461**	**38,020**	**2,110**	**-**	**-**	**108,485**	**108,485**
Undrawn loan commitments	11,006	-	-	-	-	-	11,006	11,006
Total financial liabilities	**57,900**	**21,461**	**38,020**	**2,210**	**-**	**-**	**119,491**	**119,491**

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.

2024	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	14,468	-	-	-	-	-	14,468
Receivables	-	-	-	-	-	256	256
Advances to financial Institutions	2,930	7,429	2,561	3,500	-	-	16,420
Loans and advances	80,735	1,007	263	94	1,988	-	84,087
FVOCI equity investments	-	-	-	-	-	514	514
Total financial assets	**98,133**	**8,436**	**2,824**	**3,594**	**1,988**	**770**	**115,745**
Liabilities							
Creditors	-	-	-	-	-	1,054	1,054
Deposits from financial institution	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Deposits from Members	52,106	13,562	26,722	3,575	-	59	96,024
Sub total	**52,106**	**13,562**	**26,722**	**3,575**	**-**	**1,113**	**97,078**
Undrawn loan commitments	9,407	-	-	-	-	-	9,407
Total financial liabilities	**61,513**	**13,562**	**26,722**	**3,575**	**-**	**1,113**	**106,485**

2023	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	11,920	-	-	-	-	-	11,920
Receivables	-	-	-	-	-	270	270
Advances to financial Institution	2,930	7,429	2,561	3,500	-	-	16,420
Loans and advances	71,985	2,022	11,106	4,839	893	-	90,845
FVOCI equity investments	-	-	-	-	-	403	403
Total financial assets	**86,835**	**9,451**	**13,667**	**8,339**	**893**	**673**	**119,858**
Liabilities							
Creditors	-	-	-	-	-	694	694
Deposits from financial institution	-	-	12,000	-	-	-	12,000
Borrowings	-	2,296	-	-	-	-	2,296
Deposits from Members	46,084	19,165	26,020	2,110	-	58	93,437
On balance sheet	**46,084**	**21,461**	**38,020**	**2,110**	**-**	**752**	**108,427**
Undrawn loan commitments	11,006	-	-	-	-	-	11,006
Total financial liabilities	**57,090**	**21,461**	**38,020**	**2,110**	**-**	**752**	**119,433**

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.

	2024			2023		
	Fair Value $,000	**Carrying Value $,000**	**Variance $,000**	**Fair Value $,000**	**Carrying Value $,000**	**Variance $,000**
Financial assets						
Cash	14,468	14,468	-	11,920	11,920	-
Advances to other financial institutions	5,465	5,465	-	12,930	12,930	-
Receivables (1)	256	256	-	270	270	-
Loans and advances	83,889	83,889	-	90,627	90,627	-
FVOCI equity investments	514	514	-	403	403	-
Total financial assets	**104,592**	**104,592**	**-**	**116,150**	**116,150**	
Financial liabilities						
Deposits from other financial institutions	-	-	-	12,000	12,000	-
Borrowings	-	-	-	2,296	2,296	-
Deposits from Members – Call	45,539	45,539	-	39,735	39,735	-
Deposits from Members – Term	50,544	50,544	-	53,760	53,760	-
Creditors (1)	1,054	1,054	-	694	694	-
Total financial liabilities	**97,137**	**97,137**	**-**	**108,485**	**108,485**	**-**

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

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

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

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

28. Fair value of financials assets and liabilities (continued)

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

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

Deposits from Members

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

Assets measured at fair value on the Statement of Financial Position

	Fair value measurement at end of the reporting period using:			
	Balance	Level 1	Level 2	Level 3
Land and building	2,293,741	-	2,293,741	-
Financial assets at FVOCI	514,349	-	-	514,349
Total	2,808,090	-	2,293,741	514,349

The fair value hierarchy has the following levels:
Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value measurement at the end of the reporting period

	Shares	**Land and building**
Balance at beginning of year	403,052	2,358,346
Total gains or losses in other comprehensive income	111,297	
Adjustment to deferred tax liabilities	-	-
Purchases	-	-
Transfers out of Level 3	-	(2,358,346)
Depreciation		-
Closing balance	514,349	-

	2024 $	2023 $
29. Financial commitments		
a. Outstanding loan commitments		
–The loans approved but not funded	700,010	1,721,713
b. Loan redraw facilities		
–The loan redraw facilities available	8,179,873	8,765,221
c. Undrawn loan facilities		
–Loan facilities available to Members for overdrafts and line of credit loans are as follows:		
–Total value of facilities approved	576,215	565,215
–Less: Amount advanced	(48,806)	(46,571)
–Net undrawn value	527,409	518,644
–These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	**9,407,292**	**11,005,578**
d. Computer capital commitments		
–Not later than one year	293,905	254,997
–Later than 1 year but not 2 years	288,849	249,444
–Later than 2 years but not 5 years	192,566	166,296
–Later than 5 years	-	-
	775,320	670,737
e. Computer Bureau Charges		
–Not later than one year	47,784	95,568
–Later than 1 year but not 2 years	-	15,928
–Later than 2 years but not 5 years	-	-
–Later than 5 years	-	-
	47,784	111,496

30. Standby borrowing facilities

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

	2024			2023		
	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 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 (2023: 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:

	2024			2023		
	Directors	**Other KMP**	**Total**	**Directors**	**Other KMP**	**Total**
	$	$	$	$	$	$
(a) Short-term employee benefits	-	407,791	**407,791**	-	382,012	**382,012**
(b) Post-employment benefits - superannuation contributions	-	44,645	**44,645**	-	38,549	**38,549**
(c) Other long-term benefits – net increases in long service leave provision	-	6,724	6,724	-	5,029	5.029
Total	**-**	**459,160**	**459,160**	**-**	**425,590**	**425,590**

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

Loans to Director, related parties and other Key Management Persons

The Credit Union's policy for lending to Directors is that all loans are approved, and deposits accepted on the same terms and conditions which are available to Members for each class of loan or deposit. Employees of the Credit Union are entitled to apply for personal loans at a discounted staff interest rate. The aggregate value of such loans as at balance date amounted to $10,103 (2023: $33,205). There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

The details of transactions during the year are as follows:

b. Loans to Directors, related parties and other key management persons	2024 $	2023 $
(i) The aggregate value of loans to Directors and other key management persons as at balance date amounted to:	1,770,733	1,794,002
(ii) Interest and other revenue earned on loans and revolving credit facilities	37,032	35,913

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

Total value term and savings deposits from Directors and KMP	5,835,641	3,537,491
Total interest paid on deposits to Directors and KMP	211,920	72,883

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 with other institutions for ATM transactions, Visa card 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 I.T.Systems

(iii) Provides treasury and money market facilities to the Credit Union. The Credit Union invests a material amount of its liquid assets with Cuscal, 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. Experteq

Experteq operates computer bureau facilities on behalf of the Credit Union and other mutual financial institutions. The Credit Union has a management contract with Experteq 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

	2024 $	2023 $
(a) Reconciliation of cash		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
–Cash on hand		
–Deposits at call	14,468,292	11,919,703
Total cash	14,468,292	11,919,703
(b) Reconciliation of cash from operating activities to operating profit		
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	157,534	308,632
Add (Deduct):		
–Increases/(Decreases) in amortised fees on loans	(19,444)	(4,989)
–Increase/(Decrease) in provision for loans	(706)	1,925
–Depreciation expense	243,829	224,042
Increase/(Decrease) in liabilities		
Creditors and accruals	(28,553)	(59,490)
Interest payable	262,808	439,833
Staff entitlements	904	90,118
Income tax	(62,409)	(37,416)
Current tax liabilities	-	(23,505)
(Increase)/Decrease in assets		
Interest receivable – deposits FI's	(10,919)	(67,779)
Prepayments	(12,217)	(3,410)
Deferred tax asset	8,399	140,578
Net cash from revenue activities	539,226	1,008,539

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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transport mutual credit union

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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

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