RTA staff credit union

your road to financial success

2012 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 48th Annual General Meeting

The 48th Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600 – AFSL / Australian Credit Licence 240718) will be held in the Pinaroo Room 4 (1st floor) at the Grace Hotel, 77 York Street, Sydney on Friday 30th November 2012, commencing at 6.00pm.

Members of the Board of Directors

Noel Hancock	Chair, Audit & Risk Committee Member & Transition Steering Committee Chair
Vince Taranto	Deputy Chair, Transition Steering Committee Deputy Chair & Product Innovation Committee Member
Anthony Dann	Director & Audit & Risk Committee Chair
Meredyth-Ann Williams	Director & Audit & Risk Committee Member
Jacqui McDonald	Director & Whistleblower Complaints Officer
Ann King	Director
Clement Siu	Director & Product Innovation Committee Member

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 and I.T. Officer
Hayley Eggleton	Branch Administrator
Christine Armstrong	Business Development Officer

External Auditors

Grant Thornton Australia
Level 19, 2 Market St Sydney NSW

Internal Auditor

Glenn Pannam
DBP Consulting Pty Ltd

Solicitors

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

Duncan Cotterill Lawyers
Level 13, 179 Elizabeth Street, Sydney

Bankers

Cuscal Limited Centralised Banking scheme – National Australia Bank.

R.T.A. Staff Credit Union Limited

Year ended 30 June 2012

Abbreviations

APRA		**Australian Prudential Regulation Authority**
		Federal Government regulatory body responsible for the prudential supervision of banks, life insurers, general insurers, superannuation funds, building societies, credit unions and friendly societies. APRA is fully funded by the industries that it supervises.
ASIC		**Australian Securities and Investment Commission**
		Federal Government 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.
CUFSS		**Credit Union Financial Support Scheme**
		An industry based liquidity support system with the objective of protecting the interests of credit union members as depositors and to promote financial sector stability in relation to credit unions.
Cuscal		**Cuscal Limited**
		This organisation is registered under the Corporations Act, and is subject to direct supervision by APRA. This organisation 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 – AFSL / Australian Credit Licence 240718) is a public company limited by shares, under the Corporations Act 2001.

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KEY STATISTICS OF THE CREDIT UNION

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
Members (No.)	3,925	4,016	4,028	4,024	4,027
Deposits $	35,858,030	39,996,903	38,058,113	41,883,953	44,849,461
Average Member Deposits $	9,136	9,959	9,448	10,409	11,137
Loans $	36,583,109	34,920,525	43,339,694	45,899,597	45,231,594
Average Loan balances $	9,321	8,695	10,760	11,406	11,232
Loans funded in the year $M	10.4	8.7	16.8	13.1	9.0
Bad debts written off against profit $	-	-	-	$13,118	-
Capital Adequacy ratio %	30.14	29.09	29.83	27.34	28.62
Total Reserves $	7,865,973	7,895,882	8,063,529	8,344,898	8,560,043
Total Assets $	44,730,341	48,530,985	51,589,969	55,596,120	58,260,738
Reserves to Assets %	17.59	16.27	15.63	15.01	14.67
Return/Average Assets %	0.63	0.06	0.25	0.50	0.36
Staff / Member ratio	1:436	1:502	1:503	1:503	1:575
Staff / Assets ratio	1:$4.97m	1:$6.07m	1:$6.05m	1:$6.95m	1:$8.32m

PRODUCTS AND SERVICES

Loans and Other Services		Deposits and Access Services	
FastRoad Home loan		At Call Savings	
1 Year Fixed Home loan		Fixed Term Deposits	
Other Housing or Investment Loans		Bpay	
Red Hot Car Loan		Bank@Post	
Other Car loans		Visa Debit and Credit Cards	
Personal Loans		Payroll Deposits and Direct Credits	
Personal Overdrafts		Direct Debits	
NetTeller – Internet banking		Financial Planning Services 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 48th Annual Report for the financial year ended 30 June 2012.

The Year in Review

The 2011 - 2012 financial year proved to be a more difficult year for the Credit Union than we thought at this time last year. The financial situation in Europe and the United States did not improve to the extent that was hoped for and this has meant that the conditions in the Australian financial market have proven to be much more challenging than we envisaged. These conditions and the Government's decision to amalgamate the Roads and Traffic Authority and Maritime Services have created a situation where, it appears, many of our members have been cautious about increasing their level of debt or indeed have decided to reduce their exposure to debt as much as possible.

In an effort to stimulate the economy the Reserve Bank has reduced the cash rate on a number of occasions during the year and your Credit Union has passed on as much of these reductions as has been possible. Even with these reductions and at times having the lowest interest rates on new car loans available from a financial institution the value of loans funded during the year was only $9 million compared with $13.1 million in the previous financial year. Indeed, this is the lowest level of loans funded since the depths of the Global Financial Crisis in 2009.

Given the continued volatility of global financial markets and the creation of Roads and Maritime Services the Board and Management have continued the conservative approach that we have had for many years for the management of the Credit Union. We have not gone to extremes to grow the loans book or to excessively grow the business as a whole. We have looked for the type of organic growth that has stood us in good stead for many years.

During the year we have been working towards a name change for the Credit Union and have registered some business names and obtained some domain names in preparation for such a change. A formal vote for a change of the Constitution of the Credit Union and a name change will be held in conjunction with the Annual General Meeting.

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

Merger activity has continued within the sector with the number of credit unions continuing to fall. However, 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 2011 – 2012

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

- Loan Funding of $9million, compared with $13.1million in the previous year.
- Member's equity (reserves) increased by $215,145 (2011 - $281,369).
- Membership remained steady.
- Bad and Doubtful Debts remained very low.

Operating profit for the year before tax was $290,625 (2011 - $ 377,169). The after tax profit of $215,145 (2011 - $281,369) represents a return of 0.36% on average assets (2011 - 0.50%). The profit for this year is pleasing given the difficulties that I outlined earlier.

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 2011 – 2012.

The Year Ahead

The major task facing the Credit Union this year will be carrying out the work necessary to effect the name change whilst ensuring that the change is seamless to members and that service to members is unaffected.

The situation in the financial markets in Europe and the USA has caused the Australian financial market to remain volatile and this means that Australian consumers will remain cautious. The Credit Union will monitor this situation very carefully to ensure that we are able to operate effectively given the continued uncertainty in the current market.

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

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

We look forward to your continuing support.

Noel J T Hancock
Chair
8th October 2012

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2012.

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

INFORMATION ON DIRECTORS

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

Name	Position	Qualifications	Experience	Responsibilities
Noel J. T. Hancock	Chair	BBus, CPA, FAMI	16 Years	Chair, Audit & Risk Committee Member, Transition Steering Committee Chair
Robert G. Morgan (Retired 29th February 2012)	Director	Cert L&E Srv, Cert TEPC, FAMI	23 Years	Product Innovation Committee Chair (to 29th February 2012)
Vincent E. Taranto	Deputy Chair	BSc, DipTCP, MAMI	14 Years	Deputy Chair, Product Innovation Committee Chair (from 1st March 2012)
Meredyth-Ann Williams	Director	DipTeach, B.A (Psych), Hons (Psych), MAMI	7 Years	Audit & Risk Committee Member
Anthony J. Dann	Director	BEc, CPA, MAcc, MAMI, MAGPI, AFIAA	6 Years	Audit & Risk Committee Chair
Jacqui McDonald	Director	MAMI	4 Years	Whistleblower Complaints Officer
Ann King	Director	DipBA (UK), MAMI	3 Years	
Clement Siu	Director	B.Com, CPA, MAMI	2 Years	Product Innovation Committee Member

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

Name	***Qualifications***	***Experience***
John Kavalieros	DipFS, AIM, FAMI	16 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 is:

Name	***Qualifications***	***Experience***
Clement Siu	B.Com, CPA, AAMI	2 Years (Full Director from 29th February 2012)

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

Director	Board		Audit & Risk Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J.T. Hancock	12	10	8	7
Robert G. Morgan	12	9		
Vincent E. Taranto	12	12		
Meredyth-Ann Williams	12	10	8	8
Anthony J. Dann	12	12	8	8
Jacqui McDonald	12	6		
Ann King	12	3		
Clement Siu	12	11		

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 $215,145 (2011 - $281,369).

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
There were no significant changes in the state of the affairs of the Credit Union during the year.

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

(i) The operations of the Credit Union;

(ii) The results of those operations; or

(iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

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

Noel J.T. Hancock
Chair

Anthony J.Dann
Audit & Risk Committee Chair

Signed and dated this 8th day of October 2012

DECLARATION OF INDEPENDENCE BY MAX PERRY TO THE DIRECTORS OF RTA STAFF CREDIT UNION LIMITED

In accordance with the requirements of S307C of the Corporations Act 2009, as lead auditor of RTA Staff Credit Union Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief there have been ;

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and
(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd.

Max Perry
Director,
Sydney 8 October 2012

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 (the company), which comprises the balance sheet, income statement, statement of changes in equity and cash flow statement for the year ended 30 June 2012, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 financial report 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 2012 and of its performance for the year ended on that date;
   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.

Grant Thornton Audit Pty Ltd.

Max Perry
Director

Sydney, 9th October 2012

DIRECTORS' DECLARATION

The Directors of RTA 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 2012 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:

Hancock

Noel J.T. Hancock
Chair

Dated this 8th October 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Interest revenue	2.a	4,039,935	3,867,144
Interest expense	2.c	1,879,652	1,671,575
Net interest income		2,160,283	2,195,569
Fee commission and other income	2.b	166,169	217,866
		2,326,452	2,413,435
Less			
Non interest expenses			
Impairment losses on loans receivable from members	2.d	15,451	37,059
Fee and commission expenses		125,229	121,768
General administration			
- Employees compensation and benefits		695,114	774,270
- Depreciation and amortisation	2.e	148,499	154,781
- Information technology		369,127	296,831
- Office occupancy		118,258	102,061
- Other administration		155,909	146,227
Other operating expenses		408,240	403,269
Total non interest expenses		2,035,827	2,036,266
Profit before income tax		290,625	377,169
Income tax expense	3	75,480	95,800
Profit after income tax		215,145	281,369
Other Comprehensive Income		-	-
Total Comprehensive Income		215,145	281,369

STATEMENT OF CHANGES IN MEMBER EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Capital Reserve	Retained Earnings	Reserve for Credit Losses	Total
Total at 1 July 2010	26,980	7,575,482	461,067	8,063,529
Net Profit for the Period	-	281,369	-	281,369
Transfers to Reserves	1,830	(1,830)	-	-
Total as at 30 June 2011	28,810	7,855,021	461,067	8,344,898
Net Profit for the Period	-	215,145	-	215,145
Transfers to Reserves	1,310	(1,310)	-	-
Total as at 30 June 2012	30,120	8,068,856	461,067	8,560,043

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Cash	4	1,446,691	1,509,256
Receivables from financial institutions	5	10,932,679	7,483,882
Receivables	6	199,242	201,259
Loans to members	7 & 8	45,231,594	45,899,597
Available for sale investments	9	166,277	166,277
Property, plant and equipment	10	138,225	159,535
Taxation assets	11	70,737	48,635
Intangible assets	12	75,293	127,679
TOTAL ASSETS		58,260,738	55,596,120
LIABILITIES			
Payables to other financial institutions		4,000,000	4,500,000
Deposits from members	13	44,849,461	41,883,953
Creditor accruals and settlement accounts	14	729,048	780,253
Taxation liabilities	15	94,581	67,350
Provisions	16	27,605	19,666
TOTAL LIABILITIES		49,700,695	47,251,222
NET ASSETS		8,560,043	8,344,898
MEMBERS' EQUITY			
Capital reserve account	17	30,120	28,810
Reserves	18	461,067	461,067
Retained earnings		8,068,856	7,855,021
TOTAL MEMBERS' EQUITY		8,560,043	8,344,898

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
OPERATING ACTIVITIES			
Revenue Inflows			
Interest Received		4,023,663	3,831,058
Fees and Commissions		129,336	174,269
Dividends Received		35,750	37,226
Other Income		1,083	6,371
Less: Revenue Outflows			
Interest Paid		(1,846,258)	(1,525,641)
Suppliers and Employees		(1,865,656)	(1,893,964)
Income Taxes Refunded (Paid)		(70,351)	69,106
Net Cash From Revenue Activities	31.b	407,567	698,425
Inflows from Other Operating Activities			
Increase in Member Deposits (Net movement)		2,886,255	3,793,602
Net decrease in member loans		667,214	-
Net decrease in receivables from other FIs		-	-
		3,553,469	3,793,602
Outflows from Other Operating Activities			
Decrease in Member Deposits (Net movement)		-	-
Increase in member loans		-	(2,601,029)
Increase in Receivables from other FIs		(3,448,797)	(1,506,039)
		(3,448,797)	(4,107,068)
Net Cash from all Operating Activities		512,239	384,959
INVESTING ACTIVITIES			
Inflows			
Proceeds of investment redemption		-	-
Proceeds on sale of property, plant and equipment		-	-
Less: Outflows			
Purchases of fixed assets		(74,804)	(83,626)
Purchase of Intangible Assets		-	-
Net Cash From Investing Activities		(74,804)	(83,626)
FINANCING ACTIVITIES			
Decrease in Payables from other FIs		(500,000)	(250,000)
Net Cash From Financing Activities		(500,000)	(250,000)
Total Net Cash Increase/(Decrease)		(62,565)	51,333
Cash at the beginning of the year		1,509,256	1,457,923
Cash at end of year	31.a	1,446,691	1,509,256

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for RTA Staff Credit Union Limited as a single credit union, for the year ended the 30th June 2012. The report was authorised for issue on 8 October 2012 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 member's account on the last day of each month.

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

Non accrual loan interest – While still legally recoverable, interest is not brought to account as income where the credit union is informed that the member 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 sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

ii) **Reserve for credit losses**

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

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

iii) **Renegotiated loans**

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

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

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

e. Property, plant and equipment

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

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

f. Receivables from other financial institutions

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

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

g. Equity investments and other securities

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

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

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

All investments are in Australian currency.

h. Member Deposits

(i) **Basis for measurement**

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

(ii) **Interest payable**

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

i. Borrowings

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

j. Provision for Employee Benefits

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

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

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

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

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

k. Leasehold on Premises

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

l. Income Tax

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

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

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

m. Intangible Assets

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

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

n. Goods and Services Tax

As a financial institution the credit union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to 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 balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

o. Cash and cash equivalents

Cash comprises cash on hand and 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 were no impacts on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

s. New or emerging standards not yet mandatory

Accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting period. The credit union's interpretation of these new standards is set out below:

AASB Ref	Nature of Change	Application Date	Impact on Initial Application
AASB 9 Issued Dec 2009 Financial Instruments	Amends the requirements for classification and measurement of financial assets. Future proposed changes to this standard will impact the measurement of the impairment provisions and the accounting for derivatives.	Periods beginning on or after 1 January 2015	Adoption is only mandatory for the 30 June 2016 year end. The current the 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 2012	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.

	2012 $	2011 $
2. STATEMENT OF COMPREHENSIVE INCOME		
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	-	-
Receivables from financial institutions	520,925	439,942
Loans to members	3,519, 010	3, 427,202
TOTAL INTEREST REVENUE	4,039,935	3,867,144
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	500	27,358
Other fee income	56,702	76,082
Insurance commissions	16,740	43,263
Other commissions	55,394	27,566
TOTAL FEE AND COMMISSION REVENUE	129,336	174,269
Dividends received on available for sale assets	35,750	37,226
Bad debts recovered	1,005	5,410
Gain on disposal of assets		
- Property, plant and equipment	-	-
Miscellaneous revenue	78	961
TOTAL FEE COMMISSION AND OTHER INCOME	166,169	217,866
c. Interest expenses		
Interest expense on liabilities carried at amortised cost		
Deposits from other financial institutions	239,251	294,986
Deposits from members	1, 640,401	1, 376,468
Other	-	121
TOTAL INTEREST EXPENSE	1,879,652	1,671,575

	2012 $	2011 $
d. Impairment losses		
Available for sale assets		
Loans and advances		
Increase in provision for impairment	15,356	23,941
Bad debts written off directly against profit	95	13,118
TOTAL IMPAIRMENT LOSSES	15,451	37,059

e. Other prescribed disclosures

	2012 $	2011 $
General administration - depreciation expense include:		
- Plant and equipment	79,506	97,040
- Leasehold improvements	16,608	5,356
- Amortisation of software	52,385	52,385
	148,499	154,781
General administration – office occupancy costs include:		
Property operating lease payments	112,947	102,061
Other operating expenses include:		
Auditor's remuneration (excluding GST)		
- Audit fees	38,500	37,000
- Other Services – taxation	4,000	3,795
- Other Services – compliance	1,000	1,000
- Other Services – other	6,000	5,500
	49,500	47,295

Audit fees for 2012 were paid or payable to Grant Thornton. (2011 BDO)

		2012 $	2011 $
3.	**INCOME TAX EXPENSE**		
	The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
	Profit	290,625	377,169
	Prima facie tax payable on profit before income tax at 30%	87,188	113,151
	Add tax effect of expenses not deductible		
	- Other non-deductible expenses	-	-
	- franking credit uplift	4,596	4,786
	- origination and usage of timing differences	22,549	(28,450)
	Subtotal	114,333	89,487
	Less		
	- Franking rebate	15,321	15,954
	- Benefit of tax losses not previously recognised	-	6,183
	Income tax provision attributable to current year profit	99,012	67,350
	Overprovision for previous year	(1,430)	-
	Adjustments of a deferred tax asset	(22,102)	28,450
	Total income tax expense in income statement	75,480	95,800

4.	**CASH**		
	Cash on hand	134,679	73,643
	Deposits at call	1,312,012	1,435,613
		1,446,691	1,509,256

5.	**ADVANCES TO OTHER FINANCIAL INSTITUTIONS**			
	Held to Maturity			
	Negotiable Certificates of Deposit		10,932,679	6,483,882
	Receivables			
	Term Deposit		-	1,000,000
	Total Deposits	5a	10,932,679	7,483,882
5a.	**Dissection of Deposits**			
	Deposits with industry bodies – CUSCAL		6,932,679	2,983,882
	Deposits with other societies			1,000,000
	Deposits with banks		4,000,000	3,500,000
			10,932,679	7,483,882

	2012 $	2011 $
6. RECEIVABLES		
Interest receivable on deposits with other financial institutions	89,581	81,094
Prepayments	51,568	58,217
Sundry debtors and settlement accounts	58,093	61,948
	199,242	201,259

7. LOANS TO MEMBERS

a. Amount due comprises:

	2012 $	2011 $
Overdrafts and revolving credit	155,899	247,852
Term loans	45,104,134	45,679,490
Subtotal	45,260,033	45,927,342
Less:		
Unamortised loan origination fees	(18,097)	(25,882)
Subtotal	45,241,936	45,901,460
Less:		
Provision for impaired loans (Note 8)	(10,342)	(1,863)
	45,231,594	45,899,597

b. Credit quality - Security held against loans

	2012 $	2011 $
Secured by mortgage over business assets	-	-
Secured by mortgage over real estate	38,934,973	39,363,064
Partly secured by goods mortgage	4,299,385	4,682,984
Wholly unsecured	2,025,675	1,881,294
	45,260,033	45,927,342

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:

	2012 $	2011 $
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	34,427,764	33,315,596
- loan to valuation ratio of more than 80% but mortgage insured	2,975,950	3,286,194
- loan to valuation ratio of more than 80% and not mortgage insured	1,531,259	2,761,274
Total	38,934,973	39,363,064

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.

	2012 $	2011 $
c. Concentration of loans		
(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 Roads & Maritime Services NSW.		
(iii) Geographical concentrations:		
New South Wales	43,322,889	43,720,869
Victoria	504,942	685,348
Queensland	345,200	550,757
South Australia	16,770	33,478
Western Australia	29,779	36,830
ACT	44,888	93,818
Other	995,565	806,242
	45,260,033	45,927,342

8. PROVISION ON IMPAIRED LOANS

	2012 $	2011 $
a. Total provision comprises		
Collective provisions	10,342	1,863
Individual specific provisions	-	-
Total Provision	10,342	1,863
b. Movement in the provision for impairment		
Balance at the beginning of year	1,863	23,266
Add (deduct):		
Transfers from (to) income statement	15,356	23,941
Bad debts written off provision	(6,877)	(45,344)
Balance at end of year	10,342	1,863

Details of credit risk management is set out in Note 19.

	2012 $	2011 $
c. Impaired loans written off		
Amounts written off against the provision for impaired loans	6,877	45,344
Amounts written off directly to expense	95	13,118
Total bad debts	6,972	58,462
Bad debts recovered in the period	1,005	5,410
Total bad debts recovered	1,005	5,410

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

In the Note below -

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

	2012				2011		
	Carrying value	Value of Impaired Loans	Provision for impairment		Carrying value	Value of Impaired Loans	Provision for impairment
	$	$	$		$	$	$
Loans to members:							
- Mortgages	38,934,973	-	-		39,363,064	-	-
- Personal	6,177,457	12,740	8,693		6,393,086	38,306	1,837
- Overdrafts	147,603	2,239	1,649		171,192	533	26
Total to natural persons	**45,260,033**	**14,979**	**10,342**		**45,927,342**	**38,839**	**1,863**
Corporate borrowers	-	-	-		-	-	-
Total	**45,260,033**	**14,979**	**10,342**		**45,927,342**	**38,839**	**1,863**

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

	2012		2011	
	Carrying Value	Provision	Carrying Value	Provision
	$	$	$	$
Non impaired up to 30 days	45,245,054	-	45,888,973	-
30 to 90 days in arrears	88	36	33,713	-
90 to 180 days in arrears	2,914	1,918	4,592	1,837
180 to 270 days in arrears	11,977	8,388	-	-
270 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	-	-	-	-
Over limit facilities over 14 days	-	-	64	26
Total	45,260,033	10,342	45,927,342	1,863

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

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

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

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

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

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

9. AVAILABLE FOR SALE INVESTMENTS

	2012 $	2011 $
Shares in unlisted companies – at cost		
- Cuscal Limited	166,277	166,277
	166,277	166,277

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.

	2012 $	2011 $
10. PROPERTY, PLANT AND EQUIPMENT		
a. Plant and equipment - at cost	546,083	514,212
Less: provision for depreciation	(452,676)	(400,307)
	93,407	113,905
Capitalised leasehold improvements at cost	351,287	335,491
Less: provision for amortisation	(306,469)	(289,861)
	44,818	45,630
Total Plant and Equipment	138,225	159,535

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

	2012			2011		
	Plant & equipment $	*Leasehold improvements* $	*Total* $	*Plant & equipment* $	*Leasehold improvements* $	*Total* $
Opening balance	113,905	45,630	**159,535**	173,690	4,616	**178,306**
Purchases	59,008	15,796	**74,804**	37,255	46,370	**83,625**
<u>*Less:*</u>						
Assets disposed	-	-	**-**	-	-	**-**
Depreciation charge	(79,506)	(16,608)	**(96,114)**	(97,040)	(5,356)	**(102,396)**
Balance at the end of the year	**93,407**	**44,818**	**138,225**	**113,905**	**45,630**	**159,535**

	2012 $	2011 $
11. TAXATION ASSETS		
Tax Refund Due	-	-
Deferred Tax Assets	70,737	48,635
	70,737	48,635
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	16,538	10,787
Provisions for impairment on loans	3,103	559
Provisions for employee benefits	24,821	21,929
Depreciation on fixed assets	20,846	7,595
Effective Interest Rate	5,429	7,765
	70,737	48,635

12. INTANGIBLE ASSETS

	2012 $	2011 $
Computer software	261,926	261,926
Less provision for amortisation	(186,633)	(134,247)
Total Intangible Assets	75,293	127,679

Movement in the assets balances during the year were :

	2012 $	2011 $
Opening balance	127,679	180,064
Purchases	-	-
Less:		
Assets disposed	-	-
Depreciation charge	(52,386)	(52,385)
Balance at the end of the year	75,293	127,679

	2012 $	2011 $

13. DEPOSITS FROM MEMBERS

	2012 $	2011 $
Member Deposits		
- At call	17,088,083	16,296,594
- Term	27,721,918	25,547,929
Member withdrawable shares	39,460	39,430
	44,849,461	41,883,953

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

Concentration of member deposits

	2012 $	2011 $
(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 by Roads & Maritime Services NSW.

(iii) Geographical concentrations

	2012 $	2011 $
New South Wales	43,368,868	40,929,894
Victoria	636,353	532,424
Queensland	443,496	183,513
South Australia	16,660	14,556
Western Australia	77,310	62,767
ACT	165,150	30,111
Other	141,624	130,688
Total per balance sheet	44,849,461	41,883,953

14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2012 $	2011 $
Annual leave	55,131	53,431
Creditors and accruals	81,663	90,831
Interest payable on deposits	495,238	461,844
Sundry Creditors	97,016	174,147
	729,048	780,253

15. TAXATION LIABILITIES

	2012 $	2011 $
Current income tax liability comprises:		
Balance (refund) – previous year	67,350	(69,106)
Less paid (received)	65,920	(69,106)
(Over) / under statement in prior year	(1,430)	-
Amount written off to tax expense	(1,430)	-
Liability for income tax in current year	99,012	67,350
Less Instalments paid in current year	4,431	-
Balance – current year	94,581	67,350

16. PROVISIONS

	2012 $	2011 $
Long service leave	27,605	19,666
	27,605	19,666

17. CAPITAL RESERVE ACCOUNT

	2012 $	2011 $
Balance at the beginning of the year	28,810	26,980
Transfer from retained earnings on share redemptions	1,310	1,830
Balance at the end of year	30,120	28,810

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.

18. GENERAL RESERVE FOR CREDIT LOSSES

	2012 $	2011 $
General reserve for credit losses	461,067	461,067
Other reserve for credit losses	-	-
	461,067	461,067

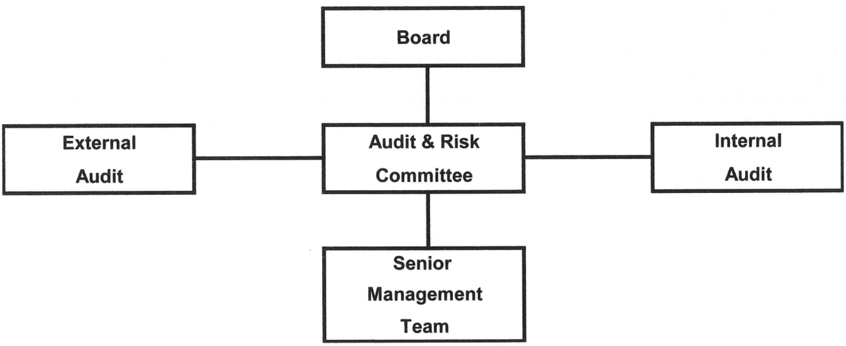
General reserve for credit losses
This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA

	2012 $	2011 $
Balance at beginning of year	461,067	461,067
Add: increase (decrease) transferred from retained earnings	-	-
Balance at end of year	461,067	461,067

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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



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

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

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

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

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

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

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

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

A. MARKET RISK

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

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

Day to day management of market risk is the responsibility of senior management, with monthly and quarterly reporting going to the Board via the Audit and Risk Committee.

(i) INTEREST RATE RISK

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

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

Interest rate risk in the banking book

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

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

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

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

Method of managing risk

The credit union manages it 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 2012 the increase in net profit for a 1% increase in interest rates would be $76,262 (2011: $32,384).

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

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

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

B. LIQUIDITY RISK

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

The credit union manages liquidity risk by:

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

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

The credit union is required to maintain at least 9% of total 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:

	2012	2011
Liquid funds to total adjusted liabilities		
As at 30 June	23.55%	16.17%
Average for the year	21.13%	17.64%
Minimum during the year	15.96%	15.13%
Liquid funds to total member deposits		
As at 30 June	27.60%	19.08%

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:

	2012			2011		
	Carrying value	Commitments	Max exposure	Carrying value	Commitments	Max exposure
	$	$	$	$	$	$
Mortgage	38,934,973	6,083,887	45,018,860	39,363,064	5,446,599	44,809,663
Personal	6,177,457	748,435	6,925,892	6,393,086	703,405	7,096,491
Overdrafts	147,603	168,729	316,332	171,192	144,440	315,632
Total to natural persons	45,260,033	7,001,051	52,261,084	45,927,342	6,294,444	52,221,786
Corporate borrowers	-	-	-	-	-	-
Total	45,260,033	7,001,051	52,261,084	45,927,342	6,294,444	52,221,786

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

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

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

The credit union has established policies over the:

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

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

Past due and impaired

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

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

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

Balance sheet provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the credit union's loan portfolio from individually identified loans.

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

The provisions for impaired and past due exposures relate to the loans to members.
Past due value is the 'on balance sheet' 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 increase of the Loan to Valuation Ratio (LVR) should the property market be subject to a significant decline.

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

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 Roads & Maritime Services NSW. This concentration is considered acceptable on the basis that the credit union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 7.

(ii) CREDIT RISK – LIQUID INVESTMENTS

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

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

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

External Credit Assessment for Institution Investments

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

The exposure values associated with each investment are as follows:

	2012	2011
Investments with	Carrying value	Carrying value
Cuscal – rated AA-	6,932,679	2,983,882
Banks – rated A or above	4,000,000	3,500,000
Unrated		1,000,000
Total	10,932,679	7,483,882

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:

	2012	2011
Tier 1		
Capital reserve	30,120	28,810
Retained earnings	8,057,149	7,885,021
	8,087,269	7,913,831
Less prescribed deductions	(207,067)	(259,453)
Net tier 1 capital	7,880,202	7,654,378
Tier 2		
Reserve for credit losses	355,910	355,910
Less prescribed deductions	(83,139)	(83,139)
Net tier 2 capital	272,771	272,771
Total Capital	8,152,973	7,927,149

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

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

		Carrying Value	Risk Weighted Value
Credit Risk			
On Balance Sheet Assets:			
Cash	0%	134,679	-
Deposits in highly rated ADIs	20%	8,334,273	1,666,855
Deposits in less highly rated ADIs	50%-100%	4,000,000	2,000,000
Standard Loans secured against eligible residential mortgages up to 80% LVR	35%	32,941,283	11,529,448
Standard Loans secured against eligible residential mortgages over 80% LVR	35% - 75%	4,507,209	1,877,253
Non-standard mortgage loans	50%-75%	1,225,324	791,142
Investments in equity instruments	150%	-	-
Other assets	100%	6,890,205	6,890,205
Total			24,754,903
Off Balance Sheet Assets			496,060
Total Credit Weighted Risk			25,250,963
Operational Risk			3,238,052
Total Risk Weighted Value			**28,489,015**

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

2012	2011	2010	2009	2008	2007
28.62%	27.34%	29.83%	29.09%	30.14%	26.93%

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.

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 \$259,044 (30th June 2012).

20. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2012 $	2011 $
Financial assets - carried at amortised cost			
Cash	4	1,446,691	1,509,256
Receivables from financial institutions -	5	10,932,679	7,483,882
Receivables	6	147,674	143,042
Loans to members	7 & 8	45,231,594	45,899,597
Total loans and receivables		57,758,638	55,035,777
Available for sale investments - carried at cost	9	166,277	166,277
TOTAL FINANCIAL ASSETS		57,924,915	55,202,054
Financial liabilities			
Deposits from other Financial Institutions		4,000,000	4,500,000
Deposits from members	13	44,849,461	41,883,953
Creditors	14	673,917	699,224
Total carried at amortised cost		49,523,378	47,083,177
TOTAL FINANCIAL LIABILITIES		49,523,378	47,083,177

Financial Assets at Fair Value

Fair value measurement at end of the reporting period using:

	Balance	Level 1	Level 2	Level 3
Equity investments	166,277	-	-	166,277
Total	166,277	-	-	166,277

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.

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 balance sheet.

2012	Within 1 month $,000	1-3 months $,000	3-12 months $,000	1-5 years $,000	After 5 years $,000	No Maturity $,000	Total $,000
ASSETS							
Cash	1,447	-	-	-	-	-	1,447
Advances to financial institutions	3,526	5,027	2,547	-	-	-	11,100
Receivables	57	-	-	-	-	-	57
Available for sale investments	-	-	-	-	-	166	166
Loans & Advances	486	1,088	4,317	20,171	53,507	-	79,569
On Balance Sheet	**5,516**	**6,115**	**6,864**	**20,171**	53,507	**166**	**92,339**
Total financial Assets	**5,516**	**6,115**	**6,864**	**20,171**	53,507	**166**	**92,339**
LIABILITIES							
Creditors	165	-	-	-	-	-	165
Deposits from other financial institutions	2,028	2,016	-	-	-	-	4,044
Deposits from members: - At call	17,088	-	-	-	-	-	17,088
- Term	2,547	9,949	12,337	3,548	-	-	28,381
On Balance sheet	**21,828**	**11,965**	**12,337**	**3,548**	**-**	**-**	**49,678**
Undrawn commitments	7,001	-	-	-	-	-	7,001
Total Financial Liabilities	**28,829**	**11,965**	**12,337**	**3,548**	-	-	**56,679**

2011	Within 1 month $,000	1-3 months $,000	3-12 months $,000	1-5 years $,000	After 5 years $,000	No Maturity $,000	Total $,000
ASSETS							
Cash	1,509	-	-	-	-	-	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	20,794	61,865	-	88,895
On Balance Sheet	**5,890**	**3,439**	**6,102**	**20,794**	**61,865**	**166**	**98,256**
Total financial Assets	**5,890**	**3,439**	**6,102**	**20,792**	**61,865**	**166**	**98,256**
LIABILITIES							
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
On Balance sheet	**25,876**	**11,158**	**10,417**	**131**	**-**	**-**	**47,582**
Undrawn commitments	6,294	-	-	-	-	-	6,294
Total Financial Liabilities	**32,170**	**11,158**	**10,417**	**131**	-	-	**53,876**

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.

2012	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash	1,312	-	-	-	-	134	1,446
Receivables	-	-	-	-	-	146	146
Advances to other financial Institutions	3,474	4,963	2,495	-	-	-	10,932
Loans and advances	42,577	-	2,655	-	-	-	45,232
Other Investments	-	-	-	-	-	166	166
Total Financial Assets	**47,363**	**4,963**	**5,150**	**-**	**-**	**446**	**57,922**
LIABILITIES							
Creditors	-	-	-	-	-	660	660
Deposits from other Financial institutions	2,000	2,000	-	-	-		4,000
Deposits from members:							
- At Call	17,088	-	-	-	-	39	17,127
- Term	2,925	9,691	11,862	3,244	-		27,722
On Balance sheet	**22,013**	**11,691**	**11,862**	**3,244**	**-**	**699**	**49,509**
Undrawn commitments Note 24	7,001				-		7,001
Total Financial Liabilities	**29,014**	**11,691**	**11,862**	**3,244**	**-**	**699**	**56,510**

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
ASSETS							
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
Total Financial Assets	**43,064**	**2,494**	**9,260**	**-**	**-**	**382**	**55,200**
LIABILITIES							
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
On Balance sheet	**25,472**	**10,826**	**9,931**	**116**	**-**	**738**	**47,083**
Undrawn commitments Note 24	6,294	-	-	-	-	-	6,294
Total Financial Liabilities	**31,766**	**10,826**	**9,931**	**116**	**-**	**738**	**53,377**

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

	2012			2011		
	Fair Value	**Carrying Value**	**Variance**	**Fair Value**	**Carrying Value**	**Variance**
	$,000	$,000	$,000	$,000	$,000	$,000
FINANCIAL ASSETS						
Cash	1,447	1,447	-	1,509	1,509	-
Receivables (1)	148	148	-	143	143	-
Advances to other financial institutions	10,933	10,933	-	7,483	7,483	-
Loans and advances	45,233	45,232	1	45,888	45,899	(11)
Other Investments	166	166	-	166	166	-
Total Financial Assets	57,927	57,926	1	55,189	55,200	(11)
FINANCIAL LIABILITIES						
Deposits from other financial institutions	4,000	4,000	-	4,500	4,500	-
Creditors (1)	674	674	-	699	699	-
Deposits from members:						
- At Call	17,128	17,128	-	16,336	16,336	-
- Term	27,881	27,722	159	25,612	25,548	64
Total Financial Liabilities	49,683	49,524	159	47,147	47,083	64

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

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

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

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

Loans and advances

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

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

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

Deposits from members

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

		2012 $	2011 $
24.	**FINANCIAL COMMITMENTS**		
a.	**Outstanding loan commitments**		
	The loans approved but not funded	926,060	220,000
b.	**Loan redraw facilities**		
	The loan redraw facilities available	6,812,247	5,930,005
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	336,575	400,300
	Less: Amount advanced	(167,846)	(255,861)
	Net undrawn value	168,729	144,439
	These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
	Total financial commitments	7,907,036	6,294,444

Expenditure commitments

	2012 $	2011 $
d. Computer expenditure commitments		
The committed costs for computer expenditure by the credit union is:		
Not later than one year	135,990	120,098
Later than 1 year but not 2 years	150,474	114,898
Later than 2 years but not 5 years	4,303	142,583
Later than 5 years	-	-
	290,767	377,579
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	117,726	107,271
Later than one year but not later than five years	29,432	27,141
Over five years		
	147,158	134,412

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

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

	2012 $	2011 $
f. Computer Bureau Charges		
Not later than one year	27,120	18,480
Later than 1 year but not 2 years	27,120	18,480
Later than 2 years but not 5 years	27,120	36,960
Later than 5 years	-	-
	81,360	73,920

25. STANDBY BORROWING FACILITIES

The credit union has a borrowing facility with Cuscal limited of:

2012

	Gross	Current Borrowing	Net Available
	$	$	$
Loan facility	100,000	-	100,000
Overdraft facility	500,000	-	500,000
TOTAL STANDBY BORROWING FACILITIES	600,000	-	600,000

2011

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

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 2 members (2011 - 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:

		2012		2011	
		Directors	**Other KMP**	**Directors**	**Other KMP**
		$	$	$	$
(a)	short-term employee benefits;	-	274,400	-	395,534
(b)	post-employment benefits - superannuation contributions	-	24,696	-	35,328
(c)	other long-term benefits – net increases in long service leave provision	-	4,881	-	(12,384)
(d)	termination benefits;	-	-	-	35,146
(e)	share-based payment.			-	
	Total	-	303,977	-	453,624

In the above table, remuneration shown as short term benefits means (where applicable) **wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received,** but excludes out of pocket expense reimbursements.

	2012 $	2011 $
b. Loans to Directors and other Key Management Persons		
(i) The aggregate value of loans to directors and other key management persons as at balance date amounted to	234,381	275,925
(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	21,109	23,772

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 –

	2012 $	2011 $
Total value Term and Savings Deposits from KMP	529,017	519,449
Total Interest paid on deposits to KMP	23,377	25,446

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 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.

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

	2012 $	2011 $
a. Reconciliation of Cash		
Cash on Hand	134,679	73,643
Deposits at Call	1,312,012	1,435,613
	1,446,691	1,509,256
b. Reconciliation of Cash from Operating Activities to Operating Profit		
Profit after Income Tax	215,145	281,369
Add:		
Increases in Amortised fees on loans	(7,785)	4,067
Increase in Provisions for Loans	8,479	23,941
Bad debts written off	95	13,118
Depreciation	96,114	102,396
Loss on sale of fixed assets	-	-
Amortisation of Intangible assets	52,385	52,385
Increases in Liabilities		
Creditors and Accruals	(3,187)	(5,782)
Interest Payable	33,394	145,934
Staff Entitlements	9,639	(33,897)
Income Tax	27,231	136,456
Increases in Assets		
Interest Receivable - Deposits FI's	(8,487)	(40,153)
Prepayments	6,646	(9,857)
Deferred Tax Asset	(22,102)	28,448
Net Cash From Operating Activities	407,567	698,425

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
The address the principal place of business is	Level 2 KMS Building 8-24 Kippax Street SURRY HILLS NSW 2010

The nature of the operations, and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the credit union.

RTA staff credit union

your road to financial success

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