



RTA staff credit union
your road to financial success

2005 ANNUAL FINANCIAL REPORT

**RTA Staff Credit Union Ltd
ABN 78 087 650 600
AFSL 240718**

Registered Office:

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

NOTICE OF 41ST ANNUAL GENERAL MEETING

The 41st Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600 – AFSL 240718) will be held in the Circular Quay Room at the Mercure Sydney Hotel, 818-820 George Street Sydney, on Monday 28th November 2005 commencing at 1.00 pm.

MEMBERS OF THE BOARD OF DIRECTORS

Noel Hancock (Chairman & Audit Committee Member)
Vince Taranto (Deputy Chairman)
Michael Sear (Audit Committee Chairman)
Bruce McNamara (Audit Committee Member)
Glen Morgan
Warwick Fairweather
Max De Boos
Meredyth-Ann Williams

ADMINISTRATION

John Kavalieros (General Manager)
Ashley Overton (Finance & Administration Manager)
Viena Yee (Branch Supervisor)
Joanne Badenoch (Loans Supervisor)
Michael Blackmore (Loans + Development Officer)
Joanne Pilkington (Loans Member Services Officer)
Aaron Terry (Member Services Officer)
Cherie Cager (Member Services Officer)

AUDITORS (External)

BDO Kendalls, Chartered Accountants
5th Floor, 460 Church Street
North Parramatta

AUDITOR (Internal)

Geoffrey Bannister

BANKERS

Credit Union Services Corporation (Australia) Ltd.
Centralised banking scheme with National Australia Bank

SOLICITORS

Daniels Bengtsson Lawyers
Level 4, 171 Clarence Street, Sydney

R.T.A. STAFF CREDIT UNION LIMITED

YEAR ENDED 30 JUNE 2005

KEY TO ABBREVIATIONS

APRA Australian Prudential Regulation Authority

Regulatory body responsible for the prudential supervision of banks, life insurers, general insurers, superannuation, building societies, credit unions and friendly societies. APRA is fully funded by the industries that it supervises.

ASIC Australian Securities & Investments Commission

Federal Government regulatory body that regulates financial services and national regulator of all Australian companies. Regulation includes: advising, selling and disclosure of financial products and services, protection of markets and consumers from manipulation, deception and unfair practices, and promotion of honesty and fairness in securities and futures markets and in company affairs.

CUFSS Credit Union Financial Support System

Industry-based liquidity support system with the objective of protecting the interests of credit union members as depositors and to promote financial sector stability, in relation to credit unions.

SSP Special Services Provider

These organisations are registered under the Corporations Act, and are subject to direct Supervision by APRA. These organisations promote Credit Unions and provide assistance with banking, Electronic Fund Transfer, EDP Systems and other services. Your Credit Union is associated with Credit Union Services Corporation Australia Limited (CUSCAL).

Refer also to Note 27 for further explanations on CUSCAL services.

Note: Any reference to the "company" is a reference to R.T.A. Staff Credit Union Limited (the "Credit Union") and vice versa. R.T.A. Staff Credit Union Limited (ABN 78 087 650 600) is a public company limited by shares, under the Corporations Act 2001.

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KEY STATISTICS OF THE CREDIT UNION (LAST 5 YEARS)

	2001	2002	2003	2004	2005
Members (No.)	4671	4,714	4,652	4,633	4,727
Deposits \$	30,330,842	29,893,019	32,362,863	31,925,879	30,893,970
Average Member Deposit \$	6,493	6,341	6,957	6,891	6,536
Loans \$	28,111,885	28,737,892	27,768,010	28,663,629	31,146,064
Average loan balance \$	6,018	6,096	5,969	6,187	6,589
Loans funded in the year- \$m	11.5	10.6	8.9	9.1	10.526
Bad debts written-off against profit \$	0	0	0	0	0
Capital adequacy ratio %	24.87	27.44	28.18	29.90	31.00
Total Reserves \$	5,181,624	5,462,523	5,762,157	6,141,607	6,536,277
Total Assets \$	36,005,449	35,706,177	38,573,514	38,532,462	37,823,523
Reserves to Assets %	14.39	15.30	14.94	15.94	17.28
Return/Average Assets %	0.87	0.85	0.86	0.95	1.03
Staff/Member ratio	1:667	1:589	1:582	1:579	1:591
Staff/Asset ratio \$m	1:\$5.14m	1:\$4.46m	1:\$4.82m	1:\$4.82m	1:\$4.72m

PRINCIPAL PRODUCTS

At-Call Deposits

Fixed Term deposits

Bill Paying Services (Direct Debits)

Telephone Banking Service (PhoneTeller)

Internet Banking Service (NetTeller)

Payroll Deposits and Direct Credits

Visa Card (debit card)

Personal Chequing facility

ATM Access via Automated Teller Machines & EFTPOS terminals

(via Redicard & Visacard)

General Insurance Products

BPay® (accessed from PhoneTeller & NetTeller)

Travellers Cheques

Financial Planning Service and Stockbroking Advice

Loans - Personal

- Housing

- Line of Credit

- Overdraft

CHAIRMAN'S REPORT

I am pleased, on behalf of the Board of Directors of the RTA Staff Credit Union, to present to you our 41st Annual Report for the financial year ended 30 June 2005.

The Year in Review

During 2004/2005, regulation and competition was again the focal point of the financial services industry. Ever-increasing compliance burdens and the weight of fierce competition are issues that show no signs of abating. The efforts of staff, management and the directors of your Credit Union has ensured that those challenges have been met again this year, with some key performance measures that are very positive.

The year saw the resignation from the board of Sue Kemp, after many years of loyal service. I would like to thank Sue for her commitment and contribution as a director of your Credit Union. The year also saw the return of Max De Boos to the board, whose skills and experience as a director will be of value as your Credit Union faces the challenges of the future. The directors were pleased to appoint an alternate director to the board, Meredyth-Ann Williams, and look forward to her contributions over the coming years.

I am confident that your Credit Union will continue to meet your financial needs, while providing the superior level of Member service that you are accustomed to.

2004/2005 Highlights

- Loan fundings of over \$10.5 million, compared to \$9.1 million in 2003/2004
- Solid growth in Membership (+94) during the year (2004 -19)
- Total increase in members' equity (reserves) of \$394,670 (2004 \$379,450).
- No loans were written-off against profit during the year. (2004 Nil)
- Another very low level of bad and doubtful debts.

Operating profit for the year before income tax was \$557,345 (2004 \$521,565). The after-tax operating profit of \$393,624 (2004 \$365,180) represents a return of 1.03% on average assets (2003 0.95%), a result again well above the industry average in a year of very low interest margins. In this difficult environment operating costs were contained and we still remain well below the industry average in the area of costs.

It would be remiss of me not to formally acknowledge the outstanding contribution made by the staff and management of your Credit Union. Their commitment to you as Members is a source of great pride to the directors, and I trust, to you as well.

The Year Ahead

Your Credit Union will invest in new technologies over the coming year, designed to make your transacting even more simple and efficient. The introduction of exciting new loan and deposit products will ensure that your Credit Union continues to successfully compete in the market, without ever losing sight of the service that sets us apart.

Despite the uncertainty in the housing market, and increasing compliance costs, your Credit Union is well placed, and committed to strengthening our performance during the year ahead. I urge you to take an active interest in the performance of your Credit Union.

On behalf of the Board of Directors, I commend this report to you. I thank the Directors for their ongoing commitment, and thank you the members of the Credit Union, for your loyalty and patronage. We look forward to your continued support over another good year.

Noel J. Hancock
Chairman

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2005.

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

INFORMATION ON DIRECTORS

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

Name	Position	Qualifications	Experience	Responsibilities
Noel J. T. Hancock	Chairman	BBus, CPA	9 Years	Chairman & Audit Committee Member
Bruce H. McNamara	Director	B.Ec, DipTCP, GCert PSM	3 Years	Audit Committee Member
Robert G. Morgan	Director	Cert L&E Srv, Cert TEPC	16 Years	
Vincent E. Taranto	Deputy Chairman	BSc, DipTCP	7 Years	Deputy Chairman
Susan A. Kemp	Director		7 Years	
Michael F.J. Sear	Director	BFA, ASA	2 Years	Audit Committee Chairman
Warwick A. Fairweather	Director	Cert.AD	2 Years	
Max W. De Boos	Director	DipAE, MBA	4 Years	
Meredyth-Ann Williams	Alternate Director	DipTeach, B.A (Psych), Hons (Psych)	< 1 Year	

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

Name	Qualifications	Experience
John Kavalieros	DipFS, AIM, AICUM	9 years

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

Director	Board		Audit Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J.T. Hancock	12	12	4	4
Bruce H. McNamara	12	11	4	4
Robert G. Morgan	12	10		
Vincent E. Taranto	12	11		
Michael F.J. Sear	12	9	4	4
Warwick A. Fairweather	12	10		
Max W. De Boos	2	1		

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 26 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

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

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

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax and extraordinary items was \$393,624 (2004 - \$365,180).

DIVIDENDS

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

REVIEW OF OPERATIONS

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

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

in the financial years subsequent to this financial year.

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



Noel J.T. Hancock
Chairman

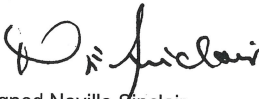
Signed and dated this 28 day of September, 2005

AUDITORS' INDEPENDENCE

The auditors have provided the following declaration of independence to the board as prescribed by the Corporations Act 2001.

I, Neville Sinclair, a partner of BDO Kendalls declare that there have been;

- (i) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Signed Neville Sinclair
Partner BDO Kendalls

Dated 26 Sept 2005.

(a) The declaration is given to the relevant directors before they pass the resolution required under subsection 298(2) or 306(3) of the Act (as relevant) in relation to the directors' report (which must, under subsection 298(1) or 306(2) of the Act, include a copy of the declaration).

(b) The directors' report is signed within 7 days after the declaration is given.

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:


Chairman
Deputy Chairman

Signed and dated this 28 September 2005

INDEPENDENT AUDIT REPORT

To the members of RTA Staff Credit Union Limited

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for RTA Staff Credit Union Limited, for the year ended 30 June 2005.

The directors of the credit union are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the credit union's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

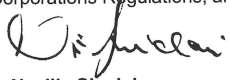
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The declaration set out in the Directors Report would be in the same terms if it had been given to the relevant directors at the time that this audit report was made.

Audit Opinion

In our opinion, the financial report of RTA Staff Credit Union Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the credit union's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.


BDO KENDALLS
Chartered Accountants


Neville Sinclair
Partner

Dated 4 October 2005

460 Church Street, North Parramatta NSW

DIRECTORS' DECLARATION

The Directors of RTA Staff Credit Union Limited declare that:-

The financial statements and notes related thereto:-

- (a) Comply with Accounting Standards and the Corporations Act 2001; and
- (b) Give a true and fair view of the financial position of the Credit Union as at 30 June 2005 and performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the Board of Directors.



Noel J.T. Hancock
Chairman

Dated this 28 day of September, 2005.

**STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30 JUNE 2005**

	Notes	2005	2004
		\$	\$
Revenue			
Interest revenue	2.a	2,743,500	2,644,824
Non interest revenue	2.b	233,620	198,712
Total income		<u>2,977,120</u>	<u>2,843,536</u>
Expenses from ordinary activities			
Borrowing expenses (Interest expense)			
	2.c	965,375	889,488
Non interest expenses			
Bad and doubtful debt expense	2.d	6,000	12,000
Fees and commission		76,349	80,663
		<u>82,349</u>	<u>92,663</u>
General administration			
- Employee costs		568,650	493,935
- Depreciation and amortisation		50,217	116,541
- Information technology		289,364	278,608
- Office occupancy		79,605	80,287
- Other administration		138,310	136,389
Total general administration expenses		<u>1,126,146</u>	<u>1,105,760</u>
Other operating expenses		<u>245,905</u>	<u>234,060</u>
Total non interest expenses		<u>1,454,400</u>	<u>1,432,483</u>
Total expenses		<u>2,419,775</u>	<u>2,321,971</u>
OPERATING PROFIT before income tax		557,345	521,565
Income tax expense	3.a	163,721	156,385
OPERATING PROFIT after income tax	18	<u>393,624</u>	<u>365,180</u>
Other increases/decreases in members equity			
Increase (decrease) in asset revaluation reserve	17	1,046	14,270
Total increase in members equity		<u>394,670</u>	<u>379,450</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	Note	2005 \$	2004 \$
ASSETS			
Cash	4	1,806,172	1,101,611
Receivables due from other financial institutions	5	4,700,000	8,500,000
Receivables	6	160,998	179,629
Loans and advances	7.a & 8	30,623,155	28,121,591
Other investments	9.a	236,680	304,916
Plant and equipment	10	63,194	87,101
Taxation assets	11	233,324	237,614
TOTAL ASSETS		<u>37,823,523</u>	<u>38,532,462</u>
LIABILITIES			
Deposits and borrowings	12	30,893,970	31,972,209
Payables	13	306,928	306,336
Taxation liabilities	14	(5,204)	45,493
Provisions	15	91,552	66,817
TOTAL LIABILITIES		<u>31,287,246</u>	<u>32,390,855</u>
NET ASSETS		<u>6,536,277</u>	<u>6,141,607</u>
MEMBERS EQUITY			
Capital	16	8,620	7,210
Reserves	17	28,824	27,778
Retained profits	18	6,498,833	6,106,619
TOTAL MEMBERS EQUITY		<u>6,536,277</u>	<u>6,141,607</u>

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005	2004
		\$	\$
OPERATING ACTIVITIES			
Inflows			
Interest received		2,763,711	2,609,048
Fees and commissions		173,040	183,782
Dividends		15,242	5,543
Other income		45,338	9,387
		<u>2,997,331</u>	<u>2,807,760</u>
Outflows			
Interest paid		(968,239)	(891,254)
Suppliers and employees		(1,379,806)	(1,329,602)
Income taxes paid		(209,985)	(208,015)
		<u>(2,558,030)</u>	<u>(2,428,871)</u>
Net cash from operating activities	31.b	<u>439,301</u>	<u>378,889</u>
INVESTING ACTIVITIES			
Inflows/(Outflows)			
Receivables from other financial institutions (net movement)		3,800,000	400,000
Proceeds on sale of investment in shares		68,236	-
Proceeds on sale of property, plant and equipment		1,564	5,491
Receivables from other financial institutions (net movement)		-	-
Purchase of fixed assets		(26,828)	(22,591)
Member loans (net movement)		(2,482,435)	(895,903)
		<u>1,360,537</u>	<u>(513,003)</u>
Net cash from investing activities		<u>1,360,537</u>	<u>(513,003)</u>
FINANCING ACTIVITIES			
Inflows (Outflows)			
Member deposits and shares (net movement)		(1,095,277)	(367,193)
		<u>(1,095,277)</u>	<u>(367,193)</u>
Net cash from financing activities		<u>(1,095,277)</u>	<u>(367,193)</u>
Total net cash increase/(decrease)		704,561	(501,307)
Cash at beginning of year		1,101,611	1,602,918
Cash at end of year	31.a	<u>1,806,172</u>	<u>1,101,611</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements of the Credit Union are general purpose financial reports drawn up in accordance with the Accounting Standards, other Authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views, and Corporations Act 2001.

a. Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non-current assets, with the exception of buildings which are revalued every three years. The accounting policies are consistent with the prior year unless otherwise stated.

b. Loan to Members

(i) Basis of inclusion

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful.

(ii) Interest Earned

Term Loans - The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft - The loan interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Loan Interest Stopped - While still legally recoverable, interest is not brought to account as income when the Credit Union is informed that the member has deceased, or on impaired loans where recovery of the debt is considered unlikely as determined by the Board of Directors. APRA has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 15 days for an overlimit overdraft facility.

(iii) Loan Fees

Loan establishment fees, which do not exceed the amount of costs recouped, are brought to account as income in the year of receipt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

c. Provision for Doubtful Debts (Impairment)

(i) Specific Provision

The amount provided for doubtful debts is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

In addition the Board makes a further provision against loans in arrears in excess of the prescribed levels where the collectibility of the debts is considered doubtful.

(ii) General Provision

In addition to the above specific provision, the Board has recognised the need to make a general provision against loans to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The provision is based on estimation of potential risk in the loan portfolio based upon:

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

d. Bad Debts Written-Off

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

e. Property, Plant and Equipment

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

- Buildings - 40 years.
- Leasehold improvements – 5 to 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than \$1,000 are not capitalised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

f. Deposits with Other Financial Institutions

Term deposits are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Statement of Financial Position.

g. Investments and Securities

Investments and securities to be held to maturity are recorded at the lower of cost or recoverable amount. All investments are in Australian currency.

h. Member Savings

(i) Basis for Determination

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

(ii) Interest Payable

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

i. Provision for Employee Entitlements

Provision is made for the Credit Union's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year, together with entitlements arising from wages and salaries, and annual leave which will be settled after one year, have been measured at their nominal amount.

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

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 year of service and leave entitlement due but not taken at balance date. Contributions are made by the Credit Union to an employee's superannuation fund and are charged as expenses when incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

j. Income Tax

The Credit Union adopts the liability method of tax-effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences between accounting profit and taxable income.

Timing differences which arise due to the different periods in which items of revenue and expense are recognised for tax purposes are brought to account as either provision for deferred income tax or an asset described as future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Timing differences are presently assessed at 30%.

Future income tax benefits are not brought to statement unless realisation of the asset is assured beyond any reasonable doubt. 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 a future income tax benefit to be obtained.

k. Goods and Services Tax (GST)

As a financial institution, the Credit Union is Input Taxed on all income except income from commissions and some fees. An input taxed supply is not subject to goods and services tax (GST) collection, and similarly the GST paid on 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, of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables are stated with the amount of GST included (where it is collectable) or with the residual amount of GST that is not recoverable in the case of Payables.

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.

Cashflows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

I. Transition To International Accounting Standards

For the year ended 30 June 2006 the Credit Union will be required to report its financial results in accordance with a new set of Australian Accounting Standards. These new Standards will be the Australian equivalents to International Financial Reporting Standards (IFRS) which are more commonly known as International Accounting Standards.

The Credit Union is presently reviewing the scope of the new Standards, (most of which have already been issued as Pending Standards) to determine whether there will be any changes to the way that the Credit Union calculates and reports its financial results.

Areas where potential changes have been identified are as follows:

- i.) Provision for Doubtful Loans – The portion of the provision identified as a General Provision will need to be written back as it will not comply with the new Standards. The portion of the provision identified as Specific Provision will need to be re-evaluated. At present this is calculated in accordance with a formula mandated by APRA for use by all Credit Unions. Because this formula is a very conservative calculation, it is likely that both the level of doubtful loan provisioning and doubtful loan expenditure will decrease.
- ii.) Fees on Loans – At present the Credit Union recognises all fees on loans as revenue at the time the fee is charged to the member. The Credit Union will be reviewing its processes to confirm that the relevant fees do not exceed the costs of establishing the loan. If fees are found to be in excess of costs to the extent that they result in a change to the effective interest rate being earned, they will be deferred and amortised over the expected life of the loan. This would reduce the level of income being reported in the current year, and this income would be recognised in future reporting periods.
- iii.) Investments – Under the new Standards all investments will be required to be measured at fair value with all changes in value being recognised in the profit and loss account. For investments in instruments which do not have any trading market, such as the shareholdings in CUSCAL, information will need to be obtained to determine the appropriate details to be reported.
- iv.) Taxation Assets and Liabilities – The Credit Union will be reviewing its calculation of Future Income Tax Benefits and Deferred Tax Liabilities to determine whether the changes in criteria for recognition will lead to any changes in the amounts to be reported.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

**IFRS IMPACT ON STATEMENT OF FINANCIAL POSITION
as at 30 June 2005**

	Note	Current	IFRS	
		2005	2005	Changes
		\$	\$	\$
ASSETS				
Cash		1,806,172	1,806,172	-
Receivables due from other financial institutions		4,700,000	4,700,000	-
Receivables		160,998	160,998	-
Investment securities		-	-	-
Loans and advances	1	31,146,064	31,124,991	(21,073)
Loans and advances Provision	2 & 6	(522,909)	(61,842)	461,067
Other investments	3	236,680	236,680	-
Property, plant and equipment	4	63,194	63,194	-
Taxation assets	5	233,324	82,920	(150,404)
Intangible assets	4	-	-	-
TOTAL ASSETS		37,823,523	38,113,113	289,590
LIABILITIES				
Payables to other financial institutions		-	-	-
Deposits and borrowings		30,893,970	30,893,970	-
Payables		306,928	306,928	-
Taxation liabilities		(5,204)	(5,204)	-
Provisions		91,552	91,552	-
Subordinated Debt		-	-	-
TOTAL LIABILITIES		31,287,246	31,287,246	-
NET ASSETS		6,536,277	6,825,867	289,590
MEMBERS EQUITY				
Capital		8,620	8,620	-
Reserves		28,824	28,824	-
Retained profits Brought forward		6,105,209	6,411,536	306,327
Net profit for the year		393,624	376,886	(16,738)
TOTAL MEMBERS EQUITY		6,536,277	6,825,866	289,590

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

Operating Profit Movement

		2005 net Profit Effect	Retained earnings Balances as at 30 June 2005	Reserves	Total changes in Equity
	Initial Balance	393,624	6,498,833	37,444	6,536,277
1	General provision	(23,911)	501,348	-	501,348
2	Specific Provision	-	(40,281)	-	(40,281)
3	Effective interest rate	-	(21,073)	-	(21,073)
4	Deferred tax asset General provision	7,173	(150,405)	-	(150,405)
5	Deferred tax liability on revaluations	-	-	-	-
6	Securitisation Liability	-	-	-	-
7	Intangible assets	-	-	-	-
8	Intangible assets Amortisation of assets	-	-	-	-
9	Share values adjustment to NFV	-	-	-	-
10	Deferred tax liability on revaluations	-	-	-	-
	Sub total	(16,738)	289,590	-	289,590
	Adjusted Value	376,886	6,788,423	37,444	6,825,866

The details of the changes are as follows -

Note	Explanation
1	General provision is reallocated to the Reserve for Credit Losses in accordance with AASB 139, and AASB 130. Refer Note 11 (i)
2	Specific Provision has been increased to reflect the revised provisioning requirements of AASB 139. Refer Note 11 (i)
3	The deferral of the fees and Transaction costs under the effective interest rate method has resulted in a deferral of the income to subsequent years. Refer Note 11 (ii) and (iii).
4	The Deferred Tax Asset on the General Provision has been written back following the reduction in the provisions for doubtful debts

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

2. STATEMENT OF FINANCIAL PERFORMANCE

a. Analysis of interest revenue

Category of interest bearing assets	2005		
	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Deposits with other financial institutions	411,953	5,704,831	7.22%
Loans and advances	2,331,547	30,612,925	7.62%
Total interest revenue	<u>2,743,500</u>	<u>36,317,756</u>	<u>7.55%</u>

Category of interest bearing assets	2004		
	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Deposits with other financial institutions	530,744	8,775,000	5.28%
Loans and advances	2,114,080	27,973,477	7.56%
Total interest revenue	<u>2,644,824</u>	<u>36,748,477</u>	<u>7.20%</u>

Note	2005 \$	2004 \$
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b. Non-interest revenue

Fee and commission revenue		
- Loan fee income	32,494	30,644
- Other fee income	94,913	92,910
- Insurance commissions	15,992	12,926
- Other commissions	29,641	47,302
	<u>173,040</u>	<u>183,782</u>
Bad debts recovered	12,373	9,355
Dividend revenue	15,813	5,543
Other revenue		
- Proceeds on plant and equipment	-	-
- Miscellaneous revenue	32,394	32
Total non-interest revenue	<u>233,620</u>	<u>198,712</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

c. Borrowing Expenses (Interest Expense)

Analysis of interest expense

Category of interest bearing liabilities	2005		
	Interest Expense \$	Average Balance \$	Average Interest Rate %
Member deposits	964,391	31,334,541	3.08%
Overdraft	984	12,896	7.63%
Total borrowing expenses	<u>965,375</u>	<u>31,347,437</u>	3.08%

Category of interest bearing liabilities	2004		
	Interest Expense \$	Average Balance \$	Average Interest Rate %
Member deposits	888,747	32,280,183	2.75%
Overdraft	741	9,712	7.63%
Total borrowing expenses	<u>889,488</u>	<u>32,289,895</u>	2.75%

Note	2005 \$	2004 \$
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d. Bad and doubtful debts expense

Increase in provision	6,000	12,000
Bad debts written-off directly against profit	-	-
	<u>6,000</u>	<u>12,000</u>

e. Other prescribed expense disclosures

Auditor's remuneration (GST exclusive)		
- Audit fees	29,073	25,733
- Other services	4,700	5,700
	<u>33,773</u>	<u>31,433</u>
Bad and doubtful debts expense, net of recoveries and movement of provisions	(6,373)	2,645
Property lease	79,605	78,819
Written down value of assets disposed	-	-
Depreciation of:		
- Plant and equipment	50,217	59,523
- Leasehold improvements	-	57,018
	<u>50,217</u>	<u>116,541</u>
Net movement in provisions for employee entitlements	32,610	24,750
Net movement in provision for other liabilities	(6,428)	6,000
Supervision levy	4,248	4,122

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
3. INCOME TAX EXPENSE			
a. The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Prima facie tax payable on operating profit before income tax at 30%		<u>167,204</u>	<u>156,470</u>
Add tax effect of			
- Non-Deductible expenses		2,897	731
Subtotal		<u>170,101</u>	<u>157,201</u>
Add			
- Underprovision of tax in prior year		397	54
- Adjustment to opening future income tax benefits		-	1,505
Less:			
- Rebateable fully franked dividends		6,777	2,375
- Overprovision of tax in prior year		-	-
- Adjustment to opening future income tax benefits		-	-
Income tax expense attributable to operating profit		<u>163,721</u>	<u>156,385</u>
b. The income tax expense comprises amounts set aside as:			
Provision for income tax attributable to current year taxable income.		159,249	167,315
Add (Deduct):			
Movement in the future income tax benefit account		(4,472)	(10,930)
Income tax expense attributable to operating profit		<u>163,721</u>	<u>156,385</u>
c. Franking Credits			
The amount of franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:		<u>1,512,802</u>	<u>1,346,777</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
4. CASH			
Cash on hand		46,097	33,567
Deposits at call		<u>1,760,075</u>	<u>1,068,044</u>
		<u>1,806,172</u>	<u>1,101,611</u>
5. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS			
Deposits with CUSCAL - term		4,700,000	8,000,000
Deposits with other societies		-	500,000
		<u>4,700,000</u>	<u>8,500,000</u>
6. ACCRUED RECEIVABLES			
Interest receivable on deposits with other financial institutions		95,187	115,398
Prepayments		26,574	31,542
Sundry debtors		<u>39,237</u>	<u>32,689</u>
		<u>160,998</u>	<u>179,629</u>
7. LOANS AND ADVANCES			
a. Amount due comprises:			
Overdrafts and revolving credit facilities		413,052	454,641
Term loans		<u>30,733,012</u>	<u>28,208,988</u>
		31,146,064	28,663,629
Less:			
Specific provision		<u>41,492</u>	<u>16,779</u>
		31,104,572	28,646,850
Less:			
General provision		<u>481,417</u>	<u>525,259</u>
		<u>30,623,155</u>	<u>28,121,591</u>
b. Security dissection:			
Secured by mortgage		24,785,900	23,806,873
Partly secured by goods mortgage		4,660,285	3,198,549
Wholly unsecured		<u>1,699,879</u>	<u>1,658,207</u>
		<u>31,146,064</u>	<u>28,663,629</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
c. Concentration of Loans			
(i)	Individual loans which exceed 10% of member funds in aggregate	<u>664,382</u>	<u>683,466</u>
(ii)	Loans to members are concentrated solely in Australia, and in the following significant employment industry classification:		
	Roads and Traffic Authority of NSW	<u>17,136,729</u>	<u>18,901,324</u>
(iii)	Purpose dissection:		
	Residential loans	17,106,593	16,704,137
	Personal loans	13,804,414	11,837,535
	Commercial loans	<u>235,057</u>	<u>121,957</u>
		<u>31,146,064</u>	<u>28,663,629</u>
8. PROVISION ON IMPAIRED LOANS			
a. Total provision comprises:			
	Specific provision	41,492	16,779
	General provision	<u>481,417</u>	<u>525,259</u>
		<u>522,909</u>	<u>542,038</u>
b. Movement in the Specific Provision			
	Balance at the beginning of year	16,779	8,088
	Add:		
	Transfers from profit and loss account	-	-
	Transfers from the general provision	<u>24,713</u>	<u>8,691</u>
		41,492	16,779
	Less:		
	Transfers to the general provision	-	-
	Bad debts written-off provision	<u>-</u>	<u>-</u>
		-	-
	Balance at end of year	<u>41,492</u>	<u>16,779</u>
c. Movement in General Provision			
	Balance at beginning of year	525,259	528,234
	Add: Transfers from the specific provision	-	-
	Transfers from profit and loss account	6,000	6,000
	Less: Transfers to the specific provision	<u>(24,713)</u>	<u>(8,691)</u>
	Bad debts written off	<u>(25,129)</u>	<u>(284)</u>
	Balance at end of year	<u>481,417</u>	<u>525,259</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005	2004
		\$	\$
d. The specific loans provision consists of:			
(i) provision required under the APRA Prudential Standards		21,561	16,779
(ii) Additional specific provision		19,931	-
		<u>41,492</u>	<u>16,779</u>

e. Impaired Loan Classifications

Accounting Standards have classified loans where repayments are in arrears in the following terms:

- (i) Loans, where recovery of all principal and interest is doubtful, or where the interest recovery is less than the average cost of funds, are classified as "Non-Accrual" loans.
- (ii) Loans, where the interest recovery is less than the normal terms applicable, but higher than the average cost of funds, are classified as "Restructured Loans" (where provision is required the loan is classified as "Non-Accrual").
- (iii) The above categories are together referred to as impaired loans.
- (iv) Other loans which are in arrears more than 90 days but, due to mortgage security or other reasons recovery is not considered doubtful (and no provision necessary), are classified as "Past Due Loans".

	Note	2005	2004
		\$	\$
Impaired Loans and Other Disclosures			
Non-accrual loans – Balances			
- with no provision		198,915	9,756
- with a provision		<u>43,902</u>	<u>31,235</u>
		242,817	40,991
Less: Specific provision		<u>41,492</u>	<u>16,779</u>
		201,325	24,212
Restructured loans		<u>198,514</u>	<u>919</u>
Past due loans		<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
Assets acquired via enforcement of security			
- Real estate		-	-
- Other		-	-
		<u>-</u>	<u>-</u>
Other Disclosures on Impaired Loans			
Interest and other revenue earned on impaired loans		<u>1,235</u>	<u>2,881</u>
Interest and other revenue foregone on impaired loans		<u>2,084</u>	<u>4,185</u>
9. OTHER INVESTMENTS			
a. Shares			
Baycorp Advantage Limited	9.b	28,824	27,778
CUSCAL		207,856	277,138
Computer bureau		10,000	10,000
Provision – shares in computer bureau		<u>(10,000)</u>	<u>(10,000)</u>
		<u>236,680</u>	<u>304,916</u>
b. Baycorp Advantage Limited			
The Credit Union was allocated shares through the demutualisation of the Credit Reference Association of Australia Limited. These shares have been acquired at no cost and have been revalued in the accounts of the Credit Union at market value as at 30 June 2005.			
The total number of shares held at 30 June 2005		<u>9,513</u>	<u>9,513</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
10. PLANT AND EQUIPMENT			
Plant and equipment - at cost		406,034	393,493
Less: Provision for depreciation		<u>342,840</u>	<u>306,392</u>
		63,194	87,101
Capitalised leasehold improvements – at cost		276,079	276,079
Less: Provision for amortisation		<u>276,079</u>	<u>276,079</u>
		-	-
Total plant and equipment		<u>63,194</u>	<u>87,101</u>
Movement in the assets balances during the year were:			
Opening balance		87,101	186,542
Add: Purchases in the year		26,828	22,591
Less:			
Write-back of incorrect allocation		-	5,491
Disposal of assets at written down value		518	-
Depreciation charge		<u>50,217</u>	<u>116,541</u>
		50,735	122,032
Balance at the end of the year		<u>63,194</u>	<u>87,101</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
11. TAXATION ASSETS			
Future Income Tax Benefit		232,667	237,100
GST Recoverable		657	514
		<u>233,324</u>	<u>237,614</u>

The future income tax benefit represents the tax effect of:

- Provisions for doubtful debts, staff leave entitlements and accruals which are not deductible for tax purposes until paid or the loss is incurred, and which have been charged against accounting profit in the current year or previous years.
- Excess depreciation charge for accounting purposes over that amount allowed for tax purposes.

12. DEPOSITS

Member Deposits:			
- at call		13,779,777	13,996,537
- term		<u>17,067,493</u>	<u>17,929,342</u>
Total deposits		30,847,270	31,925,879
Withdrawable Shares		46,700	46,330
Total		<u>30,893,970</u>	<u>31,972,209</u>

Concentration of Member Deposits

Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:

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A significant proportion of member deposits at balance date were received from individuals employed in the Roads and Traffic Authority of New South Wales.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	2005 #	2004 #
Members' Withdrawable Shares			
Since all shares issued are withdrawable at the discretion of the member, or on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Movement in Share Capital			
Shares issued in the year		<u>190</u>	<u>192</u>
Shares redeemed in the year		<u>141</u>	<u>205</u>
		2005	2004
		\$	\$
13. PAYABLES			
Creditors and accruals		51,025	37,080
Sundry creditors		135,322	145,811
Interest payable		<u>120,581</u>	<u>123,445</u>
		<u><u>306,928</u></u>	<u><u>306,336</u></u>
14. TAXATION LIABILITIES			
Provision for income tax		(5,204)	45,493
GST payable		<u>-</u>	<u>-</u>
		<u><u>(5,204)</u></u>	<u><u>45,493</u></u>
15. PROVISIONS			
Provision for employee annual leave		41,971	23,390
Provision for employee long service leave		49,581	35,552
Other Provisions		<u>-</u>	<u>7,875</u>
		<u><u>91,552</u></u>	<u><u>66,817</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
16. CAPITAL ACCOUNT			
Capital Account		<u>8,620</u>	<u>7,210</u>
Balance at the beginning of the year		7,210	5,160
Add: Transfer from retained profits on share redemptions	16.a	1,410	2,050
Balance at the end of year		<u>8,620</u>	<u>7,210</u>
a. Share Redemption			
<p>The account represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Law requires that the redemption of the shares to be made out of profits. Since the value of the shares have 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.</p>			
17. RESERVES			
Asset revaluation reserve		<u>28,824</u>	<u>27,778</u>
Movement in asset revaluation reserve			
Balance at beginning of the financial year		27,778	13,508
Add: Revaluation of Baycorp Advantage Limited shares		1,046	14,270
Balance at end of the financial year		<u>28,824</u>	<u>27,778</u>
18. RETAINED PROFITS			
Retained profits at the beginning of the financial year		6,106,619	5,743,489
Add: Operating profit for the year		393,624	365,180
Less: Transfer of reserves to capital account on redemption of Members' shares		(1,410)	(2,050)
Retained profits at the end of the financial year		<u>6,498,833</u>	<u>6,106,619</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

19. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have different 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 amount will be repaid.

Maturity	2005				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans & advances (net of specific provision)	Payables to other financial institutions	Member deposits
\$	\$	\$	\$	\$	
At call	1,806,172	-	-	-	13,826,476
Overdrafts	-	-	-	-	-
Up to 3 months	-	4,700,000	798,548	-	6,462,854
3 to 12 months	-	-	2,021,361	-	9,385,971
1 to 5 years	-	-	8,939,976	-	1,218,669
Over 5 years	-	-	19,344,687	-	-
Unspecified	-	-	-	-	-
TOTAL	1,806,172	4,700,000	31,104,572	-	30,893,970

Maturity	2004				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans & advances (net of specific provision)	Payables to other financial institutions	Member deposits
\$	\$	\$	\$	\$	
At call	1,101,611	-	-	-	14,042,867
Overdrafts	-	-	-	-	-
Up to 3 months	-	8,500,000	747,644	-	7,281,997
3 to 12 months	-	-	1,906,524	-	9,207,295
1 to 5 years	-	-	7,956,970	-	1,440,050
Over 5 years	-	-	18,035,712	-	-
Unspecified	-	-	-	-	-
TOTAL	1,101,611	8,500,000	28,646,850	-	31,972,209

For term loans the above dissection is based upon the contractual conditions of each loan being strictly complied with, and is subject to change in the event that current repayment conditions are varied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

20. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary 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.

Time band for changing interest rates	2005				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans and advances (before provision)	Payables to other financial institutions	Member deposits
\$	\$	\$	\$	\$	
Floating rate	1,806,172	-	-	-	13,826,477
Within 1 month	-	-	-	-	2,187,234
1 to 3 months	-	4,700,000	24,744,772	-	4,275,620
3 to 12 months	-	-	6,401,292	-	9,385,971
1 to 5 years	-	-	-	-	1,218,669
Over 5 years	-	-	-	-	-
TOTAL	1,806,172	4,700,000	31,146,064	-	30,893,970
Weighted Average Interest Rate	3.60%	5.64%	7.49%	-	3.12%

Time band for changing interest rates	2004				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans and advances (before provision)	Payables to other financial institutions	Member deposits
\$	\$	\$	\$	\$	
Floating rate	1,101,611	-	-	-	14,042,867
Within 1 month	-	4,700,000	-	-	2,643,010
1 to 3 months	-	3,800,000	22,830,806	-	4,638,987
3 to 12 months	-	-	4,816,390	-	9,207,295
1 to 5 years	-	-	1,016,433	-	1,440,050
Over 5 years	-	-	-	-	-
TOTAL	1,101,611	8,500,000	28,663,629	-	31,972,209
Weighted Average Interest Rate	3.35%	5.52%	7.38%	-	2.78%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

21. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Net 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.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union.

2005

	Cash	ASSETS Receivables from other financial institutions	Loans and advances (after all provisions)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Net fair value	1,806,172	4,700,306	30,597,181	-	30,889,193
Book value	1,806,172	4,700,000	30,623,155	-	30,893,970
Variance	-	306	(25,974)	-	(4,777)

2004

	Cash	ASSETS Receivables from other financial institutions	Loans and advances (after all provisions)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Net fair value	1,101,611	8,500,000	28,097,061	-	31,947,848
Book value	1,101,611	8,500,000	28,121,591	-	31,972,209
Variance	-	-	(24,530)	-	(24,361)

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

The net 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 3 months approximate their net fair value as they are short term in nature or are receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

21. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Loans, Advances

The carrying value of loans and advances is net of 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 net fair value. The net 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 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 net 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 net fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the amount shown in the Statement of Financial Position as at 30 June 2005. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the net fair value of other term deposits.

Short Term Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$	2004 \$
22. EXPENDITURE COMMITMENTS		
a. Future Capital Commitments		
The Credit Union has no future capital commitments at balance date.	-	-
b. Future Lease and Rental Commitments		
Operating lease payments under existing lease arrangements for building accommodation, payable over the following periods:		
Within 1 year	82,141	79,749
1 to 2 years	86,249	79,749
2 to 5 years	114,333	179,435
Over 5 years	-	-
	<u>282,723</u>	<u>338,933</u>

The operating leases are in respect of property and equipment used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The term of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 5 years.

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

c. Computer Bureau Charges		
Within 1 year	10,200	10,200
1 to 2 years	-	-
2 to 5 years	-	-
Over 5 years	-	-
	<u>10,200</u>	<u>10,200</u>

23. FINANCIAL COMMITMENTS

a. Outstanding Loan Commitments		
The loans approved but not funded as at 30 June 2005.	<u>378,023</u>	<u>758,900</u>
b. Undrawn Loan Facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	1,161,275	1,250,025
Less: Amounts advanced	<u>413,052</u>	<u>454,642</u>
Net undrawn value	<u>748,223</u>	<u>795,383</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

24. STANDBY BORROWING FACILITIES

The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Limited (CUSCAL) of:

	2005		
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan facility	500,000	-	500,000
Overdraft facility	700,000	-	700,000
Total standby borrowing facilities	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>

	2004		
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan facility	500,000	-	500,000
Overdraft facility	700,000	-	700,000
Total standby borrowing facilities	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>

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

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

25. CONTINGENT LIABILITIES

Liquidity Support Scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a company established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of the total assets (2004 – 3.2%) as deposits with Credit Union Services Corporation (Australia) Limited (CUSCAL).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
26. DISCLOSURES ON DIRECTORS		
a. Names of Directors		
During the course of the financial year the following Directors held office:		
<ul style="list-style-type: none">• N.J.T. Hancock• M.F.J. Sear• W.A. Fairweather• B.H. McNamara• M. Williams	<ul style="list-style-type: none">• R.G. Morgan• V.E. Taranto• S.A. Kemp• M.W. De Boos	
b. Remuneration		
The aggregate remuneration of Directors during the year was:	_____ -	_____ -

The remuneration means salaries, allowances and commissions and other benefits to Directors, but excludes out of pocket expense reimbursements. The Members at the previous Annual General Meeting of the Credit Union have approved all remuneration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	2005 \$	2004 \$
c. Loans to Directors		
(i) The aggregate value of loans and credit facilities to Directors amounted to:	<u>420,268</u>	<u>382,227</u>
(ii) During the year the aggregate value of loans disbursed to Directors amounted to:		
Term loans	28,575	-
Revolving credit facilities	<u>-</u>	<u>-</u>
	<u>28,575</u>	<u>-</u>

Directors concerned with the above fundings were:

- M.W. De Boos

All loans disbursed to Directors are approved on the same terms and conditions, which apply to members generally, for each class of loan.

(iii) The aggregate value of repayments against loans and credit facilities to Directors amounted to:

Term loans	62,506	39,106
Revolving credit facilities	<u>-</u>	<u>-</u>
	<u>62,506</u>	<u>39,106</u>

Directors concerned with the above repayments were:

- M.W. De Boos
- W.A. Fairweather

d. Other Director Related Transactions

Other transactions between related parties include deposits from Directors and their Director related entities, which are received on the same terms and conditions as applicable to members generally. There are no service contracts to which Directors are an interested party.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

e. ASIC Class Order 98/110

Authorised Deposit-taking Institutions (ADI) have been exempted (subject to certain conditions), under an ASIC Class Order 98/110 from making disclosure of:

- loans made, guaranteed or secured by the ADI to related parties (other than directors); and
- financial instrument transactions between related parties (other than in respect of shares and share options), where a director of the ADI is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business on either:
 - An arms-length basis; or
 - With approval of a general meeting of the ADI

The exemption does not cover transactions, which relate to the supply of goods and services to an ADI.

The Class Order does not apply to a loan or financial instrument transaction which any Director of the ADI should be reasonably aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the Financial Statements about the allocation of scarce resources.

This exemption is subject to the ADI's lodging with ASIC, a statutory declaration made by two (2) Directors, confirming compliance with the provisions of the Class Order. The Credit Union will be lodging such a declaration with ASIC in its Annual Return in respect of the year ended 30 June 2005.

27. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services:

a. Credit Union Services Corporation (Australia) Limited (CUSCAL)

CUSCAL is an Approved Deposit-taking Institution registered under the Corporations Act 2001 and the Banking Act 1959. This entity:

- (i) Provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, as well as the production of Visa and Redicards for use by members;
- (ii) Provides and maintains the application software utilised by the Credit Union;
- (iii) Provides treasury and money market facilities to the Credit Union. The Credit Union has invested all of its liquid assets with the entity to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. First Data Resources Australia Limited (FDRA)

This entity operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM suppliers to the Credit Union's EDP Systems.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

c. Co-Processing Pty Limited

This Company operates the computer bureau facility on behalf of the Credit Union in conjunction with other Credit Unions. The Credit Union has a management contract with the Company to supply computer support staff and services to meet the day-to-day needs of the Credit Union and compliance with the relevant Prudential Standards.

28. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

29. SUPERANNUATION LIABILITIES

The Credit Union contributes to various complying superannuation funds for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of employees. Independent Corporate Trustees administer each plan.

The Credit Union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

30. EMPLOYEES

	2005 Number	2004 Number
The Credit Union full-time equivalent employees for the year ended 30 June	8	8
	2005 \$	2004 \$

31. NOTES TO STATEMENT OF CASH FLOWS

a. Reconciliation of Cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

Cash on hand	46,097	33,567
Deposits at call	1,760,075	1,068,044
Total Cash	1,806,172	1,101,611

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 \$	2004 \$
b. Reconciliation of Cash from Operations to Accounting Profit		
The net cash increase/(decrease) from operating activities is reconciled to the operating profit after tax.		
Operating profit after income tax	393,624	365,180
Add:		
Increase in Provision for Loans	-	6,000
Gain on disposal of fixed assets	-	-
Depreciation	50,217	116,541
Provisions for staff leave	32,610	-
Provision for income tax	-	-
Accrued Taxes	-	-
Other provisions	-	-
Accrued expenses	13,945	5,547
Decrease in GST receivable	-	4,097
Decrease in future income tax benefits	4,472	-
Increase in interest payable	20,211	-
Decrease in prepayments	4,968	-
Less:		
Decrease in Provision for Loans	19,128	-
Provision for staff leave	-	16,800
Provision for income tax	50,736	40,700
Other provisions	7,875	7,125
Accrued taxes	-	1,249
Increase in future income tax benefits	-	10,930
Increase in deferred expenditure	143	-
Increase in prepayments	-	4,130
Increase in GST receivable	-	-
Increase in interest receivable	-	35,776
Decrease in interest payable	2,864	1,766
Net cash from operating activities	439,301	378,889

NOTES



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your road to financial success

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