

TRANSPORT MUTUAL CREDIT UNION LIMITED

**(FORMERLY R.T.A. STAFF
CREDIT UNION LIMITED)**

A.B.N. 78 087 650 600

2013 ANNUAL FINANCIAL REPORT

Registered Office:

**Level 2 KMS Building
8-24 Kippax Street
SURRY HILLS NSW 2010**

Notice of 49th Annual General Meeting

The 49th Annual General Meeting of Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held in the Mary Jane Barker Room B at the Y Hotel Hyde Park, 5-11 Wentworth Avenue Sydney on Friday 22nd November 2013, commencing at 12.00pm.

Members of the Board of Directors

Noel Hancock	Chair, Audit & Risk Committee Member, Transition Steering Committee Chair
Vince Taranto	Deputy Chair, Transition Steering Committee Deputy Chair, Product Innovation Committee Member
Anthony Dann	Director, Audit & Risk Committee Chair
Meredyth-Ann Williams	Director, Audit & Risk Committee Member
Jacqui McDonald	Director, Whistleblower Complaints Officer
Ann King	Director (Resigned 12 Dec 2012)
Clement Siu	Director, Product Innovation Committee Member
Philip Mortimer	Director (Appointed 24 April 2013)

Administration

John Kavalieros	Chief Executive Officer & Company Secretary
Kathy Loutas	Finance Manager
Steve Warren	Operations Supervisor
Helen Baber	Business Development Officer
Greg Arvanitakis	Loans Officer
Harry Maragos	Loans and I.T. Officer
Hayley Desmond	Branch Administrator

External Auditors

Grant Thornton Australia
Level 19, 2 Market St Sydney NSW

Internal Auditor

Glenn Pannam
DBP Consulting Pty Ltd

Solicitors

Daniels Bengtsson Lawyers
Level 4, 171 Clarence Street, Sydney.

Duncan Cotterill Lawyers
Level 13, 179 Elizabeth Street, Sydney

Bankers

Cuscal Limited Centralised Banking Scheme – National Australia Bank.

Transport Mutual Credit Union Limited

Year ended 30 June 2013

Abbreviations

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.
ASIC		Australian Securities and Investment 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		Credit Union Financial Support Scheme
		An industry based liquidity support system 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, and is subject to direct supervision by APRA. Refer Notes 9 & 28 for further information.
		Note: Any further reference to the "company" is reference to Transport Mutual Credit Union Limited (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-09	Jun-10	Jun-11	Jun-12	Jun-13
Members (No.)	4,016	4,028	4,024	4,027	4,036
Deposits \$	39,996,903	38,058,113	41,883,953	44,849,461	45,134,837
Average Member Deposits \$	9,959	9,448	10,409	11,137	11,183
Loans \$	34,920,525	43,339,694	45,899,597	45,231,594	46,600,674
Average Loan balances \$	8,695	10,760	11,406	11,232	11,546
Loans funded in the year \$M	8.7	16.8	13.1	9.0	10.7
Bad debts written off against profit \$	-	-	\$13,118	-	\$454
Capital Adequacy ratio %	29.09	29.83	27.34	28.62	27.69
Total Reserves \$	7,895,882	8,063,529	8,344,898	8,560,043	8,653,562
Total Assets \$	48,530,985	51,589,969	55,596,120	58,260,738	58,006,608
Reserves to Assets %	16.27	15.63	15.01	14.67	14.92
Return/Average Assets %	0.06	0.25	0.50	0.36	0.16
Staff / Member ratio	1:502	1:503	1:503	1:575	1:576
Staff / Assets ratio	1:\$6.07m	1:\$6.05m	1:\$6.95m	1:\$8.32m	1:\$8.29M

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
Other Car loans	Visa Debit and Credit Cards
Personal Loans	Payroll Deposits and Direct Credits
Personal Overdrafts	Direct Debits
NetTeller – Internet banking	Financial Planning Services
Telephone Banking	Travel Cash Cards
Mobile Banking	Traveller's Cheques
Cash Dispensing Machines	ATM and EFTPOS access

CHAIR'S REPORT

I am pleased on behalf of the Board of Directors of the Transport Mutual Credit Union, to present our 49th Annual Report for the financial year ended 30 June 2013.

The Year in Review

As you know, the flow-on effects of the Global Financial Crisis were still being felt in many parts of the world during 2012-13 and Australia was not immune. However, because Australia was in a much stronger financial position than many of the European countries and the United States, the Australian dollar appreciated strongly against the US dollar and was a major factor in the Reserve Bank embarking on further cuts in the cash rate. Your Credit Union again passed on as much of these reductions as has been possible and this has resulted in a squeeze on margins for the Credit Union.

Even with the lowest interest rates in my seventeen years on the Board of the Credit Union, the amount of loans funded during the year, although an improvement on the \$9 million last year, was only \$10.7 million. I believe that, in part, this is attributable to the ongoing uncertainty surrounding job security in Roads and Maritime Services where a large number of our Members are employed. As I reported last year, many of our Members have decided to reduce their debt as much as possible by continuing to make no reduction to payments as interest rates have reduced.

The most significant and most pleasing thing to report for the year is that the name change of the Credit Union from R.T.A. Staff Credit Union Limited to Transport Mutual Credit Union Limited was carried out on time and within budget. I must thank all the staff of the Credit Union for their effort in ensuring that this was accomplished in a smooth and uncompromising way for Members.

The Board and Management have continued the conservative approach that we have had for many years for the management of the Credit Union. We have not gone to extremes to grow the loans book or to excessively grow the business as a whole. We have looked for the type of organic growth that has stood us in good stead for many years. However, we have achieved moderate growth in the loan book but have not achieved growth of the business as a whole.

We again met with representatives of APRA on a regular basis throughout the year to keep them apprised of the Credit Union's progress and future directions. I am pleased to report that there were no major issues raised by the regulator.

Highlights 2012 – 2013

I am not going to go into detail on the financial outcomes for the year but will just touch on the major points:

- . Loan Funding of \$10.7 million, compared with \$9.0 million in the previous year.
- . Member's equity(reserves) increased by \$93,519 (2012 - \$215,145).
- . Membership remained steady.
- . Bad and Doubtful Debts remained very low with \$454 written off to profit.

Operating profit for the year before tax was \$120,562 (2012 - \$290,625). The after tax profit of \$93,519 (2012 - \$215,145) represents a return of 0.16% on average assets (2012 - 0.36%). The profit for this year is pleasing given the difficulties that I outlined earlier and the costs associated with the name change.

I thank the staff and Management of your Credit Union for their dedication this year and for their continued effort in providing excellent service to you and all our Members throughout 2012 – 2013.

The Year Ahead

The year ahead will continue to provide challenges for the Credit Union given the level of interest rates and possibility that the Reserve Bank may reduce them further. However, we have seen in recent weeks that the housing markets have shown a marked improvement and that auction clearance rates and property values have increased. This may see the Reserve Bank hold off on any more rate reductions. The Credit Union will monitor this situation very carefully to ensure that we are able to continue to operate effectively.

We will also closely monitor the situation within Roads and Maritime Services which may impact on our Members. You can be assured that we do all that we can to ensure that Members receive the very best service and support that we can provide.

Although the Board and Management will continue their conservative approach we will be looking to take the opportunity to enter new markets now that we have achieved the name change. However, you can be assured that we will continue to focus on our current Members.

On behalf of the Board of Directors, I commend this report to you. I thank the Directors for their ongoing commitment and thank you, the Members of the Credit Union for your loyalty and patronage.

We look forward to your continuing support.



Noel J T Hancock
Chair
23 September 2013

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2013.

The Credit Union is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

Name	Position	Qualifications	Experience	Responsibilities
Noel J. T. Hancock	Chair	BBus, CPA, FAMI	17 Years	Chair, Audit & Risk Committee Member, Transition Steering Committee Chair
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	15 Years	Deputy Chair, Product Innovation Committee Chair
Meredyth-Ann Williams	Director	DipTeach, B.A (Psych), Hons (Psych), MAMI	8 Years	Audit & Risk Committee Member
Anthony J. Dann	Director	BEC, CPA, MAcc, MAMI, MAGPI, AFIAA	7 Years	Audit & Risk Committee Chair
Jacqui McDonald	Director	MAMI	5 Years	Whistleblower Complaints Officer
Ann King (Resigned 12 th December 2012)	Director	DipBA (UK), MAMI	4 Years	
Clement Siu	Director	B.Com, CPA, MAMI	3 Years	Product Innovation Committee Member
Philip Mortimer (Appointed 24 th April 2013)	Director	M.I.A.M.E, JP, MAMI	< 1 year	

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

Name	Qualifications	Experience
John Kavalieros	DipFS, AIM, FAMI	17 Years

The details of the meetings attended by Directors of the Board are as follows:

Director	Board		Audit & Risk Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J.T. Hancock	12	11	9	8
Vincent E. Taranto	12	12		
Meredyth-Ann Williams	12	12	9	9
Anthony J. Dann	12	11	9	9
Jacqui McDonald	12	9		
Ann King	5	1		
Clement Siu	12	10		
Philip Mortimer	3	2		

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 27 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.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of retail financial services to Members in the form of taking deposits and giving financial accommodation as prescribed 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 and extraordinary items was \$93,519 (2012 - \$215,145).

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 BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

- (i) The operations of the Credit Union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

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:



Noel J.T. Hancock
Chair



Anthony J. Dann
Audit & Risk Committee Chair

Signed and dated this 25th day of September 2013

Auditor's Independence Declaration
To the Directors of Transport Mutual Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Transport Mutual Credit Union Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Neville Sinclair
Partner - Audit & Assurance

Sydney, 25 September 2013



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

We have audited the accompanying financial report of Transport Mutual Credit Union Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in member equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Transport Mutual Credit Union Limited is 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 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "Neville Sinclair".

Neville Sinclair
Partner - Audit & Assurance

Sydney, 25 September 2013

DIRECTORS' DECLARATION

The Directors of Transport Mutual Credit Union Limited declare that:-

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Noel J.T. Hancock
Chair

Dated this 25th September 2013

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
Interest revenue	2.a	3,545,691	4,039,935
Interest expense	2.c	1,583,429	1,879,652
Net interest income		1,962,262	2,160,283
Fee commission and other income	2.b	180,178	166,169
		2,142,440	2,326,452
Less			
Non interest expenses			
Impairment losses on loans receivable from Members	2.d	2,023	15,451
Fee and commission expenses		115,417	125,229
General administration			
- Employees compensation and benefits		747,747	695,114
- Depreciation and amortisation	2.e	135,108	148,499
- Information technology		392,762	369,127
- Office occupancy		123,183	118,258
- Other administration		110,154	155,909
Other operating expenses		395,484	408,240
Total non interest expenses		2,021,878	2,035,827
Profit before income tax		120,562	290,625
Income tax expense	3	27,043	75,480
Profit after income tax		93,519	215,145
Other Comprehensive Income		-	-
Total Comprehensive Income		93,519	215,145

**STATEMENT OF CHANGES IN MEMBER EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

	Capital Reserve	Retained Earnings	Reserve for Credit Losses	Total
Total at 1 July 2011	28,810	7,855,021	461,067	8,344,898
Net Profit for the Period	-	215,145	-	215,145
Transfers to Reserves	1,310	(1,310)	-	-
Total as at 30 June 2012	<u>30,120</u>	<u>8,068,856</u>	<u>461,067</u>	<u>8,560,043</u>
Net Profit for the Period		93,519		93,519
Transfers to Reserves	1,330	(1,330)		
Total as at 30 June 2013	<u>31,450</u>	<u>8,161,045</u>	<u>461,067</u>	<u>8,653,562</u>

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
ASSETS			
Cash	4	1,315,486	1,446,691
Receivables from financial institutions	5	9,486,381	10,932,679
Receivables	6	226,306	199,242
Loans to Members	7 & 8	46,600,674	45,231,594
Available for sale investments	9	166,277	166,277
Property, plant and equipment	10	93,628	138,225
Taxation assets	11	94,948	70,737
Intangible assets	12	22,908	75,293
TOTAL ASSETS		<u>58,006,608</u>	<u>58,260,738</u>
LIABILITIES			
Payables to other financial institutions		3,500,000	4,000,000
Deposits from Members	13	45,134,837	44,849,461
Creditor accruals and settlement accounts	14	684,221	729,048
Taxation liabilities	15	-	94,581
Provisions	16	33,988	27,605
TOTAL LIABILITIES		<u>49,353,046</u>	<u>49,700,695</u>
NET ASSETS		<u>8,653,562</u>	<u>8,560,043</u>
MEMBERS' EQUITY			
Capital reserve account	17	31,450	30,120
Reserves	18	461,067	461,067
Retained earnings		8,161,045	8,068,856
TOTAL MEMBERS' EQUITY		<u>8,653,562</u>	<u>8,560,043</u>

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 \$	2012 \$
OPERATING ACTIVITIES			
<u>Revenue Inflows</u>			
Interest Received		3,570,526	4,023,663
Fees and Commissions		136,621	129,336
Dividends Received		30,211	35,750
Other Income		13,346	1,083
<u>Less: Revenue Outflows</u>			
Interest Paid		(1,684,151)	(1,846,258)
Suppliers and Employees		(1,943,292)	(1,865,656)
Income Taxes Refunded (Paid)		(145,835)	(70,351)
Net Cash From Revenue Activities	30.b	(22,574)	407,567
Inflows from Other Operating Activities			
Increase in Member Deposits (Net movement)		348,837	2,886,255
Net decrease in Member loans			667,214
Net decrease in receivables from other FIs		1,446,298	-
		1,795,135	3,553,469
Outflows from Other Operating Activities			
Decrease in Deposits (Net movement)			-
Increase in Member loans		(1,365,641)	
Increase in Receivables from other FIs			(3,448,797)
		(1,365,641)	(3,448,797)
Net Cash from all Operating Activities		406,920	512,239
INVESTING ACTIVITIES			
<u>Inflows</u>			
Proceeds of investment redemption		-	-
Proceeds on sale of property, plant and equipment		-	-
<u>Less: Outflows</u>			
Purchases of fixed assets		(38,125)	(74,804)
Purchase of Intangible Assets		-	-
Net Cash From Investing Activities		(38,125)	(74,804)
FINANCING ACTIVITIES			
Decrease in Payables from other FIs		(500,000)	(500,000)
Net Cash From Financing Activities		(500,000)	(500,000)
Total Net Cash Increase/(Decrease)		(131,205)	(62,565)
Cash at the beginning of the year		1,446,691	1,509,256
Cash at end of year	30.a	1,315,486	1,446,691

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Transport Mutual Credit Union Limited (formerly R.T.A. Staff Credit Union Limited) as a single Credit Union, for the year ended the 30th June 2013. The report was authorised for issue on 25 September 2013 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of Measurement and Classification

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non-current assets with the exception of real property and Available for Sale Investments which are stated at fair value. The accounting policies are consistent with the prior year unless otherwise stated.

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

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:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

TRANSPORT MUTUAL CREDIT UNION LIMITED (FORMERLY R.T.A. STAFF CREDIT UNION LIMITED)

A.B.N. 78 087 650 600

2013 Annual Financial Report

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Credit Union's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified class of borrower.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Available For Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Credit Union's AFS financial assets include the equity investment in Cuscal Limited.

The equity investment in Cuscal Limited is measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as reclassification adjustments within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Classification and subsequent measurement of financial liabilities

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

b. Loans to Members

(i) **Basis of recognition**

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans using the effective interest method.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors.

(ii) **Interest earned**

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

Non accrual loan interest – While still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the Member is deceased, or, where a loan is impaired.

(iii) **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.

(iv) **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.

(v) **Fees on loans**

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

c. Loan Impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 19 details the credit risk management approach for loans.

The APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

ii) Reserve for credit losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for Members against the prospect that some Members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:

- The level of security taken as collateral; and
- The concentration of loans taken by employment type.

iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

d. Bad debts written off (direct reduction in loan balance)

Bad debts are written off from time to time as determined by Management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the income statement.

e. Property, plant and equipment

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

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

f. Receivables from other financial institutions

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

g. Equity investments and other securities

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account comprises only gains and losses on disposal.

All investments are in Australian currency.

h. Member Deposits

(i) Basis for measurement

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

i. Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

j. 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 national government bond rates.

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

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

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

k. Leasehold on Premises

Leases, where the lessor retains substantially all the risks and rewards of ownership of the net asset, are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

l. Income Tax

The income tax expense shown in the income statement is based on the profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet 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 30%.

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.

m. Intangible Assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. These lives range from 2 to 5 years.

n. Goods and Services Tax

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 goods and services tax (GST) collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

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

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

o. Cash and cash equivalents

Cash comprises cash on hand and 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.

p. Impairment of Assets

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

q. Accounting Estimates and Judgements

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans - refer Note 8.

r. New standards applicable for the current year

There were no new standards applicable for the current financial year.

s. New or emerging standards not yet mandatory

Accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting period. The Credit Union's interpretation of these new standards is set out below:

AASB Ref	Nature of Change	Application Date	Impact on Initial Application
AASB 9 Issued Dec 2009 Financial Instruments	Amends the requirements for classification and measurement of financial assets. Future proposed changes to this standard will impact the measurement of the impairment provisions and the accounting for derivatives.	Periods beginning on or after 1 January 2015	Adoption is only mandatory for the 30 June 2016 year end. The current requirements for classification and measurement of financial assets will not have a material impact on the Credit Union. The Credit Union has not yet made an assessment of the impact of the proposed amendments until all amendments have been confirmed. Early adoption has not been considered at this time.
AASB 13 (issued September 2012). Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

	2013	2012
	\$	\$
2. STATEMENT OF COMPREHENSIVE INCOME		
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	28,471	50,738
Receivables from financial institutions	426,805	470,187
Loans to Members	3,090,415	3,519,010
TOTAL INTEREST REVENUE	<u>3,545,691</u>	<u>4,039,935</u>
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	-	500
Other fee income	55,424	56,702
Insurance commissions	18,002	16,740
Other commissions	63,195	55,394
TOTAL FEE AND COMMISSION REVENUE	<u>136,621</u>	<u>129,336</u>
Dividends received on available for sale assets	30,211	35,750
Bad debts recovered	10,961	1,005
Gain on disposal of assets		
- Property, plant and equipment	-	-
Miscellaneous revenue	2,385	78
TOTAL FEE COMMISSION AND OTHER INCOME	<u>180,178</u>	<u>166,169</u>
c. Interest expenses		
Interest expense on liabilities carried at amortised cost		
Deposits from other financial institutions	171,939	239,251
Deposits from Members	1,411,490	1,640,401
Other	-	-
TOTAL INTEREST EXPENSE	<u>1,583,429</u>	<u>1,879,652</u>

	2013 \$	2012 \$
d. Impairment losses		
Available for sale assets		
Loans and advances		
Increase in provision for impairment	1,569	15,356
Bad debts written off directly against profit	454	95
TOTAL IMPAIRMENT LOSSES	<u>2,023</u>	<u>15,451</u>
e. Other prescribed disclosures		
General administration - depreciation expense include:		
- Plant and equipment	66,999	79,506
- Leasehold improvements	15,724	16,608
- Amortisation of software	52,385	52,385
	<u>135,108</u>	<u>148,499</u>
General administration - office occupancy costs include:		
Property operating lease payments	<u>120,918</u>	<u>112,947</u>
Other operating expenses include:		
Auditor's remuneration (excluding GST)		
- Audit fees	39,660	38,500
- Other Services – taxation	4,500	4,000
- Other Services – compliance	1,000	1,000
- Other Services – other	6,000	6,000
	<u>51,160</u>	<u>49,500</u>
f. Other significant expenses		
Rebranding costs associated with the change of name	<u>37,760</u>	-

	2013 \$	2012 \$
3. INCOME TAX EXPENSE		
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	120,562	290,625
Prima facie tax payable on profit before income tax at 30%	36,168	87,188
Add tax effect of:		
- Non-deductible expenses	-	-
- franking credit uplift	3,884	4,596
Subtotal	40,052	91,784
Less		
- Franking rebate	12,946	15,321
- Benefit of tax losses not previously recognised	-	-
Income tax provision attributable to current year profit	27,106	76,463
Overprovision for previous year	(1,537)	(1,430)
Adjustments of a deferred tax asset	1,474	447
Total income tax expense in income statement	27,043	75,480
4. CASH		
Cash on hand	136,197	134,679
Deposits at call	1,179,289	1,312,012
	1,315,486	1,446,691
5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS		
Held to Maturity		
Negotiable Certificates of Deposit	7,486,381	10,932,679
Receivables		
Term Deposit	2,000,000	-
Total Deposits	9,486,381	10,932,679
5a. Dissection of Deposits		
Deposits with industry bodies – CUSCAL	3,486,381	6,932,679
Deposits with other Credit Unions	2,000,000	-
Deposits with banks	4,000,000	4,000,000
	9,486,381	10,932,679

	2013 \$	2012 \$
6. RECEIVABLES		
Interest receivable on deposits with other financial institutions	59,369	89,581
Prepayments	107,363	51,568
Sundry debtors and settlement accounts	59,574	58,093
	<u>226,306</u>	<u>199,242</u>
7. LOANS TO MEMBERS		
a. Amount due comprises:		
Overdrafts and revolving credit	151,742	155,899
Term loans	46,473,478	45,104,134
Subtotal	<u>46,625,220</u>	<u>45,260,033</u>
Less:		
Unamortised loan origination fees	(12,718)	(18,097)
Subtotal	<u>46,612,502</u>	<u>45,241,936</u>
Less:		
Provision for impaired loans (Note 8)	(11,828)	(10,342)
	<u>46,600,674</u>	<u>45,231,594</u>
b. Credit quality - Security held against loans		
Secured by mortgage over business assets	-	-
Secured by mortgage over real estate	39,477,960	38,934,973
Partly secured by goods mortgage	4,526,208	4,299,385
Wholly unsecured	2,621,052	2,025,675
	<u>46,625,220</u>	<u>45,260,033</u>

It is not practicable to value all collateral as at the balance 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:

	2013 \$	2012 \$
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	35,316,926	34,427,764
- loan to valuation ratio of more than 80% but mortgage insured	2,413,181	2,975,950
- loan to valuation ratio of more than 80% and not mortgage insured	1,747,853	1,531,259
Total	<u>39,477,960</u>	<u>38,934,973</u>

Where the loan value is less than 80% there is at least 20% margin to cover the costs of any sale, or potential value reduction.

	2013 \$	2012 \$
c. Concentration of loans		
(i) Loans to Individual or related groups of Members which exceed 10% of total Member's equity	-	-
Total	-	-
(ii) A significant proportion of Member loans at balance date were funded to individuals employed in the public transportation sector in NSW.		
(iii) Geographical concentrations:		
New South Wales	45,445,475	43,322,889
Victoria	448,450	504,942
Queensland	415,174	345,200
South Australia	69,042	16,770
Western Australia	27,072	29,779
ACT	31,072	44,888
Other	188,936	995,565
	<u>46,625,033</u>	<u>45,260,033</u>
8. PROVISION ON IMPAIRED LOANS		
a. Total provision comprises		
Collective provisions	11,828	10,342
Individual specific provisions	-	-
Total Provision	<u>11,828</u>	<u>10,342</u>
b. Movement in the provision for impairment		
Balance at the beginning of year	10,342	1,863
Add (deduct):		
Transfers from (to) income statement	1,569	15,356
Bad debts written off provision	(83)	(6,877)
Balance at end of year	<u>11,828</u>	<u>10,342</u>
Details of credit risk management are set out in Note 19.		
c. Impaired loans written off		
Amounts written off against the provision for impaired loans	83	6,877
Amounts written off directly to expense	454	95
Total bad debts	<u>537</u>	<u>6,972</u>
Bad debts recovered in the period	10,961	1,005
Total bad debts recovered	<u>10,961</u>	<u>1,005</u>

d. Analysis of loans that are impaired or potentially impaired by class

In the Note below -

- Carrying Value is the amount on the balance sheet
- Impaired loans value is the 'on balance sheet' loan balances which are past due by 90 days or more
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans

	2013			2012		
	Carrying value	Value of Impaired Loans	Provision for impairment	Carrying value	Value of Impaired Loans	Provision for impairment
	\$	\$	\$	\$	\$	\$
Loans to Members:						
- Mortgages	39,477,960			38,934,973		
- Personal	6,995,518	22,878	11,666	6,177,457	12,740	8,693
- Overdrafts	151,742	406	162	147,603	2,239	1,649
Total to natural persons	46,625,220	23,284	11,828	45,260,033	14,979	10,342
Corporate borrowers						
Total	46,625,220	23,284	11,828	45,260,033	14,979	10,342

It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

e. Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2013		2012	
	Carrying Value	Provision	Carrying Value	Provision
	\$	\$	\$	\$
Non impaired up to 30 days	46,543,067	-	45,245,054	-
30 to 90 days in arrears	58,869	-	88	36
90 to 180 days in arrears	10,306	4,123	2,914	1,918
180 to 270 days in arrears	12,572	7,543	11,977	8,388
270 to 365 days in arrears				
Over 365 days in arrears				
Over limit facilities over 14 days	406	162	-	-
Total	46,625,220	11,828	45,260,033	10,342

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

f. Loans with repayments past due but not regarded as impaired

Loans with repayments past due but not impaired are in arrears as follows:

	1- 3 Months	3-6 Months	6-12 Months	> 1 Year	Total
2013					
Mortgage secured	342,770				342,770
Personal loans	58,869				58,869
Overdrafts	349				349
Total	401,988				401,988

2012	1- 3 Months	3-6 Months	6-12 Months	> 1 Year	Total
Mortgage secured	-	-	-	-	-
Personal loans	13,789	-	-	-	13,789
Overdrafts	281	-	-	-	281
Total	14,070	-	-	-	14,070

g. Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of impairment	% of balance
Up to 90 days	0
90 days and less than 182 days	40
182 days and less than 273 days	60
273 days and less than 365 days	80
Over 365 days	100

	2013 \$	2012 \$
9. AVAILABLE FOR SALE INVESTMENTS		
Shares in unlisted companies – at cost		
- Cuscal Limited	166,277	166,277
	<u>166,277</u>	<u>166,277</u>

Cuscal Limited

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company supplies wholesale and aggregated transactional services to mutual financial institutions and other banking organisations – refer to Note 28. The shares are able to be traded.

The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily.

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

	2013 \$	2012 \$
10. PROPERTY, PLANT AND EQUIPMENT		
a. Plant and equipment – at cost	584,208	546,083
Less: provision for depreciation	(519,675)	(452,676)
	64,533	93,407
 Capitalised leasehold improvements at cost	 351,287	 351,287
Less: provision for amortisation	(322,192)	(306,469)
	29,095	44,818
 Total Plant and Equipment	 93,628	 138,225

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

	2013			2012		
	<i>Plant & equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>	<i>Plant & equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Opening balance	93,407	44,818	138,225	113,905	45,630	159,535
Purchases	38,125		38,125	59,008	15,796	74,804
<u>Less:</u>						
Assets disposed						
Depreciation charge	66,999	15,723	82,722	(79,506)	(16,608)	(96,114)
Balance at the end of the year	64,533	29,095	93,628	93,407	44,818	138,225

	2013 \$	2012 \$
11. TAXATION ASSETS		
Tax Refund Due	1,972	-
Deferred Tax Assets	92,976	70,737
	<u>94,948</u>	<u>70,737</u>
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	10,560	16,538
Provisions for impairment on loans	3,548	3,103
Provisions for employee benefits	30,661	24,821
Depreciation on fixed assets	44,392	20,846
Effective Interest Rate	3,815	5,429
	<u>92,976</u>	<u>70,737</u>
	<u><u>92,976</u></u>	<u><u>70,737</u></u>
12. INTANGIBLE ASSETS		
Computer software	261,926	261,926
Less provision for amortisation	(239,018)	(186,633)
Total Intangible Assets	<u>22,908</u>	<u>75,293</u>
	<u><u>22,908</u></u>	<u><u>75,293</u></u>
Movement in the assets balances during the year were :		
Opening balance	75,293	127,679
Purchases		
<u>Less:</u>		
Assets disposed		
Depreciation charge	(52,385)	(52,386)
Balance at the end of the year	<u>22,908</u>	<u>75,293</u>
	<u><u>22,908</u></u>	<u><u>75,293</u></u>

	2013 \$	2012 \$
13. DEPOSITS FROM MEMBERS		
Member Deposits		
- At call	18,096,082	17,088,083
- Term	26,999,205	27,721,918
Member withdrawable shares	39,550	39,460
	45,134,837	44,849,461

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

Concentration of Member deposits

(i) Significant individual Member deposits which in aggregate represent more than 10 % of the total liabilities:	-	-
(ii) A significant proportion of Member deposits at balance date were received from individuals employed in the public transportation sector in NSW.		
(iii) Geographical concentrations		
New South Wales	43,817,444	43,368,868
Victoria	561,282	636,353
Queensland	440,095	443,496
South Australia	164	16,660
Western Australia	115,396	77,310
ACT	185,065	165,150
Other	15,391	141,624
Total per balance sheet	45,134,837	44,849,461

14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Annual leave	68,215	55,131
Creditors and accruals	59,532	81,663
Interest payable on deposits	394,516	495,238
Sundry Creditors	161,958	97,016
	684,221	729,048

	2013	2012
	\$	\$
15. TAXATION LIABILITIES		
Current income tax liability comprises:		
Balance (refund) – previous year	94,581	67,350
Less paid (received)	93,044	65,920
(Over) / under statement in prior year	<u>(1,537)</u>	<u>(1,430)</u>
Amount written off to tax expense	<u>(1,537)</u>	<u>(1,430)</u>
Liability for income tax in current year	50,818	99,012
Less Instalments paid in current year	52,790	4,431
Balance – current year	<u>(1,972)</u>	<u>94,581</u>
16. PROVISIONS		
Long service leave	33,988	27,605
	<u>33,988</u>	<u>27,605</u>
17. CAPITAL RESERVE ACCOUNT		
Balance at the beginning of the year	30,120	28,810
Transfer from retained earnings on share redemptions	1,330	1,310
Balance at the end of year	<u>31,450</u>	<u>30,120</u>

Share Redemption

The accounts represent the amount of redeemable 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.

	2013 \$	2012 \$
18. GENERAL RESERVE FOR CREDIT LOSSES		
General reserve for credit losses	461,067	461,067
Other reserve for credit losses	-	-
	461,067	461,067

General reserve for credit losses

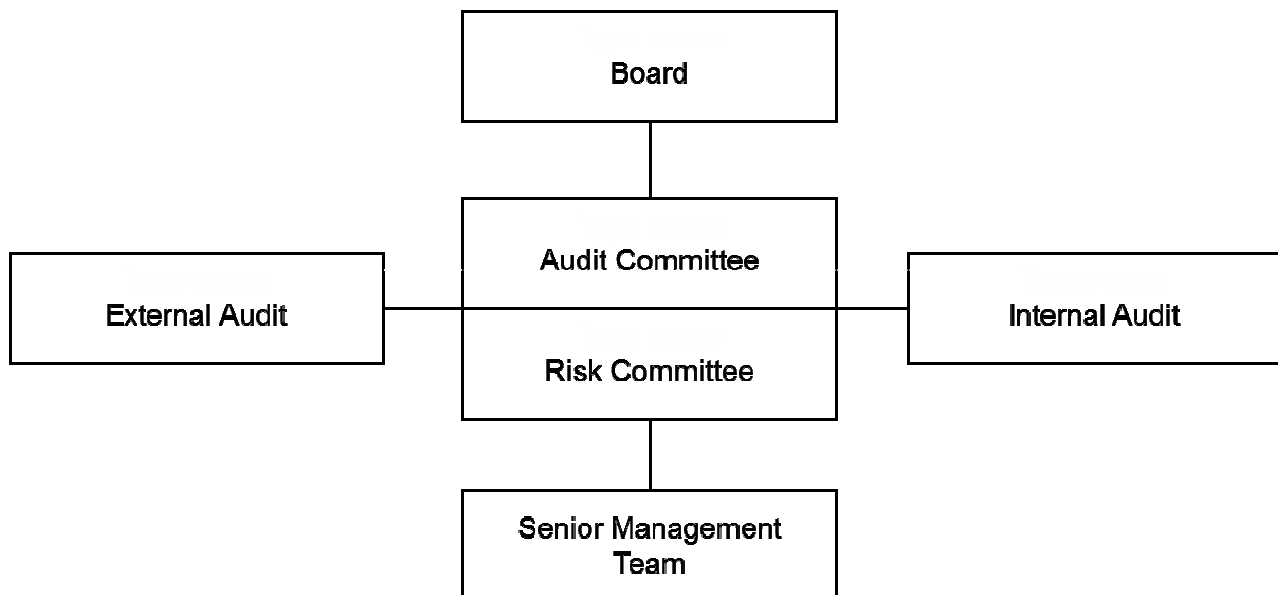
This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA

Balance at beginning of year	461,067	461,067
Add: increase (decrease) transferred from retained earnings	-	-
Balance at end of year	461,067	461,067

19. 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. The Credit Union’s risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Audit and Risk Committees which are integral to the management of risk. The following diagram gives an overview of the structure.



The diagram shows 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 outlined by the Board. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

Audit and Risk Committee: Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit and Risk Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit and Risk Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Board for its consideration.

Senior Management: This group of senior Management and staff meets weekly and has responsibility for managing and reporting the Credit Union's lending and funding position. Information obtained at these meetings is used to ensure sufficient liquidity is available to satisfy the needs of future loan fundings.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit and Risk Committee.

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

- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management including data risk management.

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

A. MARKET RISK

The objective of the Credit Union's market risk management is 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 via the Audit and Risk Committee.

(i) INTEREST RATE RISK

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within their treasury operations. The 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 via the Audit and Risk Committee monthly.

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 interest rate matching on the banking book is set out in Note 22. The table sets out the period that each asset and liability will reprice as at the balance 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.

Interest rate sensitivity

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 the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The measured Gap in each 3 month range to be maintained is 1% - 2% of the net assets. The Gap is measured monthly to identify any large exposures to the interest rate movements, and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels.

Based on the calculations as at 30 June 2013 the increase in net profit for a 1% increase in interest rates would be \$68,922 (2012: \$76,262).

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 deposit 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 Credit Union's exposure to market risk or 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 difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or Member withdrawal demands. It is the policy of the Board of Directors that Management maintains adequate cash reserves and committed credit facilities so as to meet the Member withdrawal demands.

The Credit Union manages liquidity risk by:

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

The Credit Union has a longstanding arrangement with the industry liquidity support organisation, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should that be necessary at short notice.

The Credit Union is required to maintain at least 9% of total liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Credit Union policy is to maintain a minimum 13% of total liabilities as liquid assets to maintain adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below 16%, Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific Note 21. The ratio of liquid funds over the past year is set out below:

	2013	2012
Liquid funds to total adjusted liabilities		
As at 30 June	16.69%	23.55%
Average for the year	21.94%	21.13%
Minimum during the year	16.06%	15.96%
Liquid funds to total Member deposits		
As at 30 June	23.93%	27.60%

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.

(i) CREDIT RISK – LOANS

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

	2013			2012		
	Carrying value	Commitments	Max exposure	Carrying value	Commitments	Max exposure
	\$	\$	\$	\$	\$	\$
Mortgage	39,477,960	7,652,986	47,130,946	38,934,973	6,083,887	45,018,860
Personal	6,995,518	602,378	7,597,896	6,177,457	748,435	6,925,892
Overdrafts	151,742	165,614	317,356	147,603	168,729	316,332
Total to natural persons	46,625,220	8,420,978	55,046,198	45,260,033	7,001,051	52,261,084
Corporate borrowers	-	-	-	-	-	-
Total	46,625,220	8,420,978	55,046,198	45,260,033	7,001,051	52,261,084

Carrying value is equal to gross value (before impairment) on balance sheet. Maximum exposure is equal to the value on the balance sheet plus undrawn facilities (including loans approved not yet advanced; redraw facilities; line of credit facilities and overdraft facilities). The details are shown in Note 24.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas other than by state within Australia as the exposure classes are not considered material. Concentrations are described in Note 7.c.

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

The Credit Union has established policies over the:

- Assessment and approval of loans and facilities, covering acceptable risk, assessment procedures and appropriate security;
- Limits of acceptable exposures to individual borrowers, personal 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 audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as Member contact, loan renegotiation, enforcement of rights, 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 can be engaged to conduct recovery action. Exposures to losses arise predominantly in 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 the income statement. In estimating these cash flows, Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Balance sheet provisions are maintained at a level that Management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from 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, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to the loans to Members.

Details are set out in Note 8.

Bad debts

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

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

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

Collateral securing loans

A majority 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 Valuation Ratio (LVR) should the property market be subject to a significant decline.

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

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The Board policy is to maintain a range of 70% - 85% of the loan portfolio in well secured residential mortgages which carry an 80% LVR or less. Note 7.b describes the nature and extent of the security held against the loans held as at the balance 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 capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 7. The Credit Union holds no significant concentrations of exposures to individual Members.

Concentration risk – industry

The Credit Union has a concentration in retail lending to Members, who are employed in the public transportation sector in NSW. This concentration is considered acceptable on the basis that the Credit Union was formed to service these Members, and the employment concentration is not exclusive. Should Members leave the industry the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 7.

(ii) 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. The credit policy is that investments are only made to institutions that are credit worthy. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body. All investments are reported to the Board on a monthly basis.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed.

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 investment are as follows:

	2013	2012
Investments with	Carrying value	Carrying value
Cuscal – rated AA-	3,486,381	6,932,679
Banks – rated A or above	4,000,000	4,000,000
Unrated	2,000,000	-
Total	9,486,381	10,932,679

E. 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)
- Operational risk.

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

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises

- Capital Reserve (Member shares)
- Retained profits
- Realised reserves.

Tier 2 Capital

Tier 2 capital comprises

- A General Reserve for Credit Losses

Capital in the Credit Union is made up as follows:

	2013	2012
Tier 1		
Capital reserve	31,450	30,120
Retained earnings	8,161,045	8,068,856
	<u>8,192,495</u>	<u>8,098,976</u>
Less prescribed deductions	282,161	(207,067)
Net tier 1 capital	<u>7,910,334</u>	<u>7,891,909</u>
 Tier 2		
Reserve for credit losses	<u>342,076</u>	<u>355,910</u>
Less prescribed deductions	-	(83,139)
Net tier 2 capital	<u>342,076</u>	<u>272,771</u>
 Total Capital	<u>8,252,410</u>	<u>8,164,680</u>

The APRA prudential standards state that ADIs must hold a minimum capital ratio, as a percentage of risk weighted assets. The statutory minimum as determined by APRA is 8%. Although this is a minimum only, the regulator expects ADIs to maintain a buffer over and beyond the minimum at all times.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

		Carrying Value	Risk Weighted Value
<u>Credit Risk</u>			
<i>On Balance Sheet Assets:</i>			
Cash	0%	136,197	-
Deposits in highly rated ADIs	20%	4,722,538	944,508
Deposits in less highly rated ADIs	50%-100%	6,000,000	3,000,000
Standard Loans secured against eligible residential mortgages up to 80% LVR	35%	34,264,599	11,992,609
Standard Loans secured against eligible residential mortgages over 80% LVR	35% - 75%	4,161,034	1,782,091
Non-standard mortgage loans	50%-75%	1,052,327	674,237
Investments in equity instruments	150%	-	-
Other assets	100%	7,410,150	7,410,150
Total			<u>25,803,595</u>
<i>Off Balance Sheet Assets</i>			562,500
Total Credit Weighted Risk			<u>26,366,095</u>
<u>Operational Risk</u>			<u>3,436,760</u>
Total Risk Weighted Value			<u>29,802,855</u>

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

2013	2012	2011	2010	2009
27.69%	28.62%	27.34%	29.83%	29.09%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset and income levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 18%. Further an annual capital budget projection of the capital levels is undertaken to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Credit Union uses APRA's 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 the standardised model, the Credit Union's operational risk requirement is as follows:

Operational risk capital requirement \$274,941 (30th June 2012 \$259,044).

20. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2013 \$	2012 \$
Financial assets - carried at amortised cost			
Cash	4	1,315,486	1,446,691
Receivables from financial institutions - Receivables	5 6	9,486,381 226,306	10,932,679 199,242
Loans to Members	7 & 8	46,600,674	45,231,594
Total loans and receivables		<u>57,628,847</u>	<u>57,810,206</u>
Available for sale investments - carried at cost	9	166,277	166,277
TOTAL FINANCIAL ASSETS		<u>57,795,124</u>	<u>57,976,483</u>
Financial liabilities			
Deposits from other Financial Institutions		3,500,000	4,000,000
Deposits from Members	13	45,134,837	44,849,461
Creditors	14	616,006	673,917
Total carried at amortised cost		<u>49,250,843</u>	<u>49,523,378</u>
TOTAL FINANCIAL LIABILITIES		<u>49,250,843</u>	<u>49,523,378</u>

Financial Assets at Fair Value

Fair value measurement at end of the reporting period using:

	Balance	Level 1	Level 2	Level 3
Equity investments	166,277	-	-	166,277
Total	<u>166,277</u>	<u>-</u>	<u>-</u>	<u>166,277</u>

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
 - 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) (Level 2); and
 - inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).
- The standard permits the measurement at cost in absence of an ability to reliably measure the assets at fair value.

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21 (a). MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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 liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will differ to the balance sheet.

2013	Within 1 month \$,000	1-3 months \$,000	3-12 months \$,000	1-5 years \$,000	After 5 years \$,000	No Maturity \$,000	Total \$,000
ASSETS							
Cash	1,315						1,315
Advances to financial institutions	3,519	4,039	2,036				9,594
Receivables	226						226
Available for sale investments						166	166
Loans & Advances	502	1,146	4,445	20,868	55,126		82,087
On Balance Sheet	5,562	5,185	6,481	20,868	55,126	166	93,388
Total financial Assets	5,562	5,185	6,481	20,868	55,126	166	93,388
LIABILITIES							
Creditors	221						221
Deposits from other financial institutions	3,508						3,508
Deposits from Members:	18,096						18,096
- At call							
- Term	5,781	6,814	12,774	2,456			27,825
On Balance sheet	27,606	6,814	12,774	2,456			49,650
Undrawn commitments	9,416						9,416
Total Financial Liabilities	37,022	6,814	12,774	2,456			59,066
2012							
	Within 1 month \$,000	1-3 months \$,000	3-12 months \$,000	1-5 years \$,000	After 5 years \$,000	No Maturity \$,000	Total \$,000
ASSETS							
Cash	1,447						1,447
Advances to financial institutions	3,526	5,027	2,547				11,100
Receivables	57						57
Available for sale investments						166	166
Loans & Advances	486	1,088	4,317	20,171	53,507		79,569
On Balance Sheet	5,516	6,115	6,864	20,171	53,507	166	92,339
Total financial Assets	5,516	6,115	6,864	20,171	53,507	166	92,339
LIABILITIES							
Creditors	165						165
Deposits from other financial institutions	2,028	2,016					4,044
Deposits from Members:	17,088						17,088
- At call							
- Term	2,547	9,949	12,337	3,548			28,381
On Balance sheet	21,828	11,965	12,337	3,548			49,678
Undrawn commitments	7,001						7,001
Total Financial Liabilities	28,829	11,965	12,337	3,548			56,679

21 (b). MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represent the estimated minimum amount of repayment on the loans, liquid investments and on the Member deposits. While the liquid investments and Member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by Members choosing to repay loans earlier. These advance repayments are at the discretion of the Members and not able to be reliably estimated

	2013			2012		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	1,315,486	-	1,315,486	1,446,691	-	1,446,691
Liquid Investments	9,486,381	-	9,486,381	10,932,679	-	10,932,679
Loans & advances	3,241,672	43,383,548	46,625,220	2,789,477	42,705,556	45,260,033
Receivables	226,306	-	226,306	199,242	-	199,242
Total Financial Assets	14,269,845	43,383,548	57,653,393	15,368,089	42,705,556	57,838,645
FINANCIAL LIABILITIES						
Deposits from financial institutions	3,500,000	-	3,500,000	4,000,000	-	4,000,000
Deposits from Members	43,113,175	2,021,662	45,134,837	44,849,461	-	44,849,461
Payables	684,221	-	684,221	729,048	-	729,048
Total Financial Liabilities	47,297,396	2,021,662	49,319,058	49,578,509	-	49,578,509

22. 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.

2013	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Cash	1,179	-	-	-	-	136	1,315
Receivables	-	-	-	-	-	226	226
Advances to other financial Institutions	2,492	4,994	2,000	-	-	-	9,486
Loans and advances	45,844	-	781	-	-	-	46,625
Other Investments	-	-	-	-	-	166	166
Total Financial Assets	49,515	4,994	2,781	-	-	528	57,818
LIABILITIES							
Creditors	-	-	-	-	-	616	616
Deposits from other Financial institutions	3,500	-	-	-	-	-	3,500
Deposits from Members	19,463	11,088	12,522	2,022	-	40	45,135
On Balance sheet	22,963	11,088	12,562	2,022	-	656	49,251
Undrawn commitments Note 24	9,416	-	-	-	-	-	9,416
Total Financial Liabilities	32,379	11,088	12,562	2,022	-	656	58,667
2012	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Cash	1,313	-	-	-	-	134	1,447
Receivables	-	-	-	-	-	199	199
Advances to other financial Institutions	3,474	4,963	2,495	-	-	-	10,932
Loans and advances	42,605	-	2,655	-	-	-	45,260
Other Investments	-	-	-	-	-	166	166
Total Financial Assets	47,392	4,963	5,150	-	-	499	58,004
LIABILITIES							
Creditors	-	-	-	-	-	660	660
Deposits from other Financial institutions	2,000	2,000	-	-	-	-	4,000
Deposits from Members	20,013	9,691	11,862	3,244	-	39	44,849
On Balance sheet	22,013	11,691	11,862	3,244	-	699	49,509
Undrawn commitments Note 24	7,001	-	-	-	-	-	7,001
Total Financial Liabilities	29,014	11,691	11,862	3,244	-	699	56,510

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 information is only relevant to circumstances at balance 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 calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to original term

	Fair Value	2013 Carrying Value	Variance	Fair Value	2012 Carrying Value	Variance
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
FINANCIAL ASSETS						
Cash	1,315	1,315	-	1,447	1,447	-
Receivables (1)	226	226	-	148	148	-
Advances to other financial institutions	9,486	9,486	-	10,933	10,933	-
Loans and advances	46,600	46,600	-	45,233	45,232	1
Other Investments	166	166	-	166	166	-
Total Financial Assets	57,793	57,793	-	57,927	57,926	1
FINANCIAL LIABILITIES						
Deposits from other financial institutions	3,500	3,500	-	4,000	4,000	-
Creditors (1)	616	616	-	674	674	-
Deposits from Members:						
- At Call	18,136	18,136	-	17,128	17,128	-
- Term	27,139	26,999	140	27,881	27,722	159
Total Financial Liabilities	49,391	49,251	140	49,683	49,524	159

(1) For these assets and liabilities the carrying value approximates 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 they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

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

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. 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 balance sheet. 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 to maturity.

Short term borrowings

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

	2013	2012
	\$	\$
24. FINANCIAL COMMITMENTS		
a. Outstanding loan commitments		
Loans approved but not funded	995,000	926,060
b. Loan redraw facilities		
Loan redraw facilities available	8,255,364	6,812,247
c. Undrawn loan facilities		
Loan facilities available to Members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	328,825	336,575
Less: Amount advanced	(163,211)	(167,846)
Net undrawn value	165,614	168,729
Total financial commitments	9,415,978	7,907,036

These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.

Expenditure commitments	2013	2012
	\$	\$
d. Computer expenditure commitments		
The committed costs for computer expenditure by the Credit Union is:		
Not later than one year	127,414	135,990
Later than 1 year but not 2 years	84,238	150,474
Later than 2 years but not 5 years	-	4,303
Later than 5 years	-	-
	<u>211,652</u>	<u>290,767</u>

e. Future Lease and Rental Commitments

Operating lease payments under existing lease arrangements for building accommodation, payable over the following periods.

Not later than one year	122,801	117,726
Later than one year but not later than five years	30,903	29,432
Over five years	-	-
	<u>153,704</u>	<u>147,158</u>

An operating lease is in respect of property used for providing branch services to Members and general Credit Union administration. The terms of the lease is 1 year with an automatic renewal clause if notice to vacate is not given by the Credit Union.

There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases, borrow funds or issue dividends (although these are subject to restrictions in the Constitution).

f. Computer Bureau Charges

Not later than one year	29,832	27,120
Later than 1 year but not 2 years	29,832	27,120
Later than 2 years but not 5 years	-	27,120
Later than 5 years	-	-
	<u>59,664</u>	<u>81,360</u>

25. STANDBY BORROWING FACILITIES

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

2013

	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan facility	100,000	-	100,000
Overdraft facility	500,000	-	500,000
TOTAL STANDBY BORROWING FACILITIES	<u>600,000</u>	<u>-</u>	<u>600,000</u>

2012

	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan Facility	100,000	-	100,000
Overdraft Facility	500,000	-	500,000
TOTAL STANDBY BORROWING FACILITIES	<u>600,000</u>	<u>-</u>	<u>600,000</u>

Withdrawal of the loan facility is subject to the availability of funds at Cuscal.

Cuscal holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under the facility arrangements.

26. CONTINGENT LIABILITIES

Liquidity support scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of the total assets as deposits with Cuscal Limited.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.2% of the Credit Union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

27. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. 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.

Key Management persons have been taken to comprise the Directors and the 2 members (2012 - 2 members) of the executive Management responsible for the day to day financial and operational management of the Credit Union.

The aggregate Compensation of key Management persons during the year comprising amounts paid or payable or provided for was as follows:

	2013		2012	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits;	-	268,965	-	274,400
(b) post-employment benefits - superannuation contributions	-	24,207	-	24,696
(c) other long-term benefits – net increases in long service leave provision	-	8,395	-	4,881
(d) termination benefits;	-	-	-	-
Total	-	301,567	-	303,977

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.

	2013 \$	2012 \$
b. Loans to Directors and other Key Management Persons		
(i) The aggregate value of loans to Directors and other key Management persons as at balance date amounted to	<u>174,832</u>	<u>234,381</u>
(ii) The total value of revolving credit facilities to Directors and other key Management persons, as at balance date amounted to	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	<u>-</u>	<u>-</u>
(iii) During the year the aggregate value of loans disbursed to Directors and other key Management persons amounted to:		
Revolving credit facilities	-	-
Personal loans	-	-
Term Loans	-	-
	<u>-</u>	<u>-</u>
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other key Management persons amounted to:	-	-
	<u>-</u>	<u>-</u>
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	<u>15,648</u>	<u>21,109</u>

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 loans at a discounted staff interest rate. As at balance date, no employees had applied for such loans. There are no loans which are impaired in relation to the loan balances with Directors or other KMPs.

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

	2013 \$	2012 \$
Total value Term and Savings Deposits from KMP	<u>540,152</u>	<u>529,017</u>
Total Interest paid on deposits to KMP	<u>23,626</u>	<u>23,377</u>

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.

c. Transactions with Other Related Parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP. 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 apply to Members for each type of deposit. There are no benefits paid or payable to the close family members of the key Management persons. There are no service contracts to which key Management persons or their close family members are an interested party.

28. OUTSOURCING ARRANGEMENTS

The Credit Union has outsourcing arrangements with the following suppliers of services.

a. Cuscal Limited

Cuscal Limited is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. Cuscal Limited;

- (i) provides the license rights to Visa Card in Australia and settlement with banks for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by member Credit Unions;
- (ii) provides treasury and money market facilities to the Credit Union. The Credit Union will ensure minimum CUSCAL and CUFSS investment holdings are maintained.
- (ii) The Credit Union operates the computer network used to link Redicards and Visa cards operated through RediATM's and other approved ATM suppliers to the Credit Union's I.T. systems.

b. Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Credit Union.

c. The System Works Group (TSWG)

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

29. SUPERANNUATION LIABILITIES

The Credit Union contributes to the employee's preferred choice-compliant superannuation fund for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The Credit Union has no interest in the superannuation funds (other than as a contributor) and is not liable for the performance of the funds, or the obligations of the funds.

	2013 \$	2012 \$
30. NOTES TO CASH FLOW STATEMENT		
a. <u>Reconciliation of Cash</u>		
Cash on Hand	136,197	134,679
Deposits at Call	1,179,289	1,312,012
	1,315,486	1,446,691
b. <u>Reconciliation of Cash from Operating Activities to Operating Profit</u>		
Profit after Income Tax	93,519	215,145
Add:		
Increases in Amortised fees on loans	(5,379)	(7,785)
Increase in Provisions for Loans	1,486	8,479
Bad debts written off	454	95
Depreciation	82,723	96,114
Loss on sale of fixed assets	-	-
Amortisation of Intangible assets	52,385	52,385
Increases in Liabilities		
Creditors and Accruals	(22,132)	(3,187)
Interest Payable	(100,722)	33,394
Staff Entitlements	19,467	9,639
Income Tax	(96,553)	27,231
Increases in Assets		
Interest Receivable - Deposits FI's	30,212	(8,487)
Prepayments	(55,795)	6,646
Deferred Tax Asset	(22,239)	(22,102)
Net Cash From Operating Activities	(22,574)	407,567

31. CORPORATE INFORMATION

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

The address of the registered office is

Level 2 KMS Building
8-24 Kippax Street
SURRY HILLS NSW 2010

The address the principal place of business is

Level 2 KMS Building
8-24 Kippax Street
SURRY HILLS NSW 2010

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