



RTA **staff credit union**  
your road to financial success

# **2011 ANNUAL FINANCIAL REPORT**

Registered Office:

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

**ABN : 78 087 650 600  
AFSL/ACL : 240718**

**Notice of 47<sup>th</sup> Annual General Meeting**

The 47<sup>th</sup> Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600 – AFSL 240718) will be held in the Bradfield Room at the North Sydney Harbourview Hotel 17 Blue Street, North Sydney, on Friday 25<sup>th</sup> November 2011, commencing at 6.00pm.

**Members of the Board of Directors**

Noel Hancock	Chair & Audit Committee Member
Vince Taranto	Deputy Chair & Product Innovation Committee Member
Anthony Dann	Audit Committee Chair
Glen Morgan	Director & Product Innovation Committee Chair
Meredyth-Ann Williams	Director & Audit Committee Member
Jacqui McDonald	Director
Ann King	Director

**Administration**

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

**External Auditor**

BDO Audit (NSW – VIC) Pty Ltd  
Level 19, 2 Market St Sydney NSW

**Internal Auditor**

Glenn Pannam  
DBP Consulting Pty Ltd

**Solicitors**

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

Duncan Cotterill Lawyers  
Level 13, 179 Elizabeth Street, Sydney

**Banker**

Cuscal Limited Centralised Banking scheme – National Australia Bank.

**R.T.A. Staff Credit Union Limited****Year ended 30 June 2011****Abbreviations**

<b>APRA</b>	<b>Australian Prudential Regulation Authority</b>
	Federal Government regulatory body responsible for the prudential supervision of banks, life insurers, general insurers, superannuation funds, building societies, Credit Unions and friendly societies. APRA is fully funded by the industries that it supervises.
<b>ASIC</b>	<b>Australian Securities and Investments Commission</b>
	Federal Government regulatory body that regulates financial services and national regulator of all Australian companies. Regulations include: advising, selling and disclosure of financial products and services, protection of markets and consumers from manipulation, deception and unfair practices, and promotion of honesty and fairness in securities and futures markets and in company affairs.
<b>CUFSS</b>	<b>Credit Union Financial Support Scheme</b>
	An industry based liquidity support system with the objective of protecting the interests of Credit Union members as depositors and to promote financial sector stability in relation to Credit Unions.
<b>Cuscal</b>	<b>Cuscal Limited</b>
	This organisation is registered under the Corporations Act, and is subject to direct supervision by APRA. This organisation promotes Credit Unions and provides assistance with banking, electronic funds transfer and other services. Refer Note 28 for further information.
	Note: Any further reference to the "company" is 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.

## **Table of Contents**

	<b>Note No.</b>	<b>Page No.</b>
Key Statistics		5
Chair's Report		6
Directors' Report		8
Independent Auditor's Report		11
Directors' Declaration		13
Statement of Comprehensive Income		14
Statement of Changes in Members' Equity		15
Statement of Financial Position		16
Statement of Cash Flows		17
<b>Notes to the Accounts</b>		
Statement of Accounting Policies	1	18
Statement of Comprehensive Income	2	25
Income Tax Expense	3	27
Cash	4	27
Advances to other Financial Institutions	5	27
Receivables	6	28
Loans to Members	7	28
Provision on Impaired Loans	8	29
Available for Sale Investments	9	32
Property, Plant and Equipment	10	33
Taxation Assets	11	34
Intangible Assets	12	34
Deposits from Members	13	35
Creditors Accruals and Settlement Accounts	14	35
Taxation Liabilities	15	36
Provisions	16	36
Capital Reserve Account	17	36
General Reserve for Credit Losses	18	37
Financial Risk Management Objectives and Policies	19	37
Categories of Financial Instruments	20	48
Maturity Profile of Financial Liabilities	21	49
Interest Rate Change Profile of Financial Assets and Liabilities	22	50
Fair Value of Financial Assets and Liabilities	23	51
Financial Commitments	24	52
Standby Borrowing Facilities	25	54
Contingent Liabilities	26	54
Disclosures on Directors and Other Key Management Personnel	27	55
Economic Dependency	28	57
Segmental Reporting	29	58
Superannuation Liabilities	30	58
Notes to Cash Flow Statement	31	58
Corporate Information	32	59



### KEY STATISTICS OF THE CREDIT UNION

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
<b>Members ( No.)</b>	3822	3925	4016	4,028	4,024
<b>Deposits \$</b>	35,038,046	35,858,030	39,996,903	38,058,113	41,883,953
<b>Average Member Deposits \$</b>	9,158	9,136	9,959	9,448	10,409
<b>Loans \$</b>	34,568,381	36,583,109	34,920,525	43,339,694	45,899,597
<b>Average Loan balances \$</b>	9,045	9,321	8,695	10,760	11,406
<b>Loans funded in the year \$M</b>	10.6	10.4	8.7	16.8	13.1
<b>Bad debts written off against profit \$</b>	-	-	-	-	\$13,118
<b>Capital Adequacy ratio %</b>	26.93%	30.14%	29.09%	29.83%	27.34%
<b>Total Reserves \$</b>	7,596,234	7,865,973	7,895,882	8,063,529	8,344,898
<b>Total Assets \$</b>	43,257,570	44,730,341	48,530,985	51,589,969	55,596,120
<b>Reserves to Assets %</b>	17.56%	17.59%	16.27%	15.63%	15.01%
<b>Return/Average Assets %</b>	0.94%	0.63%	0.06%	0.25%	0.50%
<b>Staff / Member ratio</b>	1:546	1:436	1:502	1:503	1:503
<b>Staff / Assets ratio</b>	1:\$6.18m	1:\$4.97m	1:\$6.07M	1:\$6.05M	1:\$6.95m

### PRODUCTS AND SERVICES

<b>Loans &amp; Other Services</b>	<b>Deposits and Access Services</b>
FastRoad Home loan	At Call Savings
1 Year Fixed Home loan	Fixed Term Deposits
Other Housing loans or Investment loans	Bpay
Red Hot Car Loan	Bank@Post
Other Car loans	Visa Debit and Credit Cards
Personal Loans	Payroll Deposits and Direct Credits
Personal Overdrafts	Direct Debits
NetTeller – Internet banking	Financial Planning Services and Stockbroking
Telephone banking	Mobile Banking
SMS Banking	Traveller's Cheques and Travel Cash Cards
Cash Dispensing Machines	ATM and EFTPOS access

## **CHAIR'S REPORT**

I am pleased on behalf of the Board of Directors of the R.T.A. Staff Credit Union, to present our 47<sup>th</sup> Annual Report for the financial year ended 30 June 2011.

### **The Year in Review**

The 2010 - 2011 financial year was a much better year for the Credit Union with the conditions in the Australian financial market returning closer to normal and interest rates being much more stable. However, the Board and Management have continued the conservative approach adopted for the management of the Credit Union because of the ongoing volatility of global financial markets and the State Government's treatment of the Roads and Traffic Authority.

During the year we conducted an on-line survey of members to determine member's satisfaction with the services and products that the Credit Union offers and I am pleased to report that the majority of respondents were very satisfied with the Credit Union. I also wish to report that as a result of the survey, the Board and Management are considering the introduction of further products.

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

Last year, I reported on merger activity within the sector and that a number of approaches had been made to the Credit Union with a view to merge. Merger activity has continued within the sector but I am pleased to say that it has almost ceased as far as your Credit Union is concerned. However, that does not mean that more approaches may not be made in the future and if or when they occur, they will be evaluated in accordance with our Merger Policy.

### **Highlights 2010 - 2011**

- Loan Funding of \$13.1million, compared with \$16.8million in the previous year.
- Member's equity (reserves) increased by \$281,369 (2010 - \$167,647).
- Membership remained steady.
- Bad and Doubtful Debts remained very low although we had to write off \$58,462 during the year, of which \$13,118 was directly expensed.

Operating profit for the year before tax was \$377,169 (2010 - \$177,685). The after tax profit of \$281,369 (2010 - \$167,647) represents a return of 0.50% on average assets (2010 - 0.33%). The profit for this year is more in line with what we were achieving before the Global Financial Crisis and is above what we budgeted at the beginning of the year.

I thank the staff and management of your Credit Union for their dedication this year and for their continued effort in providing excellent service to you and all our members throughout 2010 – 2011.

### The Year Ahead

Although the financial markets returned to a more normal state in the 2010 -2011 financial year, the events which have occurred in Europe and the USA recently have caused the financial markets to become much more volatile again and this has caused consumers to become more cautious. The Credit Union will monitor this situation very carefully to ensure that we continue to operate

effectively given the uncertainty in the current market.

We will also closely monitor the situation surrounding any changes which may be made to the Roads and Traffic Authority and which may impact on our members. You can be assured that we do all that we can to ensure that members receive the very best service and support that we can provide.

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

We look forward to your continuing support.

A handwritten signature in black ink, appearing to read 'Hancock', with a stylized flourish at the end.

Noel J T Hancock

Chair

28<sup>th</sup> September 2011

## **DIRECTORS' REPORT**

Your Directors present their report on the Credit Union for the financial year ended 30 June 2011.

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

### **INFORMATION ON DIRECTORS**

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

Name	Position	Qualifications	Experience	Responsibilities
Noel J. T. Hancock	Chair	BBus, CPA, AFAMI	15 Years	Chair, Audit Committee Member
Robert G. Morgan	Director	Cert L&E Srv, Cert TEPC, FAMI	22 Years	Product Innovation Committee Chair
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	13 Years	Deputy Chair, Product Innovation Committee Member
Meredyth-Ann Williams	Director	DipTeach, B.A (Psych), Hons (Psych), MAMI	6 Years	Audit Committee Member
Anthony J. Dann	Director	BEc, CPA, MAcc, MAMI, AFIAA	5 Years	Audit Committee Chair
Jacqui McDonald	Director	MAMI	3 Years	
Ann King	Director	DipBA (UK), MAMI	2 Years	

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

<b>Name</b>	<b>Qualifications</b>	<b>Experience</b>
John Kavalieros	DipFS, AIM, FAMI	15 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 of the board. The names of *Associate Directors* during or since the end of the year are:

<b>Name</b>	<b>Qualifications</b>	<b>Experience</b>
Clement Siu	B.Com, CPA, AAMI	1 year

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	8	8
Robert G. Morgan	12	9		
Vincent E. Taranto	12	11		
Meredyth-Ann Williams	12	11	8	7
Anthony J. Dann	12	11	8	7
Jacqui McDonald	12	8		
Ann King	12	4		

#### **DIRECTORS' BENEFITS**

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

#### **INDEMNIFYING OFFICER OR AUDITOR**

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

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

#### **FINANCIAL PERFORMANCE DISCLOSURES**

##### **PRINCIPAL ACTIVITIES**

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

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

##### **OPERATING RESULTS**

The net profit of the Credit Union for the year after providing for income tax and extraordinary items was \$281,369 (2010 - \$167,647)

##### **DIVIDENDS**

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

##### **REVIEW OF OPERATIONS**

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

##### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

##### **EVENTS OCCURRING AFTER BALANCE DATE**

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

**LIKELY DEVELOPMENTS AND RESULTS**

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

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

in the financial years subsequent to this financial year.

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



Noel J.T. Hancock  
Chair



Anthony J. Dann  
Audit Committee Chair

Signed and dated this 28<sup>th</sup> day of September 2011

**DECLARATION OF INDEPENDENCE BY MAX PERRY TO THE DIRECTORS OF R.T.A. STAFF CREDIT UNION LIMITED**

As lead auditor of R.T.A. Staff Credit Union Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief there have been no contraventions of;

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and
- (ii) any applicable code of professional conduct in relation to the audit.



Max Perry  
Director, BDO Audit (NSW-VIC) Pty Ltd.  
Signed and dated this 28 September 2011



## **INDEPENDENT AUDITOR'S REPORT**

To the members of RTA Staff Credit Union Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of RTA Staff Credit Union Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### ***Directors' Responsibility for the Financial Report***

The directors of the credit union are responsible for the preparation and fair presentation of the complete set of financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of RTA Staff Credit Union Limited, would be in the same terms if provided to the directors at the time that this auditor's report was made.

***Auditor's Opinion***

In our opinion

- a. the financial report of RTA Staff Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**BDO Audit (NSW-VIC) Pty Ltd**



Max Perry  
Director

Sydney, 29 September 2011



## **DIRECTORS' DECLARATION**

The Directors of R.T.A. Staff Credit Union Limited declare that:-

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Noel J.T. Hancock  
Chair  
Dated this 28<sup>th</sup> day of September 2011

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>2011 \$</b>	<b>2010 \$</b>
Interest revenue	2.a	3,867,144	2,887,356
Interest expense	2.c	1,671,575	1,084,128
<b>Net interest income</b>		<u>2,195,569</u>	<u>1,803,228</u>
Fee commission and other income	2.b	217,866	202,668
		<u>2,413,435</u>	<u>2,005,896</u>
Less			
<b>Non interest expenses</b>			
Impairment losses on loans receivable from members	2.d	37,059	25,964
Fee and commission expenses		121,768	117,195
General administration			
- Employees compensation and benefits		774,270	637,380
- Depreciation and amortisation	2.e	154,781	148,530
- Information technology		296,831	272,951
- Office occupancy		102,061	96,542
- Other administration		146,227	126,398
Other operating expenses	2.e	403,269	403,251
Total non interest expenses		<u>2,036,266</u>	<u>1,828,211</u>
<b>Profit before income tax</b>		377,169	177,685
Income tax expense	3	95,800	10,038
<b>Profit after income tax</b>		<u>281,369</u>	<u>167,647</u>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income</b>		<u>281,369</u>	<u>167,647</u>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

**STATEMENT OF CHANGES IN MEMBER EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Capital Reserve</b>	<b>Retained Earnings</b>	<b>Reserve for Credit Losses</b>	<b>Total</b>
Total at 1 July 2009	25,240	7,409,575	461,067	7,895,882
Net Profit for the Period	-	167,647	-	167,647
Transfers to Reserves	1,740	(1,740)	-	-
Total as at 30 June 2010	<u>26,980</u>	<u>7,575,482</u>	<u>461,067</u>	<u>8,063,529</u>
Net Profit for the Period	-	281,369	-	281,369
Transfers to Reserves	1,830	(1,830)	-	-
Total as at 30 June 2011	<u>28,810</u>	<u>7,855,021</u>	<u>461,067</u>	<u>8,344,898</u>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
Cash	4	1,509,256	1,457,923
Receivables from financial institutions	5	7,483,882	5,977,843
Receivables	6	201,259	143,673
Loans to members	7 & 8	45,899,597	43,339,694
Available for sale investments	9	166,277	166,277
Property, plant and equipment	10	159,535	178,306
Taxation assets	11	48,635	146,189
Intangible assets	12	127,679	180,064
<b>TOTAL ASSETS</b>		<b>55,596,120</b>	<b>51,589,969</b>
<b>LIABILITIES</b>			
Payables to other financial institutions		4,500,000	4,750,000
Deposits from members	13	41,883,953	38,058,113
Creditor accruals and settlement accounts	14	780,253	675,035
Taxation liabilities	15	67,350	-
Provisions	16	19,666	43,292
<b>TOTAL LIABILITIES</b>		<b>47,251,222</b>	<b>43,526,440</b>
<b>NET ASSETS</b>		<b>8,344,898</b>	<b>8,063,529</b>
<b>MEMBERS' EQUITY</b>			
Capital reserve account	17	28,810	26,980
Reserves	18	461,067	461,067
Retained earnings		7,855,021	7,575,482
<b>TOTAL MEMBERS' EQUITY</b>		<b>8,344,898</b>	<b>8,063,529</b>

## Table of other notes to accounts

- 19 Risk management objectives and policies
- 20 Categories of financial instruments
- 21 Maturity profile of financial assets and liabilities
- 22 Interest rate change profile of financials assets and liabilities
- 23 Net fair value of financial assets and liabilities
- 24 Financial commitments
- 25 Standby borrowing facilities
- 26 Contingent liabilities
- 27 Disclosures on directors and other key management personnel
- 28 Economic dependency
- 29 Segmental reporting
- 30 Superannuation liabilities
- 31 Notes to statement of cash flows
- 32 Corporate information

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>OPERATING ACTIVITIES</b>			
<b><u>Revenue Inflows</u></b>			
Interest Received		3,831,058	2,903,751
Fees and Commissions		174,269	147,683
Dividends Received		37,226	20,785
Other Income		6,371	34,191
<b><u>Less: Revenue Outflows</u></b>			
Interest Paid		(1,525,641)	(1,105,455)
Suppliers and Employees		(1,893,964)	(1,652,688)
Income Taxes Refunded (Paid)		69,106	66,679
<b>Net Cash From Revenue Activities</b>	31.b	698,425	414,946
<b>Inflows from Other Operating Activities</b>			
Increase in Member Deposits (Net movement)		3,793,602	-
Net decrease in member loans		-	-
Net decrease in receivables from other FIs		-	3,421,697
		3,793,602	3,421,697
<b>Outflows from Other Operating Activities</b>			
Decrease in Member Deposits (Net movement)		-	(1,851,058)
Increase in member loans		(2,601,029)	(8,436,577)
Increase in Receivables from other FIs		(1,506,039)	-
		(4,107,068)	(10,287,635)
<b>Net Cash from all Operating Activities</b>		384,959	(6,450,992)
<b>INVESTING ACTIVITIES</b>			
<b><u>Inflows</u></b>			
Proceeds of investment redemption		-	-
Proceeds on sale of property, plant and equipment		-	17,450
<b><u>Less: Outflows</u></b>			
Purchases of fixed assets		(83,626)	(114,042)
Purchase of Intangible Assets		-	-
<b>Net Cash From Investing Activities</b>		(83,626)	(96,592)
<b>FINANCING ACTIVITIES</b>			
Increase in Payables from other FIs		(250,000)	4,750,000
<b>Net Cash From Financing Activities</b>		(250,000)	4,750,000
Total Net Cash Increase/(Decrease)		51,333	(1,797,584)
Cash at the beginning of the year		1,457,923	3,255,507
Cash at end of year	31.a	1,509,256	1,457,923

## **R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

### **1. STATEMENT OF ACCOUNTING POLICIES**

This financial report is prepared for R.T.A. STAFF Credit Union Limited as a single credit union, for the year ended the 30<sup>th</sup> June 2011. The report was authorised for issue on 28<sup>th</sup> September 2011 in accordance with a resolution of the board of directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

#### **a. Basis of Measurement**

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

#### **b. Loans to Members**

##### **(i) Basis of recognition**

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

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

##### **(ii) Interest earned**

**Term loans** - Interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a 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.

**Non accrual loan interest** – While still legally recoverable, interest is not brought to account as income where the credit union is informed that the member has deceased, or, where a loan is impaired.

**1. STATEMENT OF ACCOUNTING POLICIES Continued**

**(iii) Loan origination fees and discounts**

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

**(iv) Transaction costs**

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

**(v) Fees on loans**

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

**(vi) 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.

**c. Loan Impairment**

**(i) Specific and collective provision for impairment**

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

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

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

ii) **Reserve for credit losses**

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

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

iii) **Renegotiated loans**

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

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

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

e. **Property, plant and equipment**

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

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

f. **Receivables from other financial institutions**

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

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



## **R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

### **2011 Annual Financial Report**

---

#### **g. Equity investments and other securities**

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

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

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

All investments are in Australian currency.

#### **h. Member Deposits**

##### **(i) Basis for measurement**

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

##### **(ii) Interest payable**

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

#### **i. Borrowings**

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

#### **j. Provision for Employee Benefits**

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

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

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

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

Contributions are made by the credit union to an employee's superannuation fund and are charged to the income statement as incurred.

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

**k. Leasehold on Premises**

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

**l. Income Tax**

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

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

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

**m. Intangible Assets**

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

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

**n. Goods and Services Tax**

As a financial institution the credit union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to 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.

**o. Cash and cash equivalents**

*Cash* comprises cash on hand and demand deposits.

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

**p. Impairment of Assets**

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

**q. Accounting Estimates and Judgements**

Management have made critical accounting estimates when applying the credit union's accounting policies with respect to the impairment provisions for loans - refer note 8.

**r New standards applicable for the current year**

AASB Ref	Title of Affected Standard(s)	Nature of Change	Application Date	Impact on Initial Application
AASB 7	Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
AASB 101	Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

**s New or emerging standards not yet mandatory**

Accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. The Credit Union's interpretation of these new standards is set out below:

AASB Ref	Nature of Change	Application Date	Impact on Initial Application
AASB 9 Issued Dec 2009 Financial Instruments	Amends the requirements for classification and measurement of financial assets.  Future proposed changes to this standard will impact the measurement of the impairment provisions and the accounting for derivatives.	Periods beginning on or after 1 January 2013	Adoption is only mandatory for the 30 June 2014 year end. The current requirements for classification and measurement of financial assets will not have a material impact on the credit union. The credit union has not yet made an assessment of the impact of the proposed amendments until all amendments have been confirmed.  Early adoption has not been considered at this time.
AASB 2010-6 (issued November 2010)	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Annual reporting periods commencing on or after 1 July 2011	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

	2011 \$	2010 \$
<b>2. STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>a. Analysis of interest revenue</b>		
<b>Interest revenue on assets carried at amortised cost</b>		
Cash – deposits at call	-	-
Receivables from financial institutions	439,942	300,737
Loans to members	3,427,202	2,586,619
<b>TOTAL INTEREST REVENUE</b>	<b>3,867,144</b>	<b>2,887,356</b>
<b>b. Fee, commission and other income</b>		
<b>Fee and commission revenue</b>		
Fee income on loans – other than loan origination fees	27,358	20,262
Other fee income	76,082	53,388
Insurance commissions	43,263	42,277
Other commissions	27,566	31,756
<b>TOTAL FEE AND COMMISSION REVENUE</b>	<b>174,269</b>	<b>147,683</b>
Dividends received on available for sale assets	37,226	20,785
Bad debts recovered	5,410	3,561
Gain on disposal of assets		
- Property, plant and equipment	-	9
Miscellaneous revenue	961	30,630
<b>TOTAL FEE COMMISSION AND OTHER INCOME</b>	<b>217,866</b>	<b>202,668</b>
<b>c. Interest expenses</b>		
<b>Interest expense on liabilities carried at amortised cost</b>		
Deposits from other financial institutions	294,986	75,235
Deposits from members	1,376,468	1,008,433
Other	121	460
<b>TOTAL INTEREST EXPENSE</b>	<b>1,671,575</b>	<b>1,084,128</b>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

**d. Impairment losses****Available for sale assets****Loans and advances**

Increase in provision for impairment	23,941	25,964
Bad debts written off directly against profit	13,118	-
<b>TOTAL IMPAIRMENT LOSSES</b>	<b>37,059</b>	<b>25,964</b>

**e. Other prescribed disclosures****General administration - depreciation expense include:**

- Plant and equipment	97,040	93,418
- Leasehold improvements	5,356	2,727
- Amortisation of software	52,385	52,385
	<b>154,781</b>	<b>148,530</b>

**General administration – office occupancy costs include:**

Property operating lease payments	<b>102,061</b>	<b>96,542</b>
-----------------------------------	----------------	---------------

**Other operating expenses include:****Auditor's remuneration (excluding GST)**

- Audit fees	37,000	35,190
- Other Services – taxation	3,795	3,100
- Other Services – compliance	1,000	2,000
- Other Services – other	5,500	5,500
	<b>47,295</b>	<b>45,790</b>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

	2011 \$	2010 \$
<b>3. INCOME TAX EXPENSE</b>		
a. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	377,169	177,685
Prima facie tax payable on profit before income tax at 30%	113,151	53,306
Add tax effect of expenses not deductible		
- Other non-deductible expenses	-	157
- franking credit uplift	4,786	2,672
<b>Subtotal</b>	117,937	56,135
Less		
- Franking rebate	15,954	6,185
- Benefit of tax losses not previously recognised	6,183	29,664
- Effect of s23(g) transitional rate provisions	-	20,286
Income tax expense attributable to current year profit	95,800	-
Underprovision for previous year	-	-
Write-down and/or reversal of previous write-down of a deferred tax asset	-	10,038
<b>Total income tax expense in income statement</b>	95,800	10,038
<b>4. CASH</b>		
Cash on hand	73,643	89,378
Deposits at call	1,435,613	1,368,545
	1,509,256	1,457,923
<b>5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS</b>		
<b>Held to Maturity</b>		
Negotiable Certificates of Deposit	6,483,882	5,977,843
<b>Receivables</b>		
Term Deposit	1,000,000	-
<b>Total Deposits</b>	7,483,882	5,977,843
<b>5a. Dissection of Deposits</b>		
Deposits with industry bodies – CUSCAL	2,983,882	3,447,843
Deposits with other societies	1,000,000	-
Deposits with banks	3,500,000	2,500,000
	7,483,882	5,977,843

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

	2011 \$	2010 \$
<b>6. RECEIVABLES</b>		
Interest receivable on deposits with other financial institutions	81,094	40,941
Prepayments	58,217	48,357
Sundry debtors and settlement accounts	61,948	54,375
	<u>201,259</u>	<u>143,673</u>

**7. LOANS TO MEMBERS****a. Amount due comprises:**

Overdrafts and revolving credit	247,852	291,588
Term loans	45,679,490	43,093,187
<b>Subtotal</b>	<u>45,927,342</u>	<u>43,384,775</u>

Less:

Unamortised loan origination fees

<b>Subtotal</b>	<u>(25,882)</u>	<u>(21,815)</u>
	45,901,460	43,362,960

Less:

Provision for impaired loans (Note 8)

	<u>(1,863)</u>	<u>(23,266)</u>
	45,899,597	43,339,694

**b. Credit quality - Security held against loans**

Secured by mortgage over business assets	-	-
Secured by mortgage over real estate	39,363,064	38,057,305
Partly secured by goods mortgage	4,682,984	3,827,436
Wholly unsecured	1,881,294	1,500,034
	<u>45,927,342</u>	<u>43,384,775</u>

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

	2011 \$	2010 \$
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	33,315,596	32,159,200
- loan to valuation ratio of more than 80% but mortgage insured	3,286,194	4,243,478
- loan to valuation ratio of more than 80% and not mortgage insured	2,761,274	1,654,627
<b>Total</b>	<u>39,363,064</u>	<u>38,057,305</u>

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



**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

	2011 \$	2010 \$
<b>c. Concentration of loans</b>		
(i) Loans to Individual or related groups of members which exceed 10% of total members' equity	919,824	-
Total	919,824	-
(ii) A significant proportion of Member loans at balance date were funded to individuals employed by the Roads and Traffic Authority of New South Wales.		
(iii) Geographical concentrations:		
New South Wales	43,720,869	41,653,085
Victoria	685,348	627,337
Queensland	550,757	455,352
South Australia	33,478	49,386
Western Australia	36,830	42,450
ACT	93,818	40,533
Other	806,242	516,632
	45,927,342	43,384,775
<b>8. PROVISION ON IMPAIRED LOANS</b>		
<b>a. Total provision comprises</b>		
Collective provisions	1,863	23,266
Individual specific provisions	-	-
<b>Total Provision</b>	1,863	23,266
<b>b. Movement in the provision for impairment</b>		
Balance at the beginning of year	23,266	13,836
Add (deduct):		
Transfers from (to) income statement	23,941	25,964
Bad debts written off provision	(45,344)	(16,534)
<b>Balance at end of year</b>	1,863	23,266
Details of credit risk management is set out in Note 19.		
<b>c. Impaired loans written off</b>		
Amounts written off against the provision for impaired loans	45,344	16,534
Amounts written off directly to expense	13,118	-
Total bad debts	58,462	16,534
Bad debts recovered in the period	5,410	3,578
Total bad debts recovered	5,410	3,578

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report****d. Analysis of loans that are impaired or potentially impaired by class**

In the Note below -

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

	2011			2010		
	Carrying value	Value of Impaired Loans	Provision for impairment	Carrying value	Value of Impaired Loans	Provision for impairment
	\$	\$	\$	\$	\$	\$
Loans to members:						
- Mortgages	39,363,064	-	-	38,224,837	-	-
- Personal	6,393,086	38,306	1,837	5,037,163	53,060	18,730
- Overdrafts	171,192	533	26	122,775	4,710	4,536
<b>Total to natural persons</b>	<b>45,927,342</b>	<b>38,839</b>	<b>1,863</b>	<b>43,384,775</b>	<b>57,770</b>	<b>23,266</b>
Corporate borrowers	-	-	-	-	-	-
<b>Total</b>	<b>45,927,342</b>	<b>38,839</b>	<b>1,863</b>	<b>43,384,775</b>	<b>57,770</b>	<b>23,266</b>

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.

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

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

	2011		2010	
	Carrying Value \$	Provision \$	Carrying Value \$	Provision \$
Non impaired up to 30 days	45,888,973	-	43,327,005	-
30 to 90 days in arrears	33,713	-	26,752	-
90 to 180 days in arrears	4,592	1,837	5,790	2,316
180 to 270 days in arrears	-	-	-	-
270 to 365 days in arrears	-	-	20,517	16,414
Over 365 days in arrears	-	-	-	-
Over limit facilities over 14 days	64	26	4,711	4,536
<b>Total</b>	<b>45,927,342</b>	<b>1,863</b>	<b>43,384,775</b>	<b>23,266</b>

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

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

**f. Loans with repayments past due but not regarded as impaired***Loans with repayments past due but not impaired are in arrears as follows:*

	1- 3 Months	3-6 Months	6-12 Months	> 1 Year	Total
<b>2011</b>					
Mortgage secured	-	-	-	-	-
Personal loans	23,676	-	-	-	23,676
Overdrafts	469	-	-	-	469
<b>Total</b>	<b>24,145</b>	-	-	-	<b>24,145</b>

	1- 3 Months	3-6 Months	6-12 Months	> 1 Year	Total
<b>2010</b>					
Mortgage secured	-	-	-	-	-
Personal loans	26,752	-	-	-	26,752
Overdrafts	388	-	-	-	388
<b>Total</b>	<b>27,140</b>	-	-	-	<b>27,140</b>

**g. Key assumptions in determining the provision for impairment**

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

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

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

	2011 \$	2010 \$
<b>9. AVAILABLE FOR SALE INVESTMENTS</b>		
<b>Shares in unlisted companies – at cost</b>		
- Cuscal Limited	166,277	166,277
	<u>166,277</u>	<u>166,277</u>

**Cuscal Limited**

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company supplies services to organisations. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 28. The shares are able to be traded.

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

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

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

	2011 \$	2010 \$
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>a. Plant and equipment - at cost</b>	514,212	476,956
Less: provision for depreciation	(400,307)	(303,266)
	<u>113,905</u>	<u>173,690</u>
 <b>Capitalised leasehold improvements at cost</b>	335,491	289,121
Less: provision for amortisation	(289,861)	(284,505)
	<u>45,630</u>	<u>4,616</u>
 <b>Total Plant and Equipment</b>	<u>159,535</u>	<u>178,306</u>

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

	2011			2010		
	<i>Plant &amp; equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>	<i>Plant &amp; equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Opening balance	173,690	4,616	<b>178,306</b>	171,894	6,615	<b>178,509</b>
Purchases	37,255	46,370	<b>83,625</b>	113,314	728	<b>114,042</b>
<u>Less:</u>						
Assets disposed	-	-	-	(18,100)	-	<b>(18,100)</b>
Depreciation charge	(97,040)	(5,356)	<b>(102,396)</b>	(93,418)	(2,727)	<b>(96,145)</b>
 <b>Balance at the end of the year</b>	<b>113,905</b>	<b>45,630</b>	<b>159,535</b>	<b>173,690</b>	<b>4,616</b>	<b>178,306</b>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

	2011 \$	2010 \$
<b>11. TAXATION ASSETS</b>		
Tax Refund Due	-	69,106
Deferred Tax Assets	48,635	77,083
	<u>48,635</u>	<u>146,189</u>
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	10,787	12,145
Provisions for impairment on loans	559	6,980
Provisions for employee benefits	21,929	32,098
Depreciation on fixed assets	7,595	19,315
Effective Interest Rate	7,765	6,545
	<u>48,635</u>	<u>77,083</u>
<b>12. INTANGIBLE ASSETS</b>		
Computer software	261,926	261,926
Less provision for amortisation	(134,247)	(81,862)
<b>Total Intangible Assets</b>	<u>127,679</u>	<u>180,064</u>
<b>Movement in the assets balances during the year were :</b>		
Opening balance	180,064	232,449
Purchases	-	-
<u>Less:</u>		
Assets disposed	-	-
Depreciation charge	(52,385)	(52,385)
<b>Balance at the end of the year</b>	<u>127,679</u>	<u>180,064</u>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

	Note	2011 \$	2010 \$
<b>13. DEPOSITS FROM MEMBERS</b>			
Member Deposits			
- At call		16,296,594	16,262,631
- Term		25,547,929	21,755,982
		39,430	39,500
Member withdrawable shares		41,883,953	38,058,113

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

**Concentration of member deposits**

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

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

(iii) Geographical concentrations

New South Wales	40,929,894	37,532,248
Victoria	532,424	185,794
Queensland	183,513	170,355
South Australia	14,556	13,088
Western Australia	62,767	37,731
ACT	30,111	51,941
Other	130,688	66,956

Total per Statement of Financial Position

41,883,953	38,058,113
------------	------------

**14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS**

Annual leave	53,431	63,702
Creditors and accruals	90,831	90,633
Interest payable on deposits	461,844	315,910
Sundry Creditors	174,147	204,790
	780,253	675,035

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

	2011 \$	2010 \$
<b>15. TAXATION LIABILITIES</b>		
<b>Current income tax liability comprises:</b>		
Balance (refund) – previous year	(69,106)	(135,251)
Less paid (received)	(69,106)	(135,251)
(Over) / under statement in prior year	-	-
Amount written off to tax expense	-	-
Liability for income tax in current year	67,350	-
Less Instalments paid in current year	-	(69,106)
Balance – current year (Refund Due)	67,350	(69,106)
<b>16. PROVISIONS</b>		
Long service leave	19,666	43,292
	19,666	43,292
<b>17. CAPITAL RESERVE ACCOUNT</b>		
Balance at the beginning of the year	26,980	25,240
Transfer from retained earnings on share redemptions	1,830	1,740
Balance at the end of year	28,810	26,980

**Share Redemption**

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



**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

---

	2011 \$	2010 \$
<b>18. GENERAL RESERVE FOR CREDIT LOSSES</b>		
General reserve for credit losses	461,067	461,067
Other reserve for credit losses	-	-
	<u>461,067</u>	<u>461,067</u>

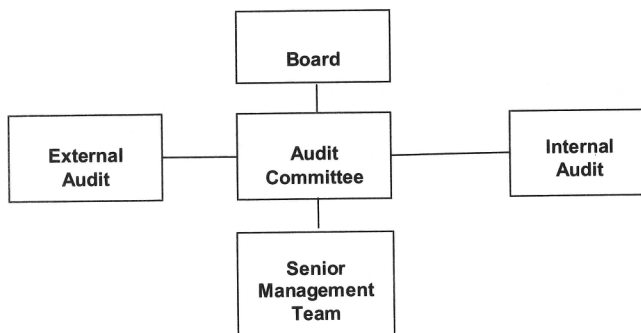
**General reserve for credit losses**

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

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

**19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Introduction**

The board has endorsed a policy of compliance and risk management to suit the risk profile of the credit union. The credit union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the board of directors to the audit committee which is integral to the management of risk. The following diagram gives an overview of the structure.



## **R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

### **2011 Annual Financial Report**

---

The diagram shows the risk management structure. The main elements of risk governance are as follows:

**Board:** This is the primary governing body. It approves the level of risk to which the credit union is exposed and the framework for reporting and mitigating those risks. The board carries out monitoring through monthly review of operational reports, to ensure risk levels are within the parameters outlined by the board. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

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

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

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

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

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

The credit union has undertaken the following strategies to minimise the risks arising from financial instruments.

## **A. MARKET RISK**

The objective of the credit union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the credit union's financial condition or results. The credit union is not exposed to currency risk, and other significant price risk. The credit union does not trade in the financial instruments it holds on its books. The credit union is exposed only to interest rate risk arising from changes in market interest rates.

Day to day management of market risk is the responsibility of senior management, with monthly and quarterly reporting going to the board via the audit committee.

### **(i) INTEREST RATE RISK**

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

Most banks are exposed to interest rate risk within their Treasury operations. The credit union does not have a treasury operation and does not trade in financial instruments.

## **R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

### **2011 Annual Financial Report**

---

#### **Interest rate risk in the banking book**

The credit union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is measured daily, reported to senior management weekly, and to the board via the Audit Committee monthly.

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

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

#### **Method of managing risk**

The credit union manages its interest rate risk through the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

#### **Interest rate sensitivity**

The credit union's exposure to market risk is measured and monitored using interest rate sensitivity models.

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

Based on the calculations as at 30 June 2011 the increase in net profit for a 1% increase in interest rates would be \$32,384 (2010: \$26,182).

The method used in determining the sensitivity is to evaluate the profit based on the timing of the interest repricing on the banking book of the credit union for the next 12 months. In doing the calculation the assumptions applied were that:

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

There has been no change to the credit union's exposure to market risk or the way the credit union manages and measures market risk in the reporting period.

**B. LIQUIDITY RISK**

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that management maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands.

The credit union manages liquidity risk by:

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

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

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

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

	2011	2010
<b>Liquid funds to total adjusted liabilities</b>		
As at 30 June	16.17%	16.26%
Average for the year	17.64%	18.62%
Minimum during the year	15.13%	12.57%
<b>Liquid funds to total member deposits</b>		
As at 30 June	19.08%	19.54%

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report****C. CREDIT RISK**

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets.

**(i) CREDIT RISK – LOANS**

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

	2011			2010		
	Carrying value	Commitments	Max exposure	Carrying value	Commitments	Max exposure
	\$	\$	\$	\$	\$	\$
Mortgage	39,363,064	5,446,599	44,809,663	38,224,837	4,833,883	43,058,720
Personal	6,393,086	703,405	7,096,491	5,037,163	604,217	5,641,380
Overdrafts	171,192	144,440	315,632	122,775	215,754	338,529
Total to natural persons	45,927,342	6,294,444	52,221,786	43,384,775	5,653,854	49,038,629
Corporate borrowers	-	-	-	-	-	-
Total	45,927,342	6,294,444	52,221,786	43,384,775	5,653,854	49,038,629

Carrying value is equal to value on Statement of Financial Position. Maximum exposure is equal to the value on the Statement of Financial Position plus undrawn facilities (including loans approved not yet advanced; redraw facilities; line of credit facilities and overdraft facilities). The details are shown in note 24.

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

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

The credit union has established policies over the:

- Assessment and approval of loans and facilities, covering acceptable risk, assessment procedures and appropriate security;
- Limits of acceptable exposures to individual borrowers, personal loans and commercial lending;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies;

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

### **Past due and impaired**

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

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

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

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 individually identified loans.

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

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

Past due value is the 'on Statement of Financial Position' loan balances which are past due by 90 days or more.

Details are set out in Note 8.

### **Bad debts**

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

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

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

### **Collateral securing loans**

A majority of the loan book is secured on residential property in Australia, primarily in New South Wales. Therefore, the credit union is exposed to risks in the reduction the Loan to Valuation Ratio (LVR) should the property market be subject to a significant decline.

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

## **R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

### **2011 Annual Financial Report**

---

The board policy is to maintain a range of 70% - 85% of the loan portfolio in well secured residential mortgages which carry an 80% LVR or less. Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

#### **Concentration risk – individuals**

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

The aggregate value of large exposure loans are set out in note 7. The credit union holds no significant concentrations of exposures to individual members.

#### **Concentration risk – industry**

The credit union has a concentration in retail lending to members who comprise employees and family of the staff of the Roads and Traffic Authority of New South Wales. This concentration is considered acceptable on the basis that the credit union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 7.

**(ii) CREDIT RISK – LIQUID INVESTMENTS**

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to institutions that are credit worthy. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body. All investments are reported to the board on a monthly basis.

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

**External Credit Assessment for Institution Investments**

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

The exposure values associated with each investment are as follows:

	2011	2010
Investments with	Carrying value	Carrying value
Cuscal – rated A+	2,983,882	3,477,843
Banks – rated A or above	3,500,000	2,500,000
Unrated	1,000,000	-
Total	7,483,882	5,977,843



## R.T.A. STAFF CREDIT UNION LIMITED

A.B.N. 78 087 650 600

2011 Annual Financial Report

### E. CAPITAL MANAGEMENT

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

- Credit risk
- Market risk (trading book )
- Operational risk.

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

#### Capital resources

##### Tier 1 Capital

The vast majority of Tier 1 capital comprises

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

##### Tier 2 Capital

Tier 2 capital comprises

- A General Reserve for Credit Losses

Capital in the credit union is made up as follows:

	2011	2010
<b>Tier 1</b>		
Capital reserve	28,810	26,980
Retained earnings	7,885,021	7,575,482
	<u>7,913,831</u>	<u>7,602,462</u>
Less prescribed deductions	(259,453)	(340,285)
Net tier 1 capital	<u>7,654,378</u>	<u>7,262,177</u>
 <b>Tier 2</b>		
Reserve for credit losses	<u>355,910</u>	<u>313,941</u>
Less prescribed deductions	(83,139)	(83,138)
Net tier 2 capital	<u>272,771</u>	<u>230,803</u>
 Total Capital	<u>7,927,149</u>	<u>7,492,980</u>

The APRA prudential standards state that ADI's must hold a minimum capital ratio, as a percentage of risk weighted assets. The Credit Union's minimum PCR as determined by APRA is 14%. Although this is a minimum only, the regulator expects ADI's to maintain a buffer over and beyond the PCR at all times.

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

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

		Carrying Value	Risk Weighted Value
<b><u>Credit Risk</u></b>			
<i>'On Balance Sheet' Assets:</i>			
Cash	0%	73,643	-
Deposits in highly rated ADI's	20%	4,430,448	886,090
Deposits in less highly rated ADI's	50%-100%	4,568,338	2,284,169
Standard Loans secured against eligible residential mortgages up to 80% LVR	35%	31,983,570	11,194,250
Standard Loans secured against eligible residential mortgages over 80% LVR	35% - 75%	7,458,576	3,647,820
Investments in equity instruments	150%	-	-
Other assets	100%	7,822,608	7,822,608
Total		56,337,183	25,834,937
<i>'Off Balance Sheet' Assets</i>			112,500
Total Credit Weighted Risk			<u>25,947,437</u>
<b><u>Operational Risk</u></b>			<u>3,045,877</u>
<b>Total Risk Weighted Value</b>			<b><u>28,993,314</u></b>

*The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel 2 Prudential framework enhancements*

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

2011	2010	2009	2008	2007	2006
27.34%	29.83%	29.09%	30.14%	26.93%	24.57%

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

To manage the credit unions 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%. Further an annual capital budget projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level.

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

**Pillar 2 Capital on Operational Risk**

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

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

Based on the standardised model, the Credit Union's operational risk requirement is as follows:

Operational risk capital requirement \$243,670 (30<sup>th</sup> June 2011).

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

**20. CATEGORIES OF FINANCIAL INSTRUMENTS**

The following information classifies the financial instruments into measurement classes

	Note	2011 \$	2010 \$
<b>Financial assets - carried at amortised cost</b>			
Cash	4	1,509,256	1,457,923
Receivables from financial institutions -	5	7,483,882	5,977,843
Receivables	6	143,042	143,673
Loans to members	7 & 8	45,899,597	43,339,694
<b>Total loans and receivables</b>		<b>55,035,777</b>	<b>50,919,133</b>
Available for sale investments - carried at cost	9	166,277	166,277
<b>TOTAL FINANCIAL ASSETS</b>		<b>55,202,054</b>	<b>51,085,410</b>
<b>Financial liabilities</b>			
Deposits from other Financial Institutions		4,500,000	4,750,000
Deposits from members	13	41,883,953	38,058,113
Creditors	14	699,224	611,333
Total carried at amortised cost		47,083,177	43,419,446
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>47,083,177</b>	<b>43,419,446</b>

**Financial Assets at Fair Value**

Fair value measurement at end of the reporting period using:

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

The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
  - (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
  - (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).
- The standard permits the measurement at cost in absence of an ability to reliably measure the assets at fair value.

# R.T.A. STAFF CREDIT UNION LIMITED

A.B.N. 78 087 650 600

## 2011 Annual Financial Report

### 21. MATURITY PROFILE OF FINANCIAL ASSETS & LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Statement of Financial Position.

	Within 1 month \$,000	1-3 months \$,000	3-12 months \$,000	1-5 years \$,000	After 5 years \$,000	No Maturity \$,000	Total \$,000
<b>2011</b>							
<b>ASSETS</b>							
Cash	1,509	-	-	-	-	-	1,509
Advances to financial institutions	3,545	2,537	1,540	-	-	-	7,622
Receivables	64	-	-	-	-	-	64
Available for sale investments	-	-	-	-	-	166	166
Loans & Advances	772	902	4,562	20,792	61,865	-	88,895
<b>'On Balance Sheet'</b>	<b>5,890</b>	<b>3,439</b>	<b>6,102</b>	<b>20,792</b>	<b>61,865</b>	<b>166</b>	<b>98,256</b>
<b>Total financial Assets</b>	<b>5,890</b>	<b>3,439</b>	<b>6,102</b>	<b>20,794</b>	<b>61,865</b>	<b>166</b>	<b>98,256</b>
<b>LIABILITIES</b>							
Creditors	237	-	-	-	-	-	237
Deposits from other financial institutions	2,274	2,274	-	-	-	-	4,548
Deposits from members:							
- At call	16,336	-	-	-	-	-	16,336
- Term	7,029	8,884	10,417	131	-	-	26,461
<b>'On Balance sheet'</b>	<b>25,876</b>	<b>11,158</b>	<b>10,417</b>	<b>131</b>	<b>-</b>	<b>-</b>	<b>47,582</b>
Undrawn commitments	6,294	-	-	-	-	-	6,294
<b>Total Financial Liabilities</b>	<b>32,170</b>	<b>11,158</b>	<b>10,417</b>	<b>131</b>	<b>-</b>	<b>-</b>	<b>53,876</b>
<b>2010</b>							
<b>ASSETS</b>							
Cash	1,458	-	-	-	-	-	1,458
Advances to financial institutions	2,505	2,016	1,546	-	-	-	6,067
Receivables	49	-	-	-	-	-	49
Loans & Advances	502	1,076	4,343	18,894	52,129	-	76,944
<b>'On Balance sheet'</b>	<b>4,514</b>	<b>3,092</b>	<b>5,889</b>	<b>18,894</b>	<b>52,129</b>	<b>-</b>	<b>84,518</b>
<b>Total financial Assets</b>	<b>4,514</b>	<b>3,092</b>	<b>5,889</b>	<b>18,894</b>	<b>52,129</b>	<b>-</b>	<b>84,518</b>
<b>LIABILITIES</b>							
Creditors	292	-	-	-	-	-	292
Deposits from other financial institutions	3,787	1,011	-	-	-	-	4,798
Deposits from members:							
- At call	16,302	-	-	-	-	-	16,302
- Term	10,976	8,691	11,587	807	-	-	32,061
<b>'On Balance sheet'</b>	<b>31,357</b>	<b>9,702</b>	<b>11,587</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>53,453</b>
Undrawn commitments	5,654	-	-	-	-	-	5,654
<b>Total Financial Liabilities</b>	<b>37,011</b>	<b>9,702</b>	<b>11,587</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>59,107</b>

# R.T.A. STAFF CREDIT UNION LIMITED

A.B.N. 78 087 650 600

2011 Annual Financial Report

## 22. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2011	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash	1,436	-	-	-	-	73	1,509
Receivables	-	-	-	-	-	143	143
Advances to other financial Institutions	3,489	2,494	1,500	-	-	-	7,483
Loans and advances	38,139	-	7,760	-	-	-	45,899
Other Investments	-	-	-	-	-	166	166
<b>Total Financial Assets</b>	<b>43,064</b>	<b>2,494</b>	<b>9,260</b>	<b>-</b>	<b>-</b>	<b>382</b>	<b>55,200</b>
<b>LIABILITIES</b>							
Creditors	-	-	-	-	-	699	699
Deposits from other Financial institutions	2,250	2,250	-	-	-	-	4,500
Deposits from members:							
- At Call	16,297	-	-	-	-	39	16,336
- Term	6,925	8,576	9,931	116	-	-	25,548
<b>'On Balance sheet'</b>	<b>25,472</b>	<b>10,826</b>	<b>9,931</b>	<b>116</b>	<b>-</b>	<b>738</b>	<b>47,083</b>
Undrawn commitments Note 24	6,294	-	-	-	-	-	6,294
<b>Total Financial Liabilities</b>	<b>31,766</b>	<b>10,826</b>	<b>9,931</b>	<b>116</b>	<b>-</b>	<b>738</b>	<b>53,377</b>
2010	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash	1,369	-	-	-	-	89	1,458
Receivables	-	-	-	-	-	90	90
Advances to other financial Institutions	2,488	1,990	1,500	-	-	-	5,978
Loans and advances	33,003	1,514	7,273	1,550	-	-	43,340
Other Investments	-	-	-	-	-	166	166
<b>Total Financial Assets</b>	<b>36,860</b>	<b>3,504</b>	<b>8,773</b>	<b>1,550</b>	<b>-</b>	<b>345</b>	<b>51,032</b>
<b>LIABILITIES</b>							
Creditors	-	-	-	-	-	608	608
Deposits from other Financial institutions	3,750	1,000	-	-	-	-	4,750
Deposits from members:							
- At Call	16,263	-	-	-	-	39	16,302
- Term	3,342	6,508	11,146	760	-	-	21,756
<b>'On Balance sheet'</b>	<b>23,355</b>	<b>7,508</b>	<b>11,146</b>	<b>760</b>	<b>-</b>	<b>647</b>	<b>43,416</b>
Undrawn commitments Note 24	5,654	-	-	-	-	-	5,654
<b>Total Financial Liabilities</b>	<b>29,009</b>	<b>7,508</b>	<b>11,146</b>	<b>760</b>	<b>-</b>	<b>647</b>	<b>49,070</b>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report****23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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

Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

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

The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to original term

	Fair Value	2011 Carrying Value	Variance	Fair Value	2010 Carrying Value	Varian ce
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
<b>FINANCIAL ASSETS</b>						
Cash	1,509	1,509	-	1,458	1,458	-
Receivables (1)	143	143	-	90	90	-
Advances to other financial institutions	7,483	7,483	-	5,978	5,978	-
Loans and advances	45,888	45,899	(11)	43,096	43,340	(244)
Other Investments	166	166	-	166	166	-
<b>Total Financial Assets</b>	<b>55,189</b>	<b>55,200</b>	<b>(11)</b>	<b>50,788</b>	<b>51,032</b>	<b>(244)</b>
<b>FINANCIAL LIABILITIES</b>						
Deposits from other financial institutions	4,500	4,500	-	4,754	4,750	4
Creditors (1)	699	699	-	608	608	-
Deposits from members:						
- At Call	16366	16366	-	16,302	16,302	-
- Term	25,612	25,548	64	21,757	21,756	1
<b>Total Financial Liabilities</b>	<b>47,147</b>	<b>47,083</b>	<b>64</b>	<b>43,421</b>	<b>43,416</b>	<b>5</b>

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

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

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

**Liquid assets and receivables from other financial institutions**

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

## R.T.A. STAFF CREDIT UNION LIMITED

A.B.N. 78 087 650 600

### 2011 Annual Financial Report

---

#### 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. 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.

#### Short term borrowings

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

	2011 \$	2010 \$
<b>24. FINANCIAL COMMITMENTS</b>		
<b>a. Outstanding loan commitments</b>		
The loans approved but not funded	220,000	310,220
<b>b. Loan redraw facilities</b>		
The loan redraw facilities available	5,930,005	5,127,880
<b>c. Undrawn loan facilities</b>		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	400,300	510,648
Less: Amount advanced	(255,861)	(294,894)
Net undrawn value	144,439	215,754
<b>Total financial commitments</b>	<b>6,294,444</b>	<b>5,653,854</b>



**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

<b>Expenditure commitments</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>

**d. Computer expenditure commitments**

The committed costs for computer expenditure by the credit union is:

Not later than one year	120,098	119,567
Later than 1 year but not 2 years	114,898	103,367
Later than 2 years but not 5 years	142,583	227,725
Later than 5 years	-	-
	<u>377,579</u>	<u>450,659</u>

**e. Future Lease and Rental Commitments**

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

Not later than one year	107,271	101,243
Later than one year but not later than five years	27,141	25,616
Over five years	-	-
	<u>134,412</u>	<u>126,859</u>

An operating lease is in respect of property used for providing branch services to members and general Credit Union administration. The terms of the lease is 1 year with an automatic renewal clause if notice to vacate is not given by the Credit Union by 31<sup>st</sup> March annually

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

**f. Computer Bureau Charges**

Not later than one year	18,480	21,120
Later than 1 year but not 2 years	18,480	21,120
Later than 2 years but not 5 years	36,960	63,360
Later than 5 years	-	-
	<u>73,920</u>	<u>105,600</u>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

**25. STANDBY BORROWING FACILITIES**

---

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

**2011**

	<b>Gross</b>	<b>Current Borrowing</b>	<b>Net Available</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loan facility	700,000	-	700,000
Overdraft facility	900,000	-	900,000
<b>TOTAL STANDBY BORROWING FACILITIES</b>	<b>1,600,000</b>	<b>-</b>	<b>1,600,000</b>

**2010**

	<b>Gross</b>	<b>Current Borrowing</b>	<b>Net Available</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loan Facility	700,000	-	700,000
Overdraft Facility	900,000	-	900,000
<b>TOTAL STANDBY BORROWING FACILITIES</b>	<b>1,600,000</b>	<b>-</b>	<b>1,600,000</b>

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

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

**26. CONTINGENT LIABILITIES****Liquidity support scheme**

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

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

## 27. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

### a. Remuneration of key management persons [KMP]

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

**Key management persons (KMP)** have been taken to comprise the directors and the 3 members (2010 - 3 members) of the executive management responsible for the day to day financial and operational management of the credit union at various times of the year.

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

	2011		2010	
	Directors	Other KMP	Directors	Other KMP
	\$	\$	\$	\$
(a) short-term employee benefits;	-	395,534	-	352,072
(b) post-employment benefits - superannuation contributions	-	35,328	-	31,686
(c) other long-term benefits – net increases in long service leave provision	-	(12,384)	-	(8,973)
(d) termination benefits;	-	35,146	-	-
(e) share-based payment.	-	-	-	-
<b>Total</b>	-	453,624	-	374,785

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

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

**2011 Annual Financial Report**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>b. Loans to Directors and other Key Management Persons</b>		
(i) The aggregate value of loans to directors and other key management persons as at balance date amounted to	275,925	459,967
(ii) The total value of revolving credit facilities to directors and other key management persons, as at balance date amounted to	25,000	-
Less amounts drawn down and included in (i)	(25,000)	-
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	25,000	-
Personal loans	35,688	-
Term Loans	-	-
	60,688	-
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to directors and other key management persons amounted to:	25,000	-
	25,000	-
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	23,772	32,998

The Credit Union's policy for lending to directors and management 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. There are no loans which are impaired in relation to the loan balances with directors or other KMPs.

Other transactions between related parties include deposits from directors, and other KMP are –

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Total value Term and Savings Deposits from KMP	519,449	505,558
Total Interest paid on deposits to KMP	25,446	18,165

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

**c. Transactions with Other Related Parties**

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP.

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

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

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

**28. ECONOMIC DEPENDENCY**

The credit union has an economic dependency on the following suppliers of services.

**a. Cuscal Limited**

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

- (i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by members;
- (ii) provides treasury and money market facilities to the credit union. The credit union will ensure minimum CUSCAL and CUFSS investment holdings are maintained.

**b. First Data International Limited (FDI)**

The Credit Union 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.

**c. Ultradata Australia Pty Limited**

Provides and maintains the core banking application software utilised by the credit union.

**d. The System Works (TSW) Pty Limited**

This company operates the computer 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.

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

**29. SEGMENTAL REPORTING**

The credit union operates exclusively in the retail financial services industry within Australia.

**30. SUPERANNUATION LIABILITIES**

The credit union contributes to the employee's preferred choice-compliant superannuation fund for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees.

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

**31. NOTES TO CASH FLOW STATEMENT**

	2011 \$	2010 \$
<b>a. Reconciliation of Cash</b>		
Cash on Hand	73,643	89,378
Deposits at Call	1,435,613	1,368,545
	<u>1,509,256</u>	<u>1,457,923</u>
<b>b. Reconciliation of Cash from Operating Activities to Operating Profit</b>		
Profit after Income Tax	281,369	167,647
Add:		
Increases in Amortised fees on loans	4,067	7,978
Increase in Provisions for Loans	23,941	9,430
Bad debts written off	13,118	-
Depreciation	102,396	96,145
Loss on sale of fixed assets	-	650
Amortisation of Intangible assets	52,385	52,385
<b>Increases in Liabilities</b>		
Creditors and Accruals	(5,782)	30,904
Interest Payable	145,934	(21,326)
Staff Entitlements	(33,897)	(14,987)
Income Tax	136,456	66,145
<b>Increases in Assets</b>		
Interest Receivable - Deposits FI's	(40,153)	8,417
Prepayments	(9,857)	986
Deferred Tax Asset	28,448	10,572
<b>Net Cash From Operating Activities</b>	<u><u>698,425</u></u>	<u><u>414,946</u></u>

**R.T.A. STAFF CREDIT UNION LIMITED**

A.B.N. 78 087 650 600

2011 Annual Financial Report

---

**32. CORPORATE INFORMATION**

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

The address of the registered office is

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

The address the principal place of business is

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.