ANNUAL FINANCIAL AND SUSTAINABILITY REPORT
FOR THE YEAR ENDED 30 JUNE 2021

ABN 78 087 650 600

Transport Mutual Credit Union Limited

transport mutual credit union

Meeting the challenges because of our people

Meeting the challenges because of our people

Dear Members,

When reflecting on the past 12 months, the dominant themes that come to mind are resilience and community. It has been another challenging year for our Members and staff, as we continue to grapple with the COVID-19 pandemic and lockdowns. However, there are many examples of the community and business showing admirable resilience and finding new ways to engage with and support one another. As our community walks through the challenges of transition, I believe our credit union is well placed to walk the journey with our Members.

As a credit union, we are better placed than many others for the new operating conditions, with a nimble and innovative team focused on connecting with Members. To this end, we've broadened and grown our social media presence and have conducted remote location drop-ins – when restrictions allowed – simply to say hello and see how people are doing. The feedback on these measures has been outstanding. We also found social engagement grew during the Tour de France, which was a welcome distraction during a difficult year. In the new financial year, we plan to bolster these efforts and find new ways to connect with our Members.

I am also pleased to report that despite challenges around the pandemic, we were able to progress or deliver on several major initiatives in financial year 2020-21. In line with regulations, we started to enhance our data capabilities, with the end goal of making it easier for Members to compare banking products. It's all about empowering choice and providing better transparency for banking customers. I support any initiative to achieve this and I would like to thank our CEO, John Kavalieros, and the team for the many hours they spent working to drive the outcomes of the ACCC Open Banking reform agenda.

Elsewhere, our Product Innovation Committee has been working hard to bring to market new products that will benefit you, including the Clement Card and Kids Saver. Both products deliver our 'products with purpose' mantra. The soon-to-be-released Clement Card engineers out the bad aspects of a credit card to form a socially responsible product that our Board is happy to endorse as supporting our Members. Similarly, our new Kids Saver will empower Members to financially enable our future generations. We all have a responsibility to our future generations, and this is where it starts for our youngest Members. We also know that certain financial products in the broader marketplace cause people financial harm and it's important for us that our products do the opposite; they are designed to improve and simplify our Members' lives. Yet another example of that pursuit is our Credit Card Crusher, which helps Members walk out of a debt-laden situation by crushing their card and replacing it with a lower-interest repayment option.

Fit for the future

A pillar of our strategic mindset is our commitment to sustainability and that was a major focus in the most recent financial year. TMCU has continued to operate sustainably whilst strengthening its environmentally focused offerings, including our clean energy product GreenRoad. We've grown our membership base on the back of our GreenRoad initiative, which is recognition of the community's desire for sustainable transport and energy options. TMCU will continue that trajectory as the global trend for a new energy future gathers pace.

It is important to stress, however, that sustainability extends beyond the environmental footprint. Sustainability, as we define it, refers to a framework that creates service experiences and financial products that will serve our Members well into the future. A key element of that is ensuring our governance structures are robust. We have strengthened our Governance Responsibility Accountability Framework and aligned it with our value set of sustainable banking. In financial year 2021-22, we will continue our sustainability journey by launching our Sustainability Framework, which will drive and focus our efforts around the core pillars of Products, Environment, People and Community. I ask that you take the time to understand our vision by reading our statement on sustainability. As a Member-owned institution, these are the principles that help us deliver for you. We have also established a Sustainability Committee to drive this framework and ensure we honour our commitment to values-based lending on every occasion. I commend the Board and management for their hard work in designing our future way forward.

Here for you in tough times

As restrictions gradually ease, I know many of our Members will endure residual financial hardships because of the difficult year we have had. I would like to take this opportunity to say we are here for you and will continue to support you in these tough times. I would also like to thank our Members for joining us on our sustainability journey. Ultimately, our goal is to create a better future for you and your families. Your feedback has been invaluable in directing us in this endeavour. Thank you to our team at Transport Mutual as well, for their dedication throughout the year. Our Board consists of volunteers who are here because they love what they do. Similarly, the staff and Executive Team at Transport Mutual have adapted quickly to the changing operating conditions and have gone above and beyond to serve our Members this year. Exemplars of resilience and support for our community of Members – the team deserve special thanks, too. As your Chair, I am grateful for the way our community has rallied and continues to demonstrate the Mutual's values by supporting one another and forging a path to a sustainable future. It is my pleasure to present the Annual Report for our 57th year.

Anthony J Dann CPA, GAICD

CHAIR

Adapting and thriving in difficult times

Adapting and thriving in difficult times

Dear Members,

When I wrote to you this time last year, I told you Transport Mutual Credit Union (TMCU) was well-positioned to weather the COVID-19 pandemic, with a robust plan in place and infrastructure embedded to support remote working. These systems were stress tested in financial year 2020-21, as the Delta variant arrived and lockdowns continued across the state and country. I am pleased to report our infrastructure has held up well and we are in a strong position to continue to service our Members remotely in the future, as needed.

Supporting Members

In a challenging year, I am proud of how well our community adapted to the changed operating conditions. Each day last year, I saw examples of how our small team was helping Members navigate this new terrain and reduce their stress in uncertain times. We recognise that despite our legacy as a transport industry credit union that primarily supported public service employees, we now have Members from all sectors of the community. COVID-19 operating conditions have adversely affected some of our Members and we've worked with them on a range of hardship measures that allow us to offer genuine assistance while meeting our lending obligations. It has been pleasing for me to see many of these Members are now recovering.

In the new financial year, we plan to do more to connect and check in with our Members remotely, including extending our social media presence and broadening our digital channels. My strong message is that we are here for you when you need us.

The low-interest landscape

Beyond the pandemic, TMCU – like many of its counterparts – has experienced challenges due to the current lending landscape. The low-interest-rate environment has created competitive pressures that I have not previously seen in my career. While there are not as many players in the market as there once were, the low interest rates have increased our appetite to capture market share from our competitors. We expect this trend to continue.

Getting ahead in this environment is challenging, but I am confident we have a competitive menu of loan products, a superior service culture and values that resonate with our Members. The best evidence of that is the fact we have not seen mortgages discharged to other lenders, for the most part, due to our competitive pricing and strong relationships with our Members.

Evolving our operations for the future

A key focus of our year has been meeting our compliance obligations and ensuring our products are transparent and fit for the future. Over the past few years, we've made a significant investment in our IT infrastructure, which will help us meet the requirements of our regulator. The Australian Competition and Consumer Commission has introduced Open Banking reforms, which require institutions to offer more transparency around how they price their products. This is a consumer-centric piece of work, which will show customers that they are receiving value and allow them to move institutions if and when they wish. To provide these services, we have upgraded the way we manage data. It has been a large and costly undertaking for us, given the scale of the project. I would like to thank our staff again for their dedication in bringing these new capabilities to life.

Ultimately, the IT systems we are building will benefit our Members in many ways. In addition to making comparisons of lending products easier, this will set up TMCU to meet the expectations of both regulators and the marketplace in future. It has been difficult for me to see many of our smaller lending competitors cease operations due to the increasing cost of compliance. I would like to take this opportunity to assure our Members that we are investing in systems now to ensure our survival well into the future.

As Members know, we have a strong focus on sustainability and ethical operations. Sustainability, as we define it, refers to creating service experiences and financial products that will serve our Members well into the future. A key element of that is ensuring our governance structures are as robust as they can be. We have a commitment to designing 'products with purpose', which means we create and invest in only innovations that will make our Members' lives better. In the last 20 years, the lending market has evolved to become more ethical and more focused on sustainability, and I strongly believe TMCU has been a market leader in this area. When we release a new product, it must pass several review stages, which examine its risk, suitability, affordability and sustainability. These filters are robust, to ensure our products have a positive impact on Members' lives. We will continue that mission in 2021-22 and will soon be able to share a new product with purpose, which will build on our current range.

The embodiment of our values

Despite the challenges I've mentioned, TMCU is in a solid position for future growth, in large part due to the team. As many of you know, our Board comprises volunteers who give up their time because they believe in TMCU and the values it espouses. I could not be more grateful for their efforts during the last year, especially around the governance side of our IT infrastructure investment.

Our staff have demonstrated resilience and grace over the last year as they have adapted to new working conditions. I would like to thank them for their dedication and the extra effort they put in to ensure Members' needs were met. Given we have a small team, every Member contributes more than they might at a larger banking institution, and they do so with enthusiasm. Thank you.

Finally, I would like to thank our loyal Transport Mutual Credit Union Members. Your feedback and support have guided us through this challenging year. We will continue to find new ways to connect with you in the new financial year and will take on board your feedback to deliver better products and banking experiences for you and your families.

Yours faithfully,

John Kavalieros
CHIEF EXECUTIVE

Our strategic priorities

IN THE 2021-22 FINANCIAL YEAR, TRANSPORT MUTUAL CREDIT UNION IS CONTINUING TO INVEST IN INITIATIVES THAT REFLECT OUR SUSTAINABILITY VALUES AND MEET THE EXPECTATIONS OF OUR MEMBERS AND REGULATOR. BELOW IS A SNAPSHOT OF FOCUS2022.

Upgrading our data and technology

One of our key objectives this year is to establish the infrastructure to serve Members well into the future. As a lender, the Australian Competition and Consumer Commission requires us to comply with the Open Banking legislation. Under these reforms, customers of financial institutions will be able to move more freely between banks and credit unions and will have greater oversight of how products are priced.

To meet these obligations, we are investing in robust IT infrastructure. While this is a significant cost for TMCU, it is a regulatory requirement for all financial institutions that wish to continue operating. Although the initial outlay is costly, we believe it will generate positive outcomes for Members by delivering greater transparency and choice.

Digitising our operations

Over the past few years, we have noticed our customers' expectations and priorities have been changing. One example of that is the ways in which our Members transact with us. The demand for cash transactions has declined significantly and the COVID-19 pandemic has accelerated that trend. As a result, we will be further divesting ourselves of ATMs and instead investing in our digital experience. The vast majority of our Members are now online and they demand quick, easy access to our services.

Based on this demand, we will be further enhancing our online and mobile banking options. We will also be improving the user experience to make it easier for Members to have their needs met efficiently. For example, we are investing in some exciting technology that will allow Members to have loans approved much faster, based on the use of artificial intelligence. From our point of view, this will also streamline our processes and ensure we are more financially sustainable in the future.

Investing in sustainable products

Without exception, our product development is driven by our sustainability mindset. What started as a desire to ensure we were not harming our Members has evolved into sustainability principles that are now part of the fabric of the organisation. Through this commitment, we have attracted new, younger Members who share our desire to contribute to environmental and social change. Our commitment to all Members is to continue to innovate and to develop new 'products with purpose'. This is a key focus of our product innovation committee.

In the new financial year, we will invest in designing and creating financial products that pass our rigorous testing and meet our sustainability benchmark. While this process is an investment that does take time, our Members can be confident the results will meet our high standards and your service expectations. Later this year, we will release the Clement Card, an alternative to payday lenders and buy now, pay later schemes that we believe epitomises our commitment to your financial sustainability. We will also have other exciting announcements to make on product innovation along the way.

Communicating our values

TMCU's values of sustainability, adaptation and evolution will be further formalised this year. The framework for this will examine how we can best deliver on our financial, environmental and Member commitments. Our Board and executive team recognise that while the Credit Union has strong values, the onus is on us to find new ways to deliver on those values to our Members, our stakeholders and the broader community. Our sustainability working group has this mission at its core.

On behalf of Transport Mutual Credit Union, I look forward to updating you on our progress on each of these initiatives within the next year.

John Kavalieros
CHIEF EXECUTIVE

Our commitment to sustainability across the organisation

AN OVERVIEW OF THE INITIATIVES UNDERWAY AT YOUR CREDIT UNION, AS WE BUILD A RESILIENT FINANCIAL INSTITUTION FOR OUR MEMBERS.

Products

Transport Mutual Credit Union is committed to sustainability. The Credit Union reflects and supports this commitment through the design and rollout of financial products with the key pillars of social, environmental and economic sustainability.

TMCU acts with social and ethical responsibility. As such, the Credit Union will not contribute to social harm by accepting deposits from, or lending funds to, any organisation directly associated with, or having potential exposure to, industries such as fossil fuels, alcohol, tobacco, gambling or sex trafficking.

TMCU ensures products are designed and delivered in an ethically defensible way to satisfy Member needs and to ensure we avoid bringing the organisation into disrepute. We achieve this by assessing each potential product for its social sustainability and fairness, in addition to the Chief Risk Officer's product risk assessment.

The Credit Union minimises and mitigates adverse environmental impacts at every stage of the product development cycle and during operational activities. As an example, TMCU seeks to improve environmental outcomes and reduce local pollution through its product designs. It offers Members low-interest loans on hybrid or electric vehicles and interest-free loans on bikes, in addition to keeping a fleet of hybrid or electric vehicles for staff use. Through formal and informal education, the Credit Union also actively undertakes to increase our staff and Members' awareness of the environmental benefits of maintaining such a fleet. Furthermore, TMCU's procurement procedure includes preferential engagement with third parties whose environmental practices complement its own.

TMCU develops economically sustainable products. Each new product is rigorously assessed on its economic sustainability and whether it will ensure the growth of TMCU. Maintaining a product range that meets these criteria ensures ongoing financial sustainability and success. TMCU must remain a going concern if it is to deliver value to its Members, and products must be designed with that in mind.

Green Road

People

At Transport Mutual Credit Union, our people are our business. We have introduced several initiatives to help them adapt and thrive through what has been a challenging year.

TMCU recognises that people are at the core of all our operations. We value our staff and our Members, and their families and loved ones. We are committed to providing safe and healthy workspaces across the office and home-office environments for all staff. The COVID-19 pandemic has presented TMCU with challenges that have required us to evolve to continue to support our team in the best way possible. We have put a range of mechanisms in place to continue to support the health and wellbeing of our people. As the pandemic has ebbed and flowed, we have consistently implemented and modified these initiatives as required.

TMCU has adapted to the pandemic and lockdowns by finding ways to have regular 'how are you' chats with staff. We have also ensured staff have multiple opportunities to connect with one another during lockdown, as they would in their regular office environment. For example, what used to be gatherings around the coffee machine have been transformed into Zoom 'coffee check-ins' without any fixed work agenda, where our people get the airtime to talk about anything they wish. Informal daily check-ins and multiple structured touchpoints throughout each week have proven effective and useful for social interaction. Our management team has diligently observed how teams are operating in this new normal, actively looking for any signs of struggle among staff. All team members are provided with professional support resources, such as counselling and mentoring services, at no cost to the individual, should that ever be required.

TMCU acknowledges its team comprises individuals, each with unique work and living arrangements, and from different geographical areas and socioeconomic backgrounds. We understand that no single support framework will suit everyone; therefore, TMCU takes an individualised and flexible approach, which caters to the needs of each team member. Due to the dynamic conditions of the pandemic, TMCU is flexible and open-minded in supporting the work preferences of its team members and their changing needs. Some of our staff are now on permanent out-of-office arrangements to suit their health and lifestyle needs. Others live in regional towns and centres of Australia based on their preference. Home workspaces and offices are equipped with any investment necessary to facilitate staff performing their roles efficiently in a secure environment.

TMCU values diversity and inclusion. We embrace differences in culture, ethnicity, race, physical ability, exceptionality, gender, sexual orientation, and political and religious beliefs, to create a work environment that fosters growth and advancement. TMCU does not tolerate discrimination, harassment or bullying on any basis. The Credit Union believes that in creating a great working environment, the individual skills, perspectives and experiences of our staff should reflect the diverse community we serve. We value all staff as equals and foster a supportive workplace culture that incorporates the contributions of staff from all backgrounds and experiences equally. When recruiting, TMCU encourages participants from different backgrounds to apply; we celebrate Australia's diversity as we find the best person for the team.

TMCU understands that roles are now changing and performing them can come with new challenges. To enable staff to perform in a supportive environment, TMCU seeks to continue to build and maintain the trust of its people. We ensure management and the Board exhibit supportive and inclusive behaviours by speaking with honesty, transparency and empathy about the company's challenges and being realistic when discussing limitations. The pandemic has allowed TMCU to transform previous work structures, flattening the organisational chart in the process. The development of new formal and informal structures has been a positive result of the new hybrid office/home workplace. This has allowed staff to take on a more diversified workload, exposing them to potential new opportunities within the business. Staff from across the organisation are involved in all matters of operation, from risk management and product and service development to strategic planning.

TMCU seeks to support its staff by offering security of tenure and advancement. Staff are provided with competitive salaries and access to a variety of benefits, such as low-interest personal loans. TMCU is serious about supporting its people's pursuit of their career goals; we provide ongoing training and continuing professional development for all staff. We also offer financial support for educational advancement at all levels of the company.

Environment

Historically, much of TMCU's business has been lending for the purchase of motor vehicles. Acknowledging the environmental cost this has accrued, TMCU is addressing the issue by supporting environmentally sustainable business initiatives. TMCU is hands-on in its commitment to sustainable transport, releasing several products aimed at educating Members and supporting the growth in electric vehicles and related sustainable energy.

TMCU is aware of the changing nature of transport and is a strong advocate for the growth of active transport options for its Members. As a way of encouraging these more sustainable options, TMCU introduced the FreeWheel bike loan in 2014. This offer included interest-free and fee-free support for the purchase of commuter bicycles with loans between $1,000 and $10,000. This 'product with purpose' received national (Canstar, and the Australian Institute of Traffic Planning and Management) and local (Sydney City Council) recognition for both innovation and value, with the Credit Union providing more than $2 million in funding for bicycle loans.

The success of bicycle lending led the Credit Union to take a major step forward in supporting sustainable transport by releasing the GreenRoad product. This finances the purchase of electric vehicles and hybrids, along with the means to power them sustainably through solar arrays and battery storage. GreenRoad features lending options with no ongoing fees, a low variable interest rate and the ability to make extra repayments at any time. The product covers a variety of transport options, including electric vehicles, hybrid vehicles, bicycles and e-bikes, solar panel systems and their installation, and battery storage units and installation. The initiative has financed hundreds of electric and hybrid vehicles and solar installations, and the portfolio continues to grow strongly.

The Credit Union assesses the positive financial impacts of sustainable initiatives and factors these into lending assessments. TMCU funds the Building Sustainability Index (BASIX) certification for mortgage loans on existing homes, to assist Members in understanding and improving their home energy use and efficiency. We actively consider climate risk when making decisions on lending in fire-prone, or low-lying and coastal areas, and work proactively with applicants to understand the implications for future asset values.

TMCU operates with a commitment to minimising resource use. We have implemented simple day-to-day initiatives across the business to act sustainably and to reduce the impact we make on the environment while at work. These initiatives include: recycling paper products, ensuring proper waste disposal in the appropriate bins, watching water usage,encouraging sustainable transport options including public transport or hybrid/electric vehicles, donating used hardware, purchasing sustainable kitchen products, minimising office energy consumption through power-saving alternatives, and moving from paper-based newsletters to electronic communications including e-statements whenever possible.

Green Road

Community

As a not-for-profit authorised deposit-taking institution, TMCU understands its role in supporting society's growth and functioning. TMCU recognises engagement with community is fundamental to organisational sustainability and, ultimately, to our success as a society. Our internal community is composed of TMCU's industry, management and staff, and Members. It operates within the context of our wider external society and its values.

TMCU invests in the Transport industry and its people to educate them about TMCU's purpose, its product offerings, and its sustainability focus. Our strategic plan includes growing our presence with more sustainable forms of transport; for example, by direct investment with bike suppliers to enhance take up of electric and cargo bikes that reduce emissions. Other examples include our push for green motoring technology lending – including for electric vehicles – and building links with public transport providers, such as those that support bus and tram workers. TMCU also builds relationships with strategic partners that foster community awareness of sustainability; for example, bike-to-school, and walk and ride-to-work initiatives.

TMCU's primary operating driver is its service to our Members. We are a forward-thinking, not-for-profit Credit Union enabling and advancing the financial sustainability of our Members. Profits are put towards improvement and growth in our financial services and products, with Members' financial wellness as the primary focus. Products and services are designed with consideration to value delivered through innovation, fitness-for-purpose, and ease of use. We educate Members through events designed to increase awareness of themes like the risks of financial fraud and ID theft.

Members in financial distress are offered financial support arrangements and counselling at no charge. Members (who are our shareholders) are given the opportunity to participate actively in the oversight of the organisation at the AGM. Social changes such as the growing interest in sustainable financial products are reflected in strategic planning and have led to the development of TMCU's lending program for solar panels/batteries/electric vehicles and bicycles.

Naturally, as TMCU is part of the wider external community, we are driving charitable endeavours, including those to raise money for homeless initiatives over many years. TMCU's financial backing of Barnardos and the Australian Mutuals Foundation assists disadvantaged children in the local community. TMCU has been successful raising many thousands of dollars in support for homeless issues through the annual Vinnies CEO Sleepout. TMCU is also an environmentally responsible neighbour in the community, and we encourage other business owners and tenants to adopt similar practices and philosophies.

PROFILE

When the music stops:

How TMCU has helped Darren

Like many artists, Golden Guitar Award-winner Darren Coggan has had a tumultuous year, with the COVID-19 pandemic pressing pause on live performances.

Despite that, Mr Coggan says he has felt well supported in the past few months, with his credit union of choice, Transport Mutual, a phone call away.

"We just recently refinanced a loan through Transport Mutual and the process was incredibly smooth; they held our hands through the whole thing," Mr Coggan says. "As a musician, it's always been challenging to get loans because I am self-employed. But Transport Mutual has always helped me out when I've really needed it."

Mr Coggan says Transport Mutual Credit Union, like all financial institutions, has strict lending criteria and would not loan him money if he couldn't prove he could repay it. However, unlike other lenders, TMCU has always been willing to hear about his circumstances and help where possible.

"They've been incredibly supportive of me, as a musician whose income is not the same each week. It varies all the time," Mr Coggan says. "Not everyone fits the same template and they get that."

A FAMILY CONNECTION

A roads and transport-based credit union may not sound like the natural financial starting place for a musician, but Mr Coggan says he became familiar with TMCU at a young age.

Mr Coggan's father – who worked in the transport industry – created a savings account for his son when Mr Coggan was 12 years old.

"I've been with them ever since," the musician says.

Mr Coggan says TMCU offers services other banks and credit unions don't.

"What I really love about them is the personal approach," he explains. "You call them if there's something you need to discuss and you get to know the staff. You're not talking to a computer; it's so refreshing.

"I don't come from an accounting background; I need it explained to me like I'm a 4-year-old, but they're able to help you understand the process really easily."

Mr Coggan says he knew he wanted to follow his dad's example and set his children up with savings accounts while they were still young. Transport Mutual was an obvious choice.

"Like my father did with me, both of my kids now have an account, my wife has an account, we've had numerous loans over the years," he says. "They've just been really incredible to us."

> "They've been incredibly supportive of me, as a musician whose income is not the same each week. It varies all the time. Not everyone fits the same template and they get that."

PROFILE

There for you in all situations:

TMCU always comes through for Deb

Having worked in financial services for one of the Big Four banks, Deb Buhl says she knows Transport Mutual Credit Union is not your average lender.

In an age of increased digitisation and often high turnover, Mrs Buhl says TMCU has retained staff who have a strong customer service ethos and a dedication to helping Members.

"The best part about TMCU for me is the personalised service," she says.

Given the remote service model, Mrs Buhl says she has never met any members of her banking team face-to-face, but she feels like she knows them well. She recalls several times when they have promptly helped her family in ways that were "out of the ordinary".

"We had an incident where I had to take my daughter, Lillian, to an appointment in Queensland and my husband decided to go car shopping while he was waiting and bought a car," she recalls. "TMCU lined it up so we could drive the car home from Queensland…We were just thrilled with that outcome."

A FAMILY AFFAIR

Mrs Buhl first joined the credit union when she was working for the Roads and Traffic Authority more than 20 years ago. Despite changing roles several times since then, she says she "wouldn't contemplate" going to another bank or credit union.

In fact, the Buhl family has several TMCU Members.

"Once my daughter and son were born, I actually joined them up as well," Mrs Buhl says. "In those days, most of it was by paper, but I couldn't believe how simple it was. I think that's what kept me with this financial provider...It's the simplicity of doing things."

Her children, Will and Lillian, are both now adults and those bank accounts have evolved into other financial products.

"My son has bought a unit with Transport Mutual, my daughter has bought a block of land through Transport Mutual, so it starts to spread," she says.

Mrs Buhl says when she hears people complaining about their banks or financial providers these days, she's quick to tell them about her experience.

"We were talking to some friends the other day and they were saying, 'We hate our bank.' And I told them they were just in the wrong place. Ours is perfect. We wouldn't change a thing."

> "The best part about TMCU for me is the personalised service."

PROFILE

‘A real sense of family’:

Why Ken helped start TMCU

Founding Member Ken Bergin remembers the day he decided to help form what's now known as Transport Mutual Credit Union.

It was the early 1960s and Mr Bergin was working in the now-defunct Department of Main Roads. He recalls going to a meeting to learn about a different model of banking and liking what he heard.

"Back in those days, credit unions were only just being set up, so nobody knew much about them or how they worked," he says.

Mr Bergin particularly liked the idea of a work-based institution owned by Members and designed to support other Members.

"The idea of work colleagues pooling their resources to help their colleagues was certainly very appealing to a lot of people, so the decision was made that we should form a credit union," he explains.

More than 57 years later, he says it has only gone "from strength to strength".

SOME THINGS DON'T CHANGE

As the credit union approaches its 60th year, Mr Bergin says it still maintains its foundational values of helping Members. He's proud of that.

"I think that's one of the outstanding features of it," he says. "Several directors have been there for a very long time."

In fact, Mr Bergin says many on the current Board of Directors are former Department of Main Roads employees and have stayed true to the credit union values.

"When the Department of Main Roads was amalgamated with other organisations, members of those other organisations also joined up, but we've always maintained a core of directors who have been ex-DMR people and I think that's been a strength," he says. "There's a real sense of family about it."

One of the things Mr Bergin appreciates most is Transport Mutual's focus on customer service, which he says has been a feature throughout its history.

"You're not just a number, you're a known entity; that's the thing I like most about it. I get very good service from the credit union."

As a founding Member, Mr Bergin's name is familiar around the credit union.

"I can ring up at any time and I think most of the staff [know me]," he says. "If they don't know me, they recognise who I am."

> "You're not just a number, you're a known entity; that's the thing I like most about it. I get very good service from the credit union."

PROFILE

'The values haven't changed': Why Vince has been with TMCU since the 1970's

When lifelong transport worker Vince Taranto first joined what's now the Transport Mutual Credit Union in 1977, he said the decision was simple.

"When I started work, our internal credit union was part of the furniture," he said. "You were handed a form to sign up, along with one for the union and one for the footy tipping comp."

"It was just an obvious thing to do."

Several decades later, the market has drastically changed. There's now far more banking choice and it's easier than ever to change financial institutions. However, Mr Taranto said he's never considered leaving TMCU. He said the credit union has stayed true to its core values, while developing positive initiatives, such as its environmental strategy.

"Technology has changed how the business operates, but the actual organisation is the same; it's small and Member-focused," he said.

RELATIONSHIPS BUILT OVER TIME

Mr Taranto is now Deputy Chair of Transport Mutual Credit Union and one of the longest serving directors in its history.

One of the aspects he takes the most pride in is the human touch TMCU offers.

"You get to know the people," Mr Taranto said. "You put in a loan application and you know the same person is going to follow that through; you're not speaking to a call centre overseas, you're speaking to one of eight people and chances are next time you go for a loan, you'll be speaking to the same person," he said.

Given most of TMCU's business is not conducted face-to-face – even before COVID-19 – Mr Taranto said the credit union's staff have to work extra hard to build those relationships. And they do, he said.

HELPING MEMBERS THROUGH HARDSHIP

Mr Taranto acknowledged the COVID-19 pandemic has put many Members under financial strain, but said the credit union has, as always, done everything it can to support those who need extra help.

"As a director, when these hardship applications come to the Board for consideration, our starting position is not 'how can we get rid of this problem?'; our starting position is 'how can we help this Member?'" he said. "This was our practice even before COVID."

"I don't think you would get the same treatment from a bank," he said. "Our opening position is always to be fair and reasonable and help people."

> "Technology has changed how the business operates, but the actual organisation is the same; it's small and Member-focused."

Financial Summary

Transport Mutual Credit Union Limited

Financial Report for the year ended 30 June 2021

ABN 78 087 650 600

ANTHONY DANN

VINCE TARANTO

MEREDYTH-ANN WILLIAMS

JACQUI MCDONALD

CLEMENT SIU

PHILIP MORTIMER

ROBERT PICONE

SHARLYN HO

TONY SCHESSER

NOTICE OF 57TH ANNUAL GENERAL MEETING

The 57th Annual General Meeting of Transport Mutual Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held as an online event, and will take place on Friday 26th November 2021 via zoom, commencing at 12.00 pm. Full details of the meeting will be sent to Members in early November.

MEMBERS OF THE BOARD OF DIRECTORS

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

ADMINISTRATION

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

JOHN KAVALIEROS
CEO AND COMPANY SECRETARY

KATHY LOUTAS
FINANCE MANAGER

EXTERNAL AUDITOR

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

INTERNAL AUDITOR

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

SOLICITORS

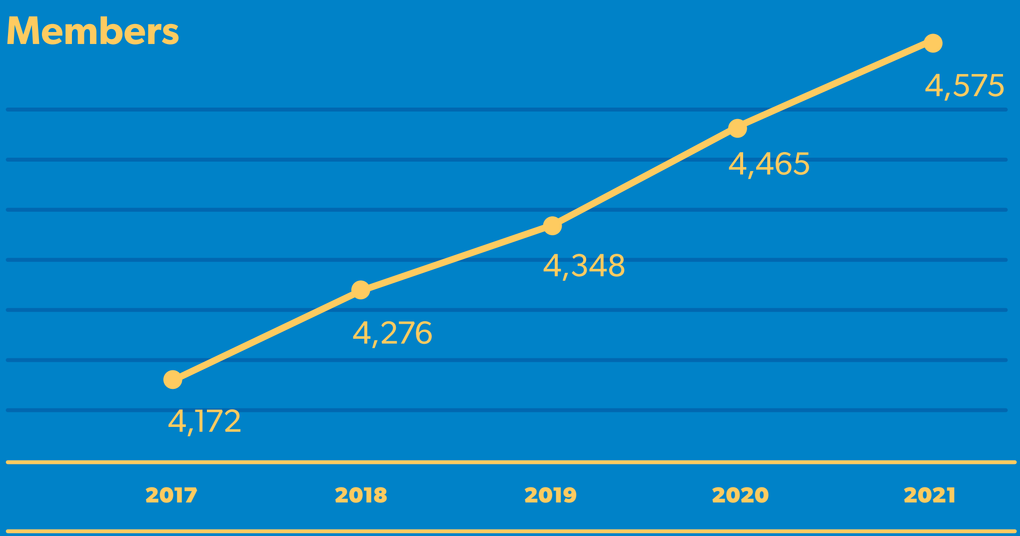
Daniels Bengtsson Lawyers
Level 8, 46 Market Street, Sydney NSW

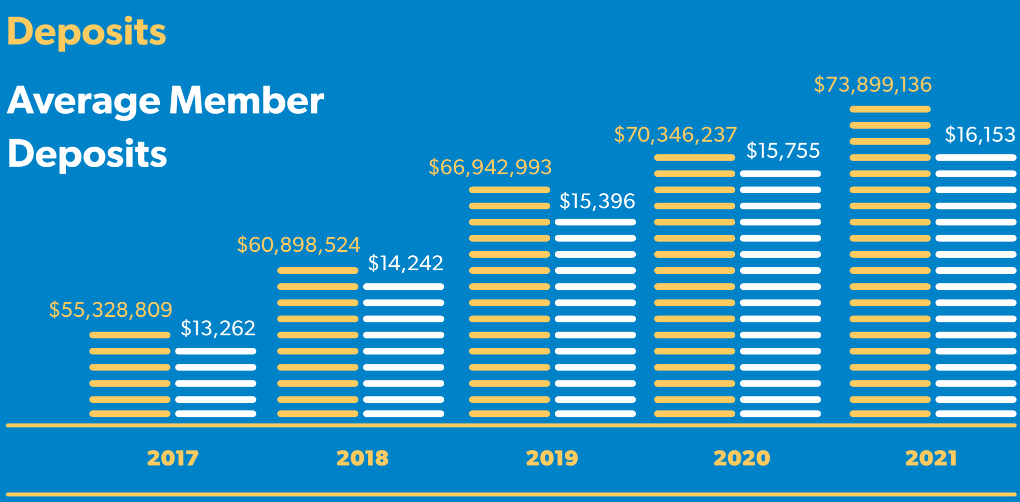
Hall & Wilcox Lawyers
Level 18, 347 Kent Street, Sydney NSW

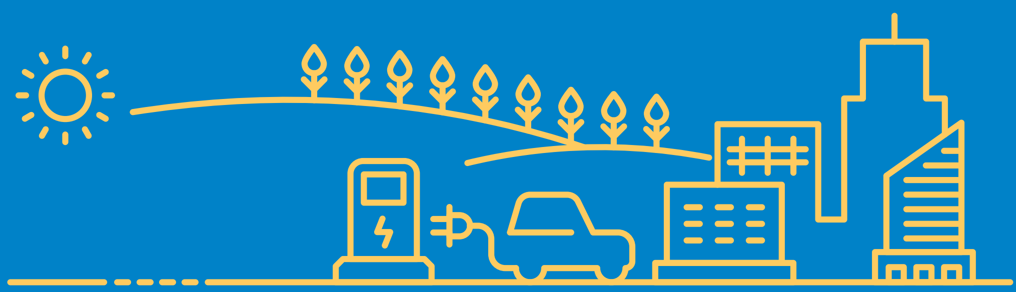
BANKERS

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

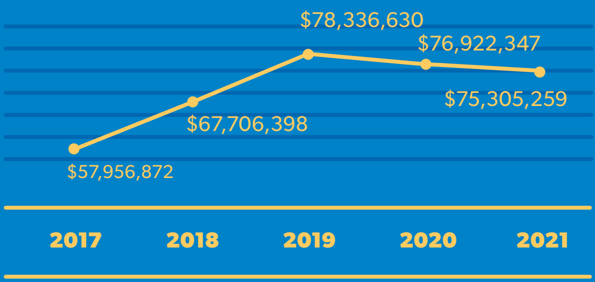
Key Statistics



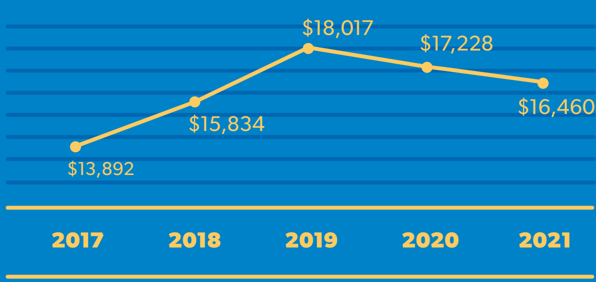




Loans

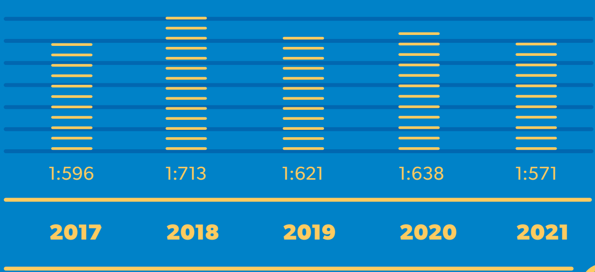


Average Loan Balance

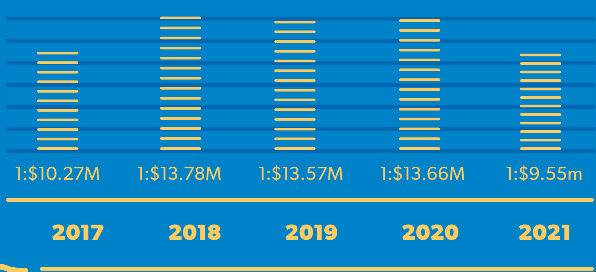


	June 2017	June 2018	June 2019	June 2020	June 2021
Loans funded in the year $M	16.5	20.3	19.8	13.7	17.3
Bad debts written off against profit $	16,820	4,954	–	–	–
Capital Adequacy ratio %	25.04	22.83	20.86	20.59	20.10
Total Reserves $	9,188,320	9,246,774	9,432,915	9,864,590	9,941,054
Total Assets $	71,939,150	82,685,974	94,993,435	95,652,084	95,461,867
Reserves to Assets %	12.77	11.18	9.93	10.31	10.33
Return / Average Assets %	0.04	0.07	0.08	0.15	0.07

Staff/Member Ratio



Staff/Assets Ratio



DIRECTORS' REPORT

The Directors of Transport Mutual Credit Union Limited (Credit Union) present their report together with the Financial Statements for the financial year ended 30 June 2021. The Credit Union is a company registered under the *Corporations Act 2001*.

INFORMATION ON DIRECTORS

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

NAME	POSITION	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES
Anthony J. Dann	Chair	BEc, CPA, MAcc, MAMI, GAICD	15 Years	Chair, Board Audit Committee Member, Board Risk Committee Member
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	23 Years	Deputy Chair, Product Innovation Committee Chair
Meredyth-Ann Williams	Director	DipTeach, BA (Hons) Psych, Dip.Clin.Hyp, MAMI	16 Years	Board Audit Committee Deputy Chair, Board Risk Committee Deputy Chair
Jacqui McDonald	Director	MAMI	13 Years	Whistleblower Complaints Officer, Board Risk Committee Chair, Board Audit Committee Member
Clement Siu	Director	B.Com, CPA, MAGPI, MAMI	11 Years	Board Audit Committee Chair, Board Risk Committee Member, Product Innovation Committee Member
Philip Mortimer	Director	M.I.A.M.E, JP, MAMI	8 Years	
Robert Picone	Director	CertCivEng, FAITPM	2 Years	

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

NAME	QUALIFICATIONS	EXPERIENCE
John Kavalieros	GCert BusAdmin, DipFS, AIM, FAMI	25 Years

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

NAME	QUALIFICATIONS	EXPERIENCE
Sharlyn Ho	MFin&Acc, CPA, BCom – ProfAccg&Law, DipFinPlan	2 Years
Antony Schesser	Adv Dip HRM,MBA	1 Year
Murray Cleaver (resigned 1st March 2021)	BUrbReg Pl., Dip Govt	<1 Year

DIRECTORS' MEETING ATTENDANCE

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

DIRECTOR	BOARD		BOARD AUDIT COMMITTEE		BOARD RISK COMMITTEE		BOARD REMUNERATION COMMITTEE	
	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Anthony J. Dann	12	11	2	2	4	3	1	1
Vincent E. Taranto	12	12					1	1
Meredyth-Ann Williams	12	12	6	6	4	4	1	1
Jacqui McDonald	12	11	6	4	4	2	1	1
Clement Siu	12	12	6	6	4	4	1	1
Philip Mortimer	12	12					1	1
Robert Picone	12	10					1	1

DIRECTORS' BENEFITS

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

INDEMNIFYING OFFICER OR AUDITOR

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

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax was $65,861 (2020: $141,594).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER THE END OF THE REPORTING DATE

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

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

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

1 The operations of the Credit Union;

2 The results of those operations; or

3 The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

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

ENVIRONMENTAL LEGISLATION

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

AUDITOR'S INDEPENDENCE

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 34.

ROUNDING

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

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

Anthony J Dann
CHAIR

Clement Siu
BOARD AUDIT COMMITTEE CHAIR

SIGNED AND DATED THIS 29TH DAY OF SEPTEMBER 2021

DIRECTORS' DECLARATION

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

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

   i Giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS:

Anthony J Dann
CHAIR

Clement Siu
BOARD AUDIT COMMITTEE CHAIR

SIGNED AND DATED THIS 29TH DAY OF SEPTEMBER 2021

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 29 September 2021

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

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F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Transport Mutual Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Transport Mutual Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 29 September 2021

#5870564v2

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021	NOTE	2021 $	2020 $
Interest income	3.a	2,691,214	3,311,448
Interest expense	3.c	(579,677)	(1,136,029)
Net interest income		2,111,537	2,175,419
Fees and commissions and other income	3.b	175,871	142,433
		2,287,408	2,317,852
Less:			
Non-interest expenses			
Impairment losses on loans receivable from Members	3.d	(11,947)	(44,571)
Fee and commission expenses		(98,520)	(80,998)
General administration			
- Employees compensation and benefits		(795,736)	(777,865)
- Depreciation and amortisation	3.e	(208,966)	(163,011)
- Information technology		(594,315)	(499,770)
- Other administration		(185,589)	(193,666)
Other operating expenses		(326,277)	(340,085)
Total non-interest expenses		(2,221,350)	(2,099,966)
Profit before income tax		66,058	217,886
Income tax expense	4	(197)	(76,292)
Profit after income tax		65,861	141,594
Other comprehensive income		10,603	290,081
Total comprehensive income for the period		76,464	431,675

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

Statement of Financial Position

As of 30 June 2021	NOTE	2021 $	2020 $
ASSETS			
Cash and cash equivalents	5	4,837,529	7,069,724
Receivables	6	159,193	117,895
Loans to Members	8	75,305,259	76,922,347
Investment securities			
– at amortised cost	7	11,691,918	7,978,006
– at fair value through OCI	7	351,953	341,176
Property, plant and equipment	10	2,603,262	2,651,702
Taxation assets	17	46,095	-
Deferred tax assets	11	97,580	99,558
Intangible assets	12	369,078	471,676
TOTAL ASSETS		95,461,867	95,652,084
LIABILITIES			
Payables to other financial institutions	13	8,500,000	12,600,000
Borrowings	14	2,283,965	2,000,000
Deposits from Members	15	73,899,136	70,346,237
Creditor accruals and settlement accounts	16	607,867	580,685
Provisions	19	76,962	68,156
Taxation liabilities	17	-	39,708
Deferred tax liabilities	18	152,883	152,709
TOTAL LIABILITIES		85,520,813	85,787,495
NET ASSETS		9,941,054	9,864,590
MEMBERS' EQUITY			
Capital reserve account	20	39,900	38,890
FVOCI reserve	23	137,405	126,802
Asset revaluation reserve	22	275,793	275,793
General reserve for credit losses	21	461,067	461,067
Retained earnings		9,026,889	8,962,038
TOTAL MEMBERS' EQUITY		9,941,054	9,864,590

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

Statement of Changes in Member Equity

For the year ended 30 June 2021

	CAPITAL RESERVE	RETAINED EARNINGS	RESERVE FOR CREDIT LOSSES	FVOCI RESERVE	ASSET REVALUATION RESERVE	TOTAL EQUITY
	$	$	$	$	$	$
Balance as at 1 July 2019	38,070	8,821,264	461,067	112,514	-	9,432,915
Total net profit for the year	-	141,594	-	-	-	141,594
Other comprehensive income for the year	-	-	-	14,288	275,793	290,081
Sub – total	38,070	8,962,858	461,067	126,802	275,793	9,864,590
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	820	(820)	-	-	-	-
Total at 30 June 2020	38,890	8,962,038	461,067	126,802	275,793	9,864,590
Balance as at 1 July 2020	38,890	8,962,038	461,067	126,802	275,793	9,864,590
Total net profit for the year	-	65,861	-	-	-	65,861
Other comprehensive income for the year	-	-	-	10,603	-	10,603
Sub – total	38,890	9,027,899	461,067	137,405	275,793	9,941,054
Transfers to (from) reserves						
Transfer to reserve for credit losses in year	1,010	(1,010)	-	-	-	-
Total at 30 June 2021	39,900	9,026,889	461,067	137,405	275,793	9,941,054

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

Statement of Cash Flows

For the year ended 30 June 2021	NOTE	2021 $	2020 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		2,715,511	3,338,847
Fees and commissions		44,312	38,141
Dividends received		4,157	18,290
Other income		217,400	86,000
Less: Revenue outflows			
Interest paid		(717,381)	(1,177,627)
Suppliers and employees		(2,027,526)	(1,878,882)
Income taxes paid		(84,023)	(35,500)
Net cash from revenue activities	35.b	**152,450**	**389,269**
Inflows/(outflows) from other operating activities			
Net increase in Member deposits		3,697,942	3,288,834
Net decrease in Member loans		1,599,206	1,356,554
Net (decrease)/increase in receivables from other financial institutions		(7,817,832)	2,814,036
Net cash (used in)/from operating activities		**(2,368,234)**	**7,848,693**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		-	-
Proceeds on sale of property, plant and equipment		3,500	-
Less: Outflows			
Purchase of investments in shares		-	-
Purchase of fixed assets		(151,426)	(562,852)
Net cash from/(used in) investing activities		**(147,926)**	**(562,852)**
FINANCING ACTIVITIES			
Inflows/(outflows)			
Increase/(Decrease) in borrowings		283,965	(6,500,000)
Net cash from/(used in) financing activities		**283,965**	**(6,500,000)**
Total net cash increase/(decrease)		**(2,232,195)**	**785,841**
Cash at beginning of year		**7,069,724**	**6,283,883**
Cash at end of year	35.a	**4,837,529**	**7,069,724**

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

Notes to the Financial Statements For the year ended 30 June 2021

1. BASIS OF PREPARATION

a. Nature of operations

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

b. General information and statement of compliance

This financial report is prepared for the Credit Union for the year ended the 30 June 2021. The consolidated general purpose financial statements of the Credit Union have been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS's) as issued by the International Accounting Standards Board ('IASB'). Transport Mutual Credit Union Limited is a for-profit entity for the purpose of preparing the financial statements.

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

The report was authorised for issue on 29 September 2021 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

c. Basis of measurement

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

The accounting policies are consistent with the prior year unless otherwise stated.

d. Foreign currency translations

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

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

e. Changes in significant accounting policies

New standards and interpretations applicable for the current year

The Credit Union has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

» Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.

» Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Credit Union's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has result in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial

1. BASIS OF PREPARATION Continued

Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current periods presented. Transport Mutual Credit Union Limited has not historically entered into any cloud computing arrangements and as such the amendments have had no impact on the prior period financial report presented.

The new accounting policy is presented in Note 2.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Classification and measurement of financial assets

Recognition and measurement

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

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

» amortised cost

» fair value through profit or loss (FVPL)

» equity fair value through other comprehensive income (FVOCI)

» debt fair value through other comprehensive income (FVOCI)

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

Classifications are determined by both:

» the entity's business model for managing the financial asset and

» the contractual cash flow characteristics of the financial assets

Amortised cost

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

Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair Value through profit or loss

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

Fair value through other comprehensive income (FVOCI)

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

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

Debt instruments at FVOCI

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

Equity instruments at FVOCI

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

b. Classification and measurement of financial liabilities

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

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

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

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

c. Loans and advances

Recognition and measurement

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

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

Impairment of financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

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

» 'Stage 1' – financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans);

» 'Stage 2' – financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and

» 'Stage 3' – financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL

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

» *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);

» *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;

» *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive; and

» *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Credit Union expects to recover.

Note 24 details the credit risk management approach for loans.

Restructured financial assets

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

» If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

» If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

» significant financial difficulty of the borrower or issuer;

» a breach of contract such as a default or past due event;

» the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;

» it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

d. Interest income and other income

Interest earned

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

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

Loan origination fees and discounts

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

Transaction costs

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

Fees on loans

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

Net gains and losses

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

e. Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

f. Provision for employee benefits

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

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

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

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

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

g. Income tax

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

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

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

h. Goods and services tax (GST)

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

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

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

i. Cash and cash equivalents

Cash comprises at call deposits.

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

j. Intangible assets

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

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

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

Subsequent measurement

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

- » Internally developed software: 3-5 years

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

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

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

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

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

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

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

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

- » Fee for use of application software
- » Customisation costs

Recognise as an operating expense as the service is received

- » Configuration costs
- » Data conversion and migration costs

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

- Testing costs
- Training costs

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

l. Accounting estimates and judgements

Valuation of land

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

Expected credit loss provision

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

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

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

Software-as-a-Service (SaaS) arrangements

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

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

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

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

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

3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021 $	2020 $
a. Analysis of interest income		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	345	9,642
Receivables from financial institutions	60,989	142,375
Loans to Members	2,629,880	3,159,431
Total interest revenue	2,691,214	3,311,448
b. Fee, commission and other income		
Fee and commission revenue		
Other fee income for service provided at point in time	19,777	14,227
Insurance commissions *	-	(3,643)
Other commissions	24,536	27,359
Total fee and commission revenue	44,313	37,943
Other income		
Dividends received on held at fair value equity assets	4,156	18,290
Miscellaneous income ^	217,400	86,000
Loss on disposal of intangible asset	(89,998)	200
Total other income	131,558	104,490
Total fee, commission and other income	175,871	142,433

** Insurance commissions relate to performance obligations that are transferred at a point in time.*
^ Miscellaneous income relates to Government assistance in the form of Jobkeeper and Cashboost – $217,400 (2020: 86,000)

	2021 $	2020 $
c. Interest expenses		
Deposits from other financial institutions	97,620	248,819
Deposits from Members	451,470	793,196
Short term borrowings	30,587	94,014
Total interest expense	579,677	1,136,029
d. Impairment losses		
Loans and advances		
Increase in provision for impairment	13,219	44,571
Bad debts recovered	(1,272)	-
Total impairment losses	11,947	44,571

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

	2021 $	2020 $
e. Other prescribed disclosures		
General administration – Depreciation expense		
Buildings	65,257	64,787
Plant and equipment	88,806	56,799
Software	54,903	41,425
	208,966	163,011
f. Fee, commission and other income		
- Audit fees	57,170	54,620
- Other services	4,500	6,500
	61,670	61,120
g. Loss on disposal of assets		
- Intangible assets	89,998	-
	89,998	-

4. INCOME TAX EXPENSE

	2021 $	2020 $
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	66,058	217,886
Prima facie tax payable on profit before income tax at 26% (2020: 27.5%)	17,175	59,919
Add tax effect of amounts not deductible/(taxable)		
Franking credit uplift	-	-
Tax offset for franked dividends	(463)	(2,155)
- Adjustments for current tax of prior periods	2,176	32,278
- ATO cash flow boost grant	(13,000)	(13,750)
- Adjustment for transitional tax rate provision	(5,691)	-
- Total income tax expense in income statement	197	76,292
Current tax expense	-	37,509
Deferred Tax (income)/expense	(1,979)	6,505
Under / (Over) provision	2,176	32,278
Total income tax expense in income statement	197	76,292

5. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Deposits at call	4,837,529	7,069,724
	4,837,529	7,069,724

6. RECEIVABLES

	2021 $	2020 $
Interest receivable on deposits with other financial institutions	10,210	29,844
Prepayments	104,146	42,072
Sundry debtors and settlement accounts	44,837	45,979
	159,193	117,895

7. INVESTMENT SECURITIES

	2021 $	2020 $
Investment securities at amortised cost		
Negotiable Certificates of Deposits	499,572	498,172
Term deposits with Banks	11,192,346	7,479,834
Equity investment securities designated as FVOCI		
Cuscal Limited *	351,953	341,176
	12,043,871	8,319,182

** Cuscal Limited*

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

Management has used unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value. Management has determined that the value of $1.27 per share is a reasonable approximation of fair value based on the likely value available on a sale, taking into consideration factors such as sales evidence, dividend history and overall market conditions.

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

8. LOANS TO MEMBERS

a. Amount due comprises:

	2021 $	2020 $
Overdrafts and revolving credit	56,337	52,177
Term loans	75,446,960	77,050,326
Subtotal	75,503,297	77,102,503
Less:		
Unamortised loan origination fees	(36,539)	(31,876)
Unearned income		
Subtotal	75,466,758	77,070,627
Less : Provision for impaired loans	(161,499)	(148,280)
	75,305,259	76,922,347

8. LOANS TO MEMBERS Continued

b. Credit quality – Security held against loans

	2021 $	2020 $
Secured by mortgage over real estate	68,119,035	70,905,490
Partly secured by goods mortgage	3,821,863	4,374,589
Wholly unsecured	3,562,399	1,822,424
	75,503,297	77,102,503

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

Security held as mortgage against real estate is on the basis of:

	2021 $	2020 $
Loan to valuation ratio of less than 80%	61,071,113	63,812,519
Loan to valuation ratio of more than 80% but mortgage insured	4,603,096	5,462,101
Loan to valuation ratio of more than 80% and not mortgage insured	2,444,826	1,630,870
Total	68,119,035	70,905,490

c. Concentration of loans

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

	2021 $	2020 $
(i) Loans to Individual or related groups of Members which exceed 10% of total Members' equity	8,979,032	9,036,152
Total	8,979,032	9,036,152

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

(ii) Geographical concentrations	2021 $	2020 $
NSW	64,909,895	69,119,458
Victoria	6,654,591	4,653,892
Queensland	1,453,163	951,777
South Australia	235,639	96,261
Western Australia	1,139,035	1,126,349
ACT	876,627	1,135,995
Other	234,347	18,771
	75,503,297	77,102,503

(iii) Loans by purpose	2021 $	2020 $
Residential loans and facilities	68,119,035	70,905,490
Personal loans and facilities	7,384,262	6,197,013
	75,503,297	77,102,503

9. PROVISION ON IMPAIRED LOANS

(a) Amounts arising from ECL

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

	GROSS CARRYING VALUE 2021 $	ECL ALLOWANCE 2021 $	CARRYING VALUE 2021 $	GROSS CARRYING VALUE 2020 $	ECL ALLOWANCE 2020 $	CARRYING VALUE 2020 $
Loans to Members:						
- Mortgages	68,119,035	-	68,119,035	70,905,490	-	70,905,490
- Personal	7,327,925	161,499	7,166,426	6,144,836	148,280	5,996,556
- Overdrafts	56,337	-	56,337	52,177	-	52,177
Total to natural persons	75,503,297	161,499	75,341,798	77,102,503	148,280	76,954,223
Total	75,503,297	161,499	75,341,798	77,102,503	148,280	76,954,223

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

	STAGE 1 12 MONTH ECL 2021 $	STAGE 2 LIFETIME ECL 2021 $	STAGE 3 LIFETIME ECL 2021 $	TOTAL $
Loans to Members:				
- Mortgages	-	-	-	-
- Personal	21,624	13,420	126,455	161,499
- Overdrafts	-	-	-	-
Carrying amount	21,624	13,420	126,455	161,499

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

	STAGE 1 12 MONTH ECL 2021 $	STAGE 2 LIFETIME ECL 2021 $	STAGE 3 LIFETIME ECL 2021 $	PURCHASED CREDIT IMPAIRED 2021 $	TOTAL 2021 $
Loans to Members:					
Balance at 1 July 2020	13,258	12,430	122,592		148,280
Changes in the loss allowance					
- Transfer to stage 1	23,858	(9,398)	(14,460)	-	-
- Transfer to stage 2	(140)	140	0	-	-
- Transfer to stage 3	(179)	0	179	-	-
- Net movement due to change in credit risk	(15,173)	10,248	18,144	-	13,219
- Write-offs	-	-	-	-	-
Balance at 30 June 2021	21,624	13,420	126,455		161,499

9. PROVISION ON IMPAIRED LOANS Continued

Key assumptions in determining the ECL

MEASUREMENT OF ECL

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

» probability of default (PD);

» loss given default (LGD); and

» exposure at default (EAD).

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

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

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

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

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

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

(a) Significant increase in credit risk

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

» Loans more than 30 days past due

» Loans with approved hardship or modified terms

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

		2021 $	2020 $
a.	**Property**	2,070,339	2,226,974
	Less: Provision for depreciation	(132,785)	(224,163)
	Total property	1,937,554	2,002,811
	Plant and equipment – at cost	277,612	245,508
	Less: Provision for depreciation	(161,904)	(146,617)
	Total plant and equipment	115,708	98,891
	Land	550,000	550,000
	Total property, plant and equipment	2,603,262	2,651,702

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

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

	2021				2020			
	PROPERTY	PLANT & EQUIPMENT	LAND	TOTAL	PROPERTY	PLANT & EQUIPMENT	LAND	TOTAL
	$	$	$	$	$	$	$	$
Opening balance	2,002,811	98,891	550,000	**2,651,702**	1,890,583	14,038	344,806	**2,249,427**
Revaluation	-	-	-	**-**	177,015	-	205,194	**382,209**
Purchases	-	48,801	-	**48,801**	-	107,238	-	**107,238**
Less:								
Assets disposed	-	-	-	**-**	-	-	-	**-**
Depreciation charge	(65,257)	(31,984)	-	**(97,241)**	(64,787)	(22,385)	-	**(87,172)**
Balance at the end of the year	**1,937,554**	**115,708**	**550,000**	**2,603,262**	**2,002,811**	**98,891**	**550,000**	**2,651,702**

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

	2021	2020
Property	1,893,324	2,049,959
Less: Provision for depreciation	(132,785)	(224,163)
Total property	1,760,539	1,825,796
Plant and equipment – at cost	584,893	450,164
Less: Provision for depreciation	(285,045)	(212,936)
Total plant and equipment	299,848	237,228
Land	344,806	344,806
Total property, plant and equipment	2,405,193	2,407,830

d. Measuring property and buildings at fair value

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

11. DEFERRED TAXATION ASSETS

	2021 $	2020 $
Deferred tax assets	97,580	99,558
Deferred tax assets comprise:		
- Accrued expenses not deductible until incurred	11,461	17,648
- Provisions for impairment on loans	44,516	40,772
- Provisions for employee benefits	34,816	35,646
- Depreciation on fixed assets	(29,525)	(8,771)
- Deferred loan fees	8,184	8,766
- Other accruals	28,128	5,497
	97,580	99,558

12. INTANGIBLE ASSETS

a. Software

	2021 $	2020 $
Software	559,424	579,420
Less: Provision for amortisation	(190,346)	(107,744)
	369,078	471,676

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

	2021		2020	
	SOFTWARE	TOTAL	SOFTWARE	TOTAL
	$	$	$	$
Opening balance	471,676	**471,676**	93,505	**93,505**
Purchases	102,625	**102,625**	454,010	**454,010**
Less: Assets disposed	(93,498)	**(93,498)**		
Amortisation charge	(111,725)	**(111,725)**	(75,839)	**(75,839)**
Balance at the end of the year	369,078	**369,078**	471,676	**471,676**

13. PAYABLES TO OTHER FINANCIAL INSTITUTIONS

Corporate Deposits	8,500,000	12,600,000

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

14. BORROWINGS

Corporate Deposits	-	2,000,000
RBA term funding facility	2,283,965	-
Borrowings	2,283,965	2,000,000

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

15. DEPOSITS FROM MEMBERS

		2021 $	2020 $
	Member deposits	39,432,174	32,967,505
	- At call	34,421,212	37,334,082
	- Term	45,750	44,650
	Member withdrawable shares	73,899,136	70,346,237

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

Concentration of Member deposits

		2021 $	2020 $
(i)	Significant individual Member deposits which in aggregate represent more than 10% of the total liabilities:	-	-
(ii)	Geographical concentrations		
	NSW	71,189,231	64,669,740
	Victoria	1,288,949	1,986,056
	Queensland	416,614	3,058,004
	South Australia	6,363	9,955
	Western Australia	83,139	42,592
	ACT	371,083	467,615
	Tasmania	25,293	20,573
	Northern Territory	15,333	1,232
	Other	503,131	90,470
	Total per statement of financial position	73,899,136	70,346,237

16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2021 $	2020 $
Annual leave	56,946	61,465
Creditors and accruals	148,729	119,305
Interest payable on deposits	144,278	285,902
Sundry creditors and settlement accounts	257,914	114,013
	607,867	580,685

17. TAXATION ASSETS AND LIABILITIES

	2021 $	2020 $
Current income tax (receivable)/payable	(46,095)	39,708

18. DEFERRED TAX LIABILITIES

	2021 $	2020 $
Deferred tax liabilities	152,883	152,709
Deferred income tax liability comprises:		
- Tax due on assets held at fair value investments held in equity	50,899	48,098
- Tax due on building and land held at fair value	101,984	104,611
	152,883	152,709

19. PROVISIONS

	2021 $	2020 $
Long service leave	76,962	68,156

20. CAPITAL RESERVE ACCOUNT

	2021 $	2020 $
Balance at the beginning of the year	38,890	38,070
Transfer from retained earnings on share redemptions	1,010	820
Balance at the end of year	39,900	38,890

Share redemption

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

21. GENERAL RESERVE FOR CREDIT LOSSES

	2021 $	2020 $
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

22. ASSET REVALUATION RESERVE

	2021 $	2020 $
Balance at the beginning of the year	275,793	-
Add: Increase on revaluation of investment	-	382,209
Less: deferred tax thereon	-	(106,416)
Balance at the end of the year	275,793	275,793

23. FVOCI RESERVE

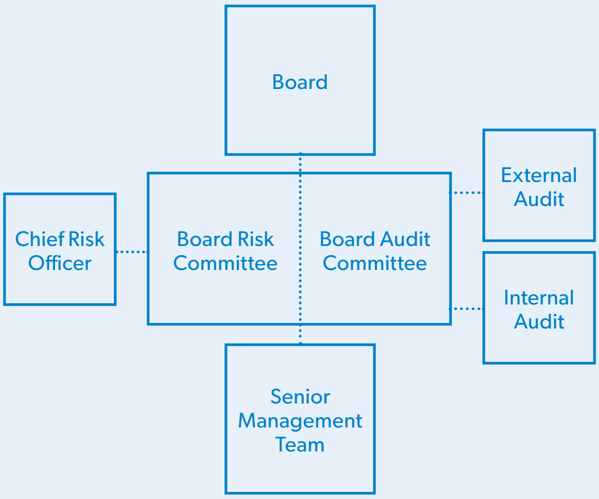
	2021 $	2020 $
Balance at the beginning of the year	126,802	112,514
Add: Increase on revaluation of investment	10,777	19,707
Less: deferred tax thereon	(174)	(5,419)
Balance at the end of the year	137,405	126,802

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION

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

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



The main elements of risk governance are as follows:

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

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

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

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

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

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

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

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

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

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

a. Market risk

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

Interest rate risk

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

Interest rate risk in the banking book

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

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

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

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

Method of managing risk

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

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

Based on the calculations as at 30 June 2021 the increase in net income for a 1% increase in interest rates would be ($132,357) (2020: ($49,167)). This means the Credit Union is more exposed to interest rate risk than it was in 2020.

- » The method used in determining the sensitivity is to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that the interest rate change would be applied equally to the loan products and term deposits;

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would reprice in less than 30 days;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- variable loans would reprice between 31 and 90 days;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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

b. Liquidity risk

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

The Credit Union manages liquidity risk by:

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

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

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

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

	2021	2020
LIQUID FUNDS TO TOTAL ADJUSTED LIABILITIES		
As at 30 June	17.90%	16.40%
Average for the year	16.49%	16.42%
Minimum during the year	13.83%	13.83%
LIQUID FUNDS TO MEMBER DEPOSITS		
As at 30 June	20.07%	20.55%

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.

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

	2020		
LOANS	CARRYING VALUE $	COMMITMENTS $	MAX EXPOSURE $
Mortgage	70,905,490	8,247,123	79,152,613
Personal	6,146,929	1,068,784	7,215,713
Overdrafts	50,084	29,307	79,391
Total to natural persons	**77,102,503**	**9,345,214**	**86,447,717**

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

All loans and facilities are within Australia. Concentrations are described in Note 8.

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

The Credit Union has established policies over the:

» Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;

» Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, and commercial lending;

» Reassessing and review of the credit exposures on loans and facilities;

» Establishing appropriate provisions to recognise the impairment of loans and facilities;

» Debt recovery procedures;

» Review of compliance with the above policies;

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with the Credit Union that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

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

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

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

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

Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more. The ECL allowance relates to the loans to Members. Details are as set out in Note 9.

Bad debts

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

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

A reconciliation in movement of impaired exposure provision is provided in Note 9.

Collateral securing loans

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

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

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

Concentration risk – individuals

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

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

Concentration risk – industry

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

Credit risk – liquid investments

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

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

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

External credit assessment for institution investments

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

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

INVESTMENTS	2021 CARRYING VALUE $	2020 CARRYING VALUE $
Cuscal Deposits – rated A+	5,337,101	7,567,896
Banks and Credit Unions – rated A above	11,192,346	7,479,834
Banks and Credit Unions – rated below A	-	-
Unrated institutions	-	-
Total	**16,529,447**	**15,047,730**

d. Fraud

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

e. IT systems

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

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES INTRODUCTION Continued

f. Capital management

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

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

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

Capital resources

TIER 1 CAPITAL

Tier 1 capital comprises

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

TIER 2 CAPITAL

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

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

Capital in the Credit Union is made up as follows:

	2021	2020
Tier 1 Common Equity		
Capital reserve	39,900	38,890
FVOCI reserve	137,405	126,802
Asset revaluation reserve	275,793	275,793
Retained earnings	9,026,889	8,962,038
	9,479,987	9,403,523
Less: prescribed deductions	(536,891)	(674,515)
Net Tier 1 Common Equity	8,943,096	8,729,008
Tier 2 Capital		
Tier 2 Capital instruments		
Reserve for credit losses	461,067	461,067
Less prescribed deductions / adjustments	-	-
Net Tier 2 Capital	461,067	461,067
Total Capital	**9,404,163**	**9,190,075**

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

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

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

2021	2020	2019	2018	2017
BASEL III	BASEL III	BASEL III	BASEL III	BASEL III
20.10%	20.59%	20.86%	22.83%	25.04%

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. Over the last 5 years TMCU has experienced a high level of growth in assets.

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

Capital for Operational Risk

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

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

» Operational risk capital requirements of $423,754 (2020: $389,213)

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

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

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

» **Fraud risk** – The capital held to cover fraud risks is equal to the higher of TMCU's largest loss in the last ten years is at $4,870 (2020: $4,870).

» **Asset impairment** – the impact of economic and employment factors on the loan losses, and/or recovery of investments.

» **Property value decline** – the impact on property values declining and the related exposure to higher capital required to recognise potential losses or risk weight on assets. The Credit Union's approach is to take a 5 per cent capital charge in instances where the LVR exceeds 80 per cent only in instances where the exposure is on an impaired loan in excess of 90 days. This is considered appropriate as it is only in these relatively poor-quality exposures where there is a significant risk that the Credit Union may need to draw on the security held.

» **Interest rate risk** – measures the impact on capital from changes in interest rates impacting the net interest margin and net surplus.

» **Liquidity** – Events impacting the additional costs of retention of liquid funds and exercising available liquidity drawdown facilities.

The optional additional capital charge recognised by the Board equates to $4,678,295 (2020: $4,463,782).

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	NOTE	2021 $	2020 $
Financial assets – carried at amortised cost			
Cash	5	4,837,529	7,069,724
Investment securities	7	11,691,918	7,978,006
Loans to Members	8&9	75,305,259	76,922,347
Receivables	6	159,193	117,895
Total carried at amortised cost		91,993,899	92,087,972
Equity investment in Cuscal	7	351,953	341,176
Total carried at FVOCI		351,953	341,176
Total financial assets		92,345,852	92,429,148
Financial liabilities – carried at amortised cost			
Creditors	16	550,921	519,220
Deposits from other institutions	13	8,500,000	12,600,000
Borrowings	14	2,283,965	2,000,000
Deposits from Members	15	73,899,136	70,346,237
Total carried at amortised cost		85,234,022	85,465,457
Total financial assets		85,234,022	85,465,457

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26. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (UNDISCOUNTED)

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

	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	NO MATURITY	TOTAL CASH FLOWS	TOTAL CARRYING VALUE
2021	$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Assets								
Cash	4,838	-	-	-	-	-	4,838	4,838
Advances to financial institutions	500	2,498	4,494	4,200	-	-	11,692	11,692
Receivables	55	-	-	-	-	104	159	159
Loans & Advances	592	1,186	4,988	22,705	67,209	-	96,680	75,305
FVOCI equity investments	-	-	-	-	-	352	352	352
Total financial assets	**5,985**	**3,684**	**9,482**	**26,905**	**67,209**	**456**	**113,721**	**92,346**
Liabilities								
Creditors	551	-	-	-	-	-	551	551
Deposits from other financial institutions	-	-	8,500	-	-	-	8,500	8,500
Borrowings	-	-	-	2,284	-	-	2,284	2,284
Deposits from Members – at call	39,432	-	-	-	-	-	39,432	39,432
Deposits from Members – term	4,119	5,223	23,580	1,592	-	-	34,514	34,514
On balance sheet	**44,102**	**5,223**	**32,080**	**3,876**	**-**	**-**	**85,281**	**85,281**
Undrawn loan commitments	11,240	-	-	-	-	-	11,240	11,240
Total financial liabilities	**55,342**	**5,223**	**32,080**	**3,876**	**-**	**-**	**96,521**	**96,521**

2020	WITHIN 1 MONTH $,000	1-3 MONTHS $,000	3-12 MONTHS $,000	1-5 YEARS $,000	AFTER 5 YEARS $,000	NO MATURITY $,000	TOTAL CASH FLOWS $,000	TOTAL CARRYING VALUE $,000
Assets								
Cash	7,070	-	-	-	-	-	7,070	7,070
Advances to financial institutions	498	-	7,480	-	-	-	7,978	7,978
Receivables	76	-	-	-	-	42	118	118
Loans & Advances	588	1,148	5,063	23,557	76,053	-	106,409	76,922
FVOCI equity investments	-	-	-	-	-	341	341	341
Total financial assets	**8,232**	**1,148**	**12,543**	**23,557**	**76,053**	**383**	**121,916**	**92,429**
Liabilities								
Creditors	519	-	-	-	-	-	519	519
Deposits from other financial institutions	12,600	-	-	-	-	-	12,600	12,600
Borrowings	2,000	-	-	-	-	-	2,000	2,000
Deposits from Members – at call	32,968	-	-	-	-	-	32,968	32,968
Deposits from Members – term	(6,473)	9,023	34,385	488	-	-	37,423	37,423
On balance sheet	**41,614**	**9,023**	**34,385**	**488**	**-**	**-**	**85,510**	**85,510**
Undrawn loan commitments	9,345	-	-	-	-	-	9,345	9,345
Total financial liabilities	**50,959**	**9,023**	**34,385**	**488**	**-**	**-**	**94,855**	**94,855**

27. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

	WITHIN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	NON-INTEREST BEARING	TOTAL
2021	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Assets							
Cash	4,838	-	-	-	-	-	4,838
Receivables	-	-	-	-	-	159	159
Advances to financial Institutions	500	2,498	4,494	4,200	-	-	11,692
Loans and advances	64,895	-	940	9,676	(8)	-	75,503
FVOCI equity investments	-	-	-	-	-	352	352
Total financial assets	**70,233**	**2,498**	**5,434**	**13,876**	**(8)**	**511**	**92,544**
Liabilities							
Creditors	-	-	-	-	-	551	551
Deposits from financial institution	-	-	8,500	-	-	-	8,500
Borrowings	-	-	-	2,284	-	-	2,284
Deposits from Members	43,458	5,223	23,580	1,592	-	46	73,899
Sub total	**43,458**	**5,223**	**32,080**	**3,876**	**-**	**597**	**85,234**
Undrawn loan commitments	11,240	-	-	-	-	-	11,240
Total financial liabilities	**54,698**	**5,223**	**32,080**	**3,876**	**-**	**597**	**96,474**

27. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES Continued

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

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

	2021			2020		
	FAIR VALUE	CARRYING VALUE	VARIANCE	FAIR VALUE	CARRYING VALUE	VARIANCE
	$,000	$,000	$,000	$,000	$,000	$,000
Financial assets						
Cash	4,838	4,838	-	7,070	7,070	-
Advances to other financial institutions	11,692	11,692	-	7,978	7,978	-
Receivables (1)	159	159	-	118	118	-
Loans and advances	75,305	75,305	-	76,922	76,922	-
FVOCI equity investments	352	352	-	341	341	-
Total financial assets	**92,346**	**92,346**		**92,429**	**92,429**	
Financial liabilities						
Deposits from other financial institutions	8,500	8,500	-	12,600	12,600	-
Borrowings	2,283	2,283	-	2,000	2,000	-
Deposits from Members – Call	39,432	39,432	-	32,968	32,968	-
Deposits from Members – Term	34,514	34,514	-	37,423	37,423	-
Creditors (1)	551	551	-	512	512	-
Total financial liabilities	**85,280**	**85,280**	-	**85,503**	**85,503**	-

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

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

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

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

LIQUID ASSETS AND RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

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

LOANS AND ADVANCES

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

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

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

DEPOSITS FROM MEMBERS

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

Assets measured at fair value on the Statement of Financial Position

		FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING:		
	BALANCE	LEVEL 1	LEVEL 2	LEVEL 3
Land and building	2,487,554	-	-	2,487,554
Financial assets at FVOCI	351,953	-	-	351,953
Total	**2,839,507**	**-**	**-**	**2,839,507**

The fair value hierarchy has the following levels:

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

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Continued

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

Fair value measurement at the end of the reporting period

	CUSCAL SHARES	LAND AND BUILDING
Opening balance	341,176	2,552,811
Total gains or losses in other comprehensive income	10,777	-
Adjustment to deferred tax liabilities	-	-
Purchases	-	-
Transfers out of Level 3	-	-
Depreciation	-	(65,257)
Closing balance	**351,953**	**2,487,554**

29. FINANCIAL COMMITMENTS

	2021 $	2020 $
a. Outstanding loan commitments		
– The loans approved but not funded	2,418,000	1,430,000
b. Loan redraw facilities		
– The loan redraw facilities available	8,347,424	7,401,195
c. Undrawn loan facilities		
– Loan facilities available to Members for overdrafts and line of credit loans are as follows:		
– Total value of facilities approved	535,325	543,325
– Less: Amount advanced	(60,905)	(29,307)
– Net undrawn value	474,420	514,018
– These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	**11,239,844**	**9,345,213**
d. Computer capital commitments		
– Not later than one year	230,484	222,418
– Later than 1 year but not 2 years	224,316	217,308
– Later than 2 years but not 5 years	598,176	651,924
– Later than 5 years	-	144,872
	1,052,976	**1,236,522**
e. Computer Bureau Charges		
– Not later than one year	95,568	95,568
– Later than 1 year but not 2 years	95,568	95,568
– Later than 2 years but not 5 years	111,496	207,064
– Later than 5 years	-	-
	302,632	**398,200**

30. STANDBY BORROWING FACILITIES

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

	2021			2020		
	GROSS $	CURRENT BORROWING $	NET AVAILABLE $	GROSS $	CURRENT BORROWING $	NET AVAILABLE $
Overdraft facility	500,000		500,000	500,000	-	500,000
Total standby borrowing facilities	**500,000**		**500,000**	**500,000**	-	**500,000**

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

31. CONTINGENT LIABILITIES

LIQUIDITY SUPPORT SCHEME

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

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

32. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONS (KMP)

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

KMP have been taken to comprise the Directors and the 2 members (2020: 2 members) of the executive management responsible for the day to day financial and operational management of the Credit Union.

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

		2021			2020		
		DIRECTORS $	OTHER KMP $	TOTAL $	DIRECTORS $	OTHER KMP $	TOTAL $
(a)	Short-term employee benefits	-	356,657	**356,657**	-	349,205	**349,205**
(b)	Post-employment benefits – superannuation contributions	-	33,847	**33,847**	-	35,240	**35,240**
(c)	Other long-term benefits – net increases in long service leave provision	-	-	-	-		
(d)	Termination benefits	-	-	-	-		
	Total	-	**390,504**	**390,504**	-	**384,445**	**384,445**

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

32. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL Continued

LOANS TO DIRECTOR, RELATED PARTIES AND OTHER KEY MANAGEMENT PERSONS

The Credit Union's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions which are available to Members for each class of loan or deposit. Employees of the Credit Union are entitled to apply for personal loans at a discounted staff interest rate. The aggregate value of such loans as at balance date amounted to $26,820 (2020: $22,291). There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

The details of transactions during the year are as follows:

	2021 $	2020 $
b. Loans to Directors, related parties and other key management persons		
(i) The aggregate value of loans to Directors and other key management persons as at balance date amounted to:	1,848,298	541,199
(ii) The total value of revolving credit facilities to Directors and other key management persons, as at balance date amounted to:	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	-	-
(iii) During the year the aggregate value of loans disbursed to Directors and other key management persons amounted to:		
Revolving credit facilities	-	-
Personal loans	-	-
Term Loans	1,713,616	-
	1,713,616	-
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other key management persons amounted to:	-	-
	-	-
(v) Interest and other revenue earned on loans and revolving credit facilities to Directors /KMP	35,218	26,502
Other transactions between related parties include deposits from Directors, and other KMP are –		
Total value term and savings deposits from Directors and KMP	1,039,124	1,127,329
Total interest paid on deposits to Directors and KMP	9,417	22,112

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

TRANSACTIONS WITH OTHER RELATED PARTIES

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

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

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

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

33. OUTSOURCING ARRANGEMENTS

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

a. Cuscal Limited

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

(ii) This company operates the computer network used to link Visa cards operated through approved ATM providers to the Credit Union's core banking systems;

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

b. Ultradata Australia Pty Ltd

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

c. TransAction Solutions Limited (TAS)

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

d. DBP Consulting Pty Ltd

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

e. InterAction

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

f. Laminar Group

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

g. G.A.P. Tech Pty Ltd

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

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

35. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of cash

	2021 $	2020 $
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
– Cash on hand		-
– Deposits at call	4,837,529	7,069,724
Total cash	4,837,529	7,069,724

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

	2021 $	2020 $
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	65,861	141,594
Add (Deduct):		
– Increases/(Decreases) in amortised fees on loans	4,663	5,489
– Increase in provision for loans	13,219	52,238
– Bad debts written off	-	-
– Depreciation expens	208,965	162,811
– Net loss on sale of non-current assets	89,998	-
Increase/(Decrease) in liabilities		
Creditors and accruals	29,425	5,047
Interest payable	(137,704)	(41,598)
Staff entitlements	4,288	1,388
Income tax	(85,803)	34,287
Taxation liabilities	-	-
(Increase)/Decrease in assets	19,634	21,908
Interest receivable – deposits FI's	(62,074)	(400)
Prepayments	1,978	6,505
Deferred tax asset		
Net cash from revenue activities	152,450	389,269
Net cash from operating activities	152,450	389,269

36. CORPORATE INFORMATION

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

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

The address of the registered office is:

Ground Floor

410 Elizabeth Street

Surry Hills NSW 2010

The address the principal place of business is:

Ground Floor

410 Elizabeth Street

Surry Hills NSW 2010

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

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

FAX (02) 8202 8566

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