RTA staff credit union

your road to financial success

2010 ANNUAL

FINANCIAL REPORT

Registered Office:

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

ABN : 78 087 650 600
AFSL : 240718

Notice of 46th Annual General Meeting

The 46th Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600 – AFSL 240718) will be held in the Bradfield Room at the North Sydney Harbourview Hotel, 17 Blue Street, North Sydney, on Friday 26th November 2010, commencing at 6.00pm.

Members of the Board of Directors

Noel Hancock	Chairman and Audit Committee Member
Vince Taranto	Deputy Chairman
Anthony Dann	Audit Committee Chairman
Glen Morgan	Director
Meredyth-Ann Williams	Director and Audit Committee Member
Jacqui McDonald	Director

Associate Directors*

Ann King	Associate Director
Clement Siu	Associate Director

* The Credit Union's Associate Directorship programme provides interested members the opportunity to gain experience and understanding of board and governance matters prior to running for a full board position in future. Associates have no voting rights.

Administration

John Kavalieros	Chief Executive Officer & Company Secretary
Kathy Loutas	Finance Manager
Sharon Farrar	Operations Manager
Helen Portelli	Business Development Officer
Diane Tripp	Loans Officer
Greg Arvanitakis	Loans Officer
Hayley Eggleton	Branch Administrator
Kirbie Parker	Branch Officer

External Auditors

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

Internal Auditors

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 2010

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 promotes Credit Unions and provides assistance with banking, electronic funds transfer and other services. Refer Note 28 for further information.
		Note: Any further reference to the "company" is reference to R.T.A. Staff Credit Union Limited (the Credit Union) and vice versa. R.T.A. Staff Credit Union Limited (ABN 78 087 650 600) is a public company limited by shares, under the Corporations Act 2001.

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KEY STATISTICS OF THE CREDIT UNION

	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Members (No.)	4832	3822**	3925	4016	4,028
Deposits $	33,455,548	35,038,046	35,858,030	39,996,903	38,058,113
Average Member Deposits $	6,924	9,158	9,136	9,959	9,448
Loans $	32,649,038	34,568,381	36,583,109	34,920,525	43,339,694
Average Loan balances $	6,757	9,045	9,321	8,695	10,760
Loans funded in the year $M	9.4	10.6	10.4	8.7	16.8
Bad debts written off against profit $	-	-	-	-	-
Capital Adequacy ratio %	24.35%	26.93%	30.14%	29.09%	29.83%
Total Reserves $	7,200,728	7,596,234	7,865,973	7,895,882	8,063,529
Total Assets $	41,066,834	43,257,570	44,730,341	48,530,985	51,589,969
Reserves to Assets %	17.53%	17.56%	17.59%	16.27%	15.63%
Return/Average Assets %	0.94%	0.94%	0.63%	0.06%	0.33%
Staff / Member ratio	1:966	1:546	1:436	1:502	1:503
Staff / Assets ratio	1:$8.21M*	1:$6.18m	1:$4.97m	1:$6.07M	1:$6.05M

PRODUCTS

Loans		Deposit and Access	
FastRoad Home loan		At Call Savings	
1 Year Fixed Home loan		Fixed Term Deposits	
Other Housing loans or Investment loans		Bpay	
Red Hot Car Loan		Bank@Post	
Other Car loans		Visa Debit Card	
Personal Loans		Payroll Deposits and Direct Credits	
Personal Overdrafts		Direct Debits	
Other Services			
NetTeller – Internet banking		Financial Planning Services and Stockbroking	
Telephone banking		Travellers Cheques and Cash Passport	
SMS Banking		ATM and EFTPOS access	
Cash Dispensing Machines			

CHAIRMAN'S REPORT

I am pleased, on behalf of the Board of Directors of the R.T.A. Staff Credit Union, to present our 46th Annual Report for the financial year ended 30 June 2010.

The Year in Review

The beginning of the 2009 - 2010 financial year was again very challenging for the Credit Union and management introduced strict cost cutting measures to attempt to bring the Credit Union back to a more profitable basis. I am pleased to say that with the co-operation of all staff and the Reserve Bank increasing interest rates that the measures have been successful and that the Credit Union has completed the year with a much better result than last year. However, the Board and Management have continued with a conservative approach to operating the Credit Union given that the global financial situation is still not totally stable.

The Australian economic conditions improved throughout the year and the Credit Union's business has improved at the same time. We looked very closely at the business environment on a monthly basis throughout the year and took decisive action to ensure the best outcomes for the Credit Union based on those conditions.

Members of the Board and Management met with the representatives of the regulator APRA throughout the year to keep them appraised of the Credit Union's progress and future directions to ensure that they had no issues with what was taking place and what was proposed. I am pleased to report that there were no major issues raised.

As you are probably aware there has been a lot of merger activity in the Credit Union sector in recent years. Towards the end of the year the Credit Union received two approaches from other Credit Unions with offers of mergers. The Board and Management carefully considered these approaches and decided that as the Credit Union was operating well and would be financially viable for the foreseeable future now was not the time to spend considerable time and money to carry out full due diligence investigations into the proposals and the approaches were respectfully declined.

Highlights 2009-2010

- Loan Funding of $16.8 million, compared with $8.7 million in the previous year.
- Members equity (reserves) increased by $167,647 (2009 - $29,909).
- Membership steady even though a purge of dormant members was carried out.
- Bad and Doubtful Debts remained very low even though loan funding was the largest ever in the Credit Union's history.

Operating profit for the year before tax was $177,685 (2009 $39,163). The after tax profit of $167,647 (2009 $29,909) represents a return of 0.33% on average assets (2009 - 0.06%). The profit this year shows a return closer to normal levels following the reduced effects of the Global Financial Crisis in Australia and the lifting of interest rates by the Reserve Bank.

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 2009 - 2010.

The Year Ahead

The year ahead will focus on consolidating the Credit Union's standing amongst members. It is proposed that a member survey be conducted to find out what members want from the Credit Union, what we could do better or differently and what products members may want that we do not currently supply. You can be assured that we will continue to expand our presence in RTA locations with cash dispensing machines, continued business development promotions and support of the RTA Recreation Club.

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 ongoing support.

Hancock

Noel J T Hancock
Chairman

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2010. The Credit Union is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

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

Name	*Position*	*Qualifications*	*Experience*	*Responsibilities*
Noel J. T. Hancock	Chairman	BBus, CPA, FAMI	14 Years	Chairman, Audit Committee Member
Robert G. Morgan	Director	Cert L&E Srv, Cert TEPC, FAMI	21 Years	Product Innovation Committee Member
Vincent E. Taranto	Deputy Chairman	BSc, DipTCP, MAMI	12 Years	Deputy Chairman, Product Innovation Committee Member
Meredyth-Ann Williams	Director	DipTeach, B.A (Psych), Hons (Psych), MAMI	5 Years	Audit Committee Member
Anthony J. Dann	Director	BEc, CPA, MAcc, MAMI, MAGPI	4 Years	Audit Committee Chairman
Jacqui McDonald	Director	MAMI	2 Years	
Stuart J.D. Hill	Director	BTP(Hons), M Env Mgt, Dip Law, MAMI	< 2 Years	Product Innovation Committee Member (to Jan 10)

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

Name	*Qualifications*	*Experience*
John Kavalieros	DipFS, AIM, FAMI	14 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*
Ann King	Dip BA (UK), MAMI	1 year
Clement Siu	B.Com, CPA, AAMI	< 1 year

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

Director	**Board**		**Audit Committee**	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J.T. Hancock	12	12	9	9
Robert G. Morgan	12	11 8		
Vincent E. Taranto	12	~~8~~ 11		
Meredyth-Ann Williams	12	12	9	9
Anthony J. Dann	12	11	9	8
Jacqui McDonald	12	11		
Stuart J.D. Hill	12	6		

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 $167,647 (2009 - $29,909).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

(i) The operations of the Credit Union;

(ii) The results of those operations; or

(iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

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

Noel J.T. Hancock
Chairman of the Board

Anthony J. Dann
Chairman of the Audit Committee

Signed and dated this 29th day of September 2010

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

As lead auditor of RTA Staff Credit Union Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been no contraventions of;

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

Max Perry
Director, BDO Audit (NSW-VIC) Pty Ltd.
Signed and dated this 28th day of September 2010

INDEPENDENT AUDITOR'S REPORT

To the members of RTA Staff Credit Union Limited

Report on the Complete Set of Financial Statements

We have audited the accompanying complete set of financial statements of RTA Staff Credit Union Limited (credit union), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year on that date, a summary of significant accounting policies, other explanatory notes and the director's declaration.

Director's Responsibility for the Complete Set of Financial Statements

The directors of the credit union are responsible for the preparation and fair presentation of the complete set of financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the complete set of financial statements that is free from material misstatements, whether due to fraud or error: selecting and applying appropriate policies: and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements,* that compliance with the Australian equivalent to International Financial Reporting Standards ensures that the complete set of financial statements, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the complete set of financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the complete set of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the complete set of financial statements 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 controls. 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 complete set of financial statements.

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 this auditor's report was made.

Auditor's Opinion

In our opinion

a. the complete set of financial statements 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 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001;* and

b. the complete set of financial statements also complies with the International Financial Reporting Standards as disclosed in Note 1.

BDO Audit (NSW-VIC) Pty Ltd

Max Perry

Director

Sydney, 30 September, 2010

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 2010 and of its performance for the year ended on that date.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Noel J.T. Hancock
Chairman
Dated this 29th Day of September 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Interest revenue	2.a	2,887,356	3,435,927
Interest expense	2.c	1,084,128	1,694,506
Net interest income		1,803,228	1,741,421
Fee commission and other income	2.b	202,668	188,412
		2,005,896	1,929,833
Less			
Non interest expenses			
Impairment losses on loans receivable from members	2.d	25,964	(10,461)
Fee and commission expenses		117,195	54,166
General administration			
- Employees compensation and benefits		637,380	812,323
- Depreciation and amortisation	2.e	148,530	103,149
- Information technology		272,951	382,921
- Office occupancy		96,542	91,553
- Other administration		126,398	165,869
Other operating expenses		403,251	291,150
Total non interest expenses		1,828,211	1,890,670
Profit before income tax		177,685	39,163
Income tax expense	3	10,038	9,254
Profit after income tax		167,647	29,909
Other Comprehensive Income		-	-
Total Comprehensive Income		167,647	29,909

STATEMENT OF CHANGES IN MEMBER EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Capital Reserve	Retained Earnings	Reserve for Credit Losses	Total
Total at 1 July 2008	24,000	7,380,906	461,067	7,865,973
Net Profit for the Period	-	29,909	-	29,909
Transfers to Reserves	1,240	(1,240)	-	-
Total as at 30 June 2009	25,240	7,409,575	461,067	7,895,882
Net Profit for the Period	-	167,647	-	167,647
Transfers to Reserves	1,740	(1,740)	-	-
Total as at 30 June 2010	26,980	7,575,482	461,067	8,063,529

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
ASSETS			
Cash	4	1,457,923	3,255,507
Receivables from financial institutions	5	5,977,843	9,399,540
Receivables	6	143,673	155,272
Loans to members	7 & 8	43,339,694	34,920,525
Available for sale investments	9	166,277	166,277
Property, plant and equipment	10	178,306	178,509
Taxation assets	11	146,189	222,906
Intangible assets	12	180,064	232,449
TOTAL ASSETS		51,589,969	48,530,985
LIABILITIES			
Payables to other financial institutions		4,750,000	-
Deposits from members	13	38,058,113	39,996,903
Creditor accruals and settlement accounts	14	675,035	586,071
Taxation liabilities	15	-	-
Provisions	16	43,292	52,129
TOTAL LIABILITIES		43,526,440	40,635,103
NET ASSETS		8,063,529	7,895,882
MEMBERS' EQUITY			
Capital reserve account	17	26,980	25,240
Reserves	18	461,067	461,067
Retained earnings		7,575,482	7,409,575
TOTAL MEMBERS' EQUITY		8,063,529	7,895,882

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
OPERATING ACTIVITIES			
Revenue Inflows			
Interest Received		2,903,751	3,453,260
Fees and Commissions		147,683	137,712
Dividends Received		20,785	41,089
Other Income		34,191	8,251
Less: Revenue Outflows			
Interest Paid		(1,105,455)	(1,672,798)
Suppliers and Employees		(1,652,688)	(1,844,632)
Income Taxes Refunded (Paid)		66,679	(133,243)
Net Cash From Revenue Activities	31.b	414,946	(10,361)
Inflows from Other Operating Activities			
Increase in Member Deposits (Net movement)		-	3,793,653
Net decrease in member loans		-	1,676,705
Net decrease in receivables from other FIs		3,421,697	-
		3,421,697	5,470,358
Outflows from Other Operating Activities			
Decrease in Member Deposits (Net movement)		(1,851,058)	-
Increase in member loans		(8,436,577)	-
Increase in Receivables from other FIs			(3,510,111)
		(10,287,635)	(3,510,111)
Net Cash from all Operating Activities		(6,450,992)	1,949,886
INVESTING ACTIVITIES			
Inflows			
Proceeds of investment redemption		-	-
Proceeds on sale of property, plant and equipment		17,450	-
Less: Outflows			
Purchases of fixed assets		(114,042)	(97,327)
Purchase of Intangible Assets		-	(231,656)
Net Cash From Investing Activities		(96,592)	(328,983)
FINANCING ACTIVITIES			
Increase in Payables from other FIs		4,750,000	-
Net Cash From Financing Activities		4,750,000	-
Total Net Cash Increase/(Decrease)		(1,797,584)	1,620,903
Cash at the beginning of the year		3,255,507	1,634,604
Cash at end of year	31.a	1,457,923	3,255,507

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 2010. The report was authorised for issue on 29 September 2010 in accordance with a resolution of the board of directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of Measurement

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

b. Loans to Members

(i) Basis of recognition

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

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

(ii) Interest earned

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES Continued

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

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

(iv) **Transaction costs**

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

(v) **Fees on loans**

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

(vi) **Net gains and losses**

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

c. Loan Impairment

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

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

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

An assessment is made at each balance 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 a income tax benefit to be obtained.

m. Intangible Assets

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

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

n. Goods and Services Tax

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

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the 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. 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.

p. 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.

q. New or Emerging Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	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	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

		2010 $	2009 $
2.	**STATEMENT OF COMPREHENSIVE INCOME**		
a.	**Analysis of interest revenue**		
	Interest revenue on assets carried at amortised cost		
	Cash – deposits at call	-	93,180
	Receivables from financial institutions	300,737	441,707
	Loans to members	2,586,619	2,901,040
	TOTAL INTEREST REVENUE	2,887,356	3,435,927
b.	**Fee, commission and other income**		
	Fee and commission revenue		
	Fee income on loans – other than loan origination fees	20,262	32,679
	Other fee income	53,388	60,092
	Insurance commissions	42,277	13,618
	Other commissions	31,756	32,683
	TOTAL FEE AND COMMISSION REVENUE	147,683	139,072
	Dividends received on available for sale assets	20,785	41,089
	Bad debts recovered	3,561	1,556
	Gain on disposal of assets	9	-
	- Property, plant and equipment		-
	Miscellaneous revenue	30,630	6,695
	TOTAL FEE COMMISSION AND OTHER INCOME	202,668	188,412

		2010 $	2009 $
c.	**Interest expenses**		
	Interest expense on liabilities carried at amortised cost		
	Deposits from other financial institutions	75,235	24,027
	Deposits from members	1,008,433	1,562,629
	Other	460	107
	Long term borrowings	-	107,743
	TOTAL INTEREST EXPENSE	1,084,128	1,694,506
d.	**Impairment losses** **Available for sale assets**		
	Loans and advances		
	Increase in provision for impairment	25,964	(10,461)
	Bad debts written off directly against profit	-	-
	TOTAL IMPAIRMENT LOSSES	25,964	(10,461)
e.	**Other prescribed disclosures**		
	General administration - employees costs include:		
	- net movement in provisions for employee leave	(14,987)	(15,380)
	General administration - depreciation expense include:		
	- Plant and equipment	93,418	70,462
	- Leasehold improvements	2,727	3,210
	- Amortisation of software	52,385	29,477
		148,530	103,149
	General administration – office occupancy costs include:		
	Property operating lease payments	96,542	91,553
	Other operating expenses include:		
	Auditor's remuneration (excluding GST)		
	- Audit fees	35,190	35,190
	- Other Services – taxation	3,100	3,100
	- Other Services – compliance	2,000	2,000
	- Other Services – other	5,500	5,500
		45,790	45,790

3. INCOME TAX EXPENSE

a. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2010 $	2009 $
Profit	177,685	39,163
Prima facie tax payable on profit before income tax at 30%	53,306	11,749
Add tax effect of expenses not deductible		
- Other non-deductible expenses	157	212
- franking credit uplift	2,672	5,283
Subtotal	56,135	17,244
Less		
- Franking rebate	6,185	-
- Benefit of tax losses not previously recognised	29,664	-
- Effect of s23(g) transitional rate provisions	20,286	15,000
Income tax expense attributable to current year profit	-	2,244
Underprovision for previous year	-	574
Write-down and/or reversal of previous write-down of a deferred tax asset	10,038	6,436
Total income tax expense in income statement	10,038	9,254

	2010 $	2009 $
4. CASH		
Cash on hand	89,378	68,731
Deposits at call	1,368,545	3,186,776
	1,457,923	3,255,507

5. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	2010 $	2009 $
Deposits with industry bodies - Cuscal (refer note 28)	5,977,843	9,399,540
	5,977,843	9,399,540

6. RECEIVABLES

	2010 $	2009 $
Interest receivable on deposits with other financial institutions	40,941	49,358
Prepayments	48,357	49,343
Sundry debtors and settlement accounts	54,375	56,571
	143,673	155,272

7. LOANS TO MEMBERS

a. Amount due comprises:

	2010 $	2009 $
Overdrafts and revolving credit	291,588	311,384
Term loans	43,093,187	34,636,814
Subtotal	43,384,775	34,948,198
Less:		
Unamortised loan origination fees	(21,815)	(13,837)
Subtotal	43,362,960	34,934,361
Less:		
Provision for impaired loans (Note 8)	(23,266)	(13,836)
	43,339,694	34,920,525

b. Credit quality - Security held against loans

	2010 $	2009 $
Secured by mortgage over business assets	-	-
Secured by mortgage over real estate	38,057,305	30,066,905
Partly secured by goods mortgage	3,827,436	3,435,448
Wholly unsecured	1,500,034	1,445,845
	43,384,775	34,948,198

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:

	2010 $	2009 $
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	32,159,200	26,670,491
- loan to valuation ratio of more than 80% but mortgage insured	4,243,478	2,808,874
- loan to valuation ratio of more than 80% and not mortgage insured	1,654,627	587,540
Total	38,057,305	30,066,905

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.

c. Concentration of loans

		2010 $	2009 $
(i)	Loans to Individual or related groups of members which exceed 10% of total members' equity	-	-
	Total	-	-

(ii) A significant proportion of Member loans at balance date were funded to individuals employed by the Roads and Traffic Authority of New South Wales.

(iii) Geographical concentrations:

	2010 $	2009 $
New South Wales	41,653,085	33,707,906
Victoria	627,337	511,404
Queensland	455,352	325,489
South Australia	49,386	21,322
Western Australia	42,450	87,970
ACT	40,533	60,026
Other	516,632	234,081
	43,384,775	34,948,198

(iv) Loans to natural persons:

	2010 $	2009 $
Residential loans and facilities	33,646,570	25,864,896
Personal loans and facilities	9,738,205	9,083,302
Business loans and facilities	-	-
	43,384,775	34,948,198

		2010 $	2009 $
8.	**PROVISION ON IMPAIRED LOANS**		
a.	**Total provision comprises**		
	Collective provisions	23,266	10,218
	Individual specific provisions	-	3,618
	Total Provision	23,266	13,836
b.	**Movement in the provision for impairment**		
	Balance at the beginning of year	13,836	25,178
	Add (deduct):		
	Transfers from (to) income statement	25,964	(10,461)
	Bad debts written off provision	(16,534)	(881)
	Balance at end of year	23,266	13,836

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

		2010 $	2009 $
c.	**Impaired loans written off**		
	Amounts written off against the provision for impaired loans	16,534	881
	Amounts written off directly to expense	-	-
	Total bad debts	16,534	881
	Bad debts recovered in the period	3,578	1,556
	Total bad debts recovered	3,578	1,556

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

	2010				2009		
	Carrying value	Value of Impaired Loans	Provision for impairment		Carrying value	Value of Impaired Loans	Provision for impairment
	$	$	$		$	$	$
Loans to members:							
- Mortgages	38,224,837	-	-		30,066,905	-	-
- Personal	5,037,163	53,060	18,730		4,730,470	13,824	13,824
- Overdrafts	122,775	4,710	4,536		150,823	12	12
Total to natural persons	**43,384,775**	**57,770**	**23,266**		**34,948,198**	**13,836**	**13,836**
Corporate borrowers					-	-	-
Total	**43,384,775**	**57,770**	**23,266**		**34,948,198**	**13,836**	**13,836**

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

	2010		2009	
	Carrying Value	Provision	Carrying Value	Provision
	$	$	$	$
Non impaired up to 30 days	43,327,005	-	34,876,476	-
30 to 90 days in arrears	26,752	-	57,886	-
90 to 180 days in arrears	5,790	2,316	4,125	4,125
180 to 270 days in arrears	-	-	2,840	2,840
270 to 365 days in arrears	20,517	16,414	-	-
Over 365 days in arrears	-	-	6,859	6,859
Over limit facilities over 14 days	4,711	4,536	12	12
Total	43,384,775	23,266	34,948,198	13,836

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
2010					
Mortgage secured	-				-
Personal loans	26,752				26,752
Overdrafts	388				388
Total	**27,140**				**27,140**
2009	**1- 3 Months**	**3-6 Months**	**6-12 Months**	**> 1 Year**	**Total**
Mortgage secured	-	-	-	-	-
Personal loans	57,897	-	-	-	57,897
Overdrafts	284	-	-	-	284
Total	**58,181**	**-**	**-**	**-**	**58,181**

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

	2010 $	2009 $
9. AVAILABLE FOR SALE INVESTMENTS		
Shares in unlisted companies – at cost		
- Cuscal Limited	166,277	166,277
	166,277	166,277

Cuscal Limited

The shareholding in Cuscal Limited is reported at cost as its fair value could not be measured reliably. CUSCAL was created to supply services to member Credit Unions. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 28. The shares are only tradeable in a restricted market.

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

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

		2010 $	2009 $
10.	**PROPERTY, PLANT AND EQUIPMENT**		
a.	**Plant and equipment - at cost**	476,956	564,562
	Less: provision for depreciation	(303,266)	(392,668)
		173,690	171,894
	Capitalised leasehold improvements at cost	289,121	288,918
	Less: provision for amortisation	(284,505)	(282,303)
		4,616	6,615
	Total Plant and Equipment	178,306	178,509

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

	2010			**2009**		
	Plant & equipment	*Leasehold improvements*	*Total*	*Plant & equipment*	*Leasehold improvements*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
Opening balance	171,894	6,615	178,509	145,028	9,825	154,853
Purchases	113,314	728	114,042	97,328	-	97,328
<u>Less:</u>						
Assets disposed	(18,100)		(18,100)	-		-
Depreciation charge	(93,418)	(2,727)	(96,145)	(70,462)	(3,210)	(73,672)
Balance at the end of the year	173,690	4,616	178,306	171,894	6,615	178,509

	2010 $	2009 $
11. TAXATION ASSETS		
Tax Refund Due	69,106	135,251
Deferred Tax Assets	77,083	87,655
	146,189	222,906
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	12,145	10,566
Provisions for impairment on loans	6,980	4,151
Provisions for employee benefits	32,098	36,595
Depreciation on fixed assets	19,315	32,192
Effective Interest Rate	6,545	4,151
	77,083	87,655

12. INTANGIBLE ASSETS

	2010 $	2009 $
Computer software	261,926	261,926
Less provision for amortisation	(81,862)	(29,477)
Total Intangible Assets	180,064	232,449

Movement in the assets balances during the year were :

	2010 $	2009 $
Opening balance	232,449	30,270
Purchases	-	231,656
Less:		
Assets disposed		
Depreciation charge	(52,385)	(29,477)
Balance at the end of the year	180,064	232,449

	Note	2010 $	2009 $

13. DEPOSITS FROM MEMBERS

		2010 $	2009 $
Member Deposits			
- At call		16,262,631	16,113,535
- Term		21,755,982	23,843,918
Member withdrawable shares		39,500	39,450
		38,058,113	39,996,903

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

Concentration of member deposits

	2010 $	2009 $
(i) Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:	-	-
(ii) A significant proportion of member deposits at balance date were received from individuals employed in the Roads and Traffic Authority of New South Wales.	-	-

(iii) Geographical concentrations

	2010 $	2009 $
New South Wales	37,532,248	39,067,926
Victoria	185,794	211,806
Queensland	170,355	418,261
South Australia	13,088	13,053
Western Australia	37,731	68,075
ACT	51,941	90,500
Other	66,956	127,282
Total per balance sheet	38,058,113	39,996,903

14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2010 $	2009 $
Annual leave	63,702	69,852
Creditors and accruals	90,633	60,474
Interest payable on deposits	315,910	337,237
Sundry Creditors	204,790	118,508
	675,035	586,071

	2010 $	2009 $

15. TAXATION LIABILITIES

Current income tax liability comprises:

	2010 $	2009 $
Balance (refund) – previous year	(135,251)	(2,583)
Less paid (received)	(135,251)	(2,009)
(Over) / under statement in prior year	-	574
Amount written off to tax expense	-	574
Liability for income tax in current year	-	-
Less Instalments paid in current year	(69,106)	(135,251)
Balance – current year (Refund Due)	(69,106)	(135,251)

16. PROVISIONS

	2010 $	2009 $
Long service leave	43,292	52,129
	43,292	52,129

17. CAPITAL RESERVE ACCOUNT

	2010 $	2009 $
Balance at the beginning of the year	25,240	24,000
Transfer from retained earnings on share redemptions	1,740	1,240
Balance at the end of year	26,980	25,240

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.

	2010 $	2009 $
18. GENERAL RESERVE FOR CREDIT LOSSES		
General reserve for credit losses	461,067	461,067
Other reserve for credit losses	-	-
	461,067	461,067

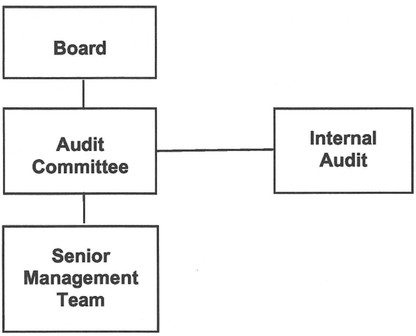
General reserve for credit losses
This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA

	2010 $	2009 $
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 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 Committee: Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The audit committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the board for their consideration.

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

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

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

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

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

A. MARKET RISK

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

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

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

(i) INTEREST RATE RISK

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

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

Interest rate risk in the banking book

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

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

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

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

Method of managing risk

The credit union manages 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 2010 (30 June 2009), the increase in net profit for a 1% (2009: 1%) increase in interest rates would be $26,182 (2009: $87,038).

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

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

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

B. LIQUIDITY RISK

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

The credit union manages liquidity risk by:

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

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

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

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

	2010	2009
Liquid funds to total adjusted liabilities		
As at 30 June	16.26%	26.38%
Average for the year	18.62%	22.55%
Minimum during the year	12.57%	15.00%
Liquid funds to total member deposits		
As at 30 June	19.54%	31.67%

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:

	2010			2009		
	Carrying value	Commitments	Max exposure	Carrying value	Commitments	Max exposure
	$	$	$	$	$	$
Mortgage	38,224,837	4,833,883	43,058,720	30,066,905	3,318,370	33,385,275
Personal	5,037,163	604,217	5,641,380	4,730,470	2,307,096	7,037,566
Overdrafts	122,775	215,754	338,529	150,823	90,174	240,997
Total to natural persons	43,384,775	5,653,854	49,038,629	34,948,198	5,715,640	40,663,838
Corporate borrowers				-	-	-
Total	43,384,775	5,653,854	49,038,629	34,948,198	5,715,640	40,663,838

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

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

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

Concentration risk – individuals

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

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

Concentration risk – industry

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

(ii) CREDIT RISK – LIQUID INVESTMENTS

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

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

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed. The board policy is to maintain at least 90% of liquid investments in Cuscal Limited, a company set up to support the member credit unions and which has an AA- rating.

The policies of the board limit the investments outside Cuscal to 10% of total liquid investments.

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:

	2010	2009
Investments with	Carrying value	Carrying value
Cuscal – rated AA-	3,477,843	9,399,540
Banks – rated A or above	2,500,000	-
Total	5,977,843	9,399,540

D. OPERATIONAL RISK

Operational risk is the risk of loss to the credit union resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the credit union relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced service failures; fraud; and employee error.

The credit union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of a whistleblowing culture to promote awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the credit union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card PIN's, and internet and phone banking passwords being compromised where not protected adequately by the member. It can also arise from other system failures. The credit union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the credit union. Fraud losses in the credit union industry have arisen from card skimming, internet password theft, and false loan applications.

IT systems

The worst case scenario would be the failure of the credit union's core banking and IT network suppliers, to meet customer obligations and service requirements. The credit union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC). This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or system failure. Other network suppliers are engaged on behalf on the credit union by the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay etc.

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

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:

	2010	2009
Tier 1		
Capital reserve	26,980	25,240
Retained earnings	7,575,482	7,409,575
	7,602,462	7,434,815
Less prescribed deductions	(340,285)	(403,242)
Net tier 1 capital	7,262,177	7,031,573
Tier 2		
Reserve for credit losses	313,941	312,021
Less prescribed deductions	(83,138)	(83,138)
Net tier 2 capital	230,803	228,883
Total Capital	7,492,980	7,260,456

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

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

June 2010	Carrying	Risk

		Value	Weighted Value
Credit Risk			
On Balance Sheet Assets:			
Cash	0%	89,378	-
Deposits in highly rated ADI's	20%	5,384,349	1,076,870
Deposits in less highly rated ADI's	50% - 150%	2,000,000	1,000,000
Standard Loans secured against eligible residential mortgages up to 80% LVR	35% - 75%	32,799,301	11,479,755
Standard Loans secured against eligible residential mortgages over 80% LVR	50% - 100%	5,426,861	3,101,188
Investments in equity instruments	150%		-
Other assets	100%	5,481,016	5,481,016
Total		51,180,905	22,138,829
Off Balance Sheet Assets			155,110
Total Credit Weighted Risk			22,293,939
Operational Risk			2,821,359
Total Risk Weighted Value			**25,115,298**

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

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

2010	2009	2008	2007	2006
29.83%	**29.09%**	**30.14%**	**26.93%**	**24.57%**

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

To manage the credit unions capital the credit union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 18%. Further an annual capital budget projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level.

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 \$225,709 (30^{th} June 2010).

20. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2010 $	2009 $
Financial assets - carried at amortised cost			
Cash	4	1,457,923	3,255,507
Receivables from financial institutions -	5	5,977,843	9,399,540
Receivables	6	143,673	104,313
Loans to members	7 & 8	43,339,694	34,920,525
Total loans and receivables		50,919,133	47,679,885
Available for sale investments - carried at fair value	9	166,277	166,277
TOTAL FINANCIAL ASSETS		51,085,410	47,846,162
Financial liabilities			
Deposits from other Financial Institutions		4,750,000	-
Deposits from members	13	38,058,113	39,996,903
Creditors	14	611,333	514,858
Total carried at amortised cost		43,419,446	40,511,761
TOTAL FINANCIAL LIABILITIES		43,419,446	40,511,761

a. Assets measured at fair value

	Balance	Fair value measurement at end of the reporting period using: 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).

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.

2010	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	1,458						1,458
Advances to financial institutions	2,505	2,016	1,546				6,067
Receivables	49						49
Loans & Advances	502	1,076	4,343	18,894	52,129		76,944
On Balance sheet	**4,514**	**3,092**	**5,889**	**18,894**	**52,129**		**84,518**
Total financial Assets	**4,514**	**3,092**	**5,889**	**18,894**	**52,129**		**84,518**
LIABILITIES							
Creditors	292						292
Deposits from other financial institutions	3,787	1,011					4,798
Deposits from members: - At call	16,302						16,302
- Term	10,976	8,691	11,587	807			32,061
On Balance sheet	**31,357**	**9,702**	**11,587**	**807**			**53,453**
Undrawn commitments	5,654						5,654
Total Financial Liabilities	**37,011**	**9,702**	**11,587**	**807**			**59,107**

2009	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	3,256						3,256
Advances to financial institutions	2,000	4,000	3,500				9,500
Receivables	51						51
Loans & Advances	405	867	3,499	15,223	42,003		61,997
On Balance sheet	**5,712**	**4,867**	**6,999**	**15,223**	**42,003**		**74,974**
Total financial Assets	**5,712**	**4,867**	**6,999**	**15,223**	**42,003**		**74,974**
LIABILITIES							
Creditors	178	-	-	-	-	-	178
Deposits from members:							
- At call	16,153	-	-	-	-	-	16,153
- Term	4,573	6,359	11,131	2,609	-	-	24,672
On Balance sheet	**20,904**	**6,359**	**11,131**	**2,609**	-	-	**41,003**
Undrawn commitments	**5,716**						**5,716**
Total Financial Liabilities	**26,620**	**6,359**	**11,131**	**2,609**	-	-	**46,719**

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.

2010	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	1,369					89	1,458
Receivables						90	90
Advances to other financial Institutions	2,488	1,990	1,500				5,978
Loans and advances	33,003	1,514	7,273	1,550			43,340
Other Investments						166	166
Total Financial Assets	**36,860**	**3,504**	**8,773**	**1,550**		**345**	**51,032**
LIABILITIES							
Creditors						608	608
Deposits from other FIs	3,750	1,000					4,750
Deposits from members:							
- At Call	16,263					39	16,302
- Term	3,342	6,508	11,146	760			21,756
On Balance sheet	**23,355**	**7,508**	**11,146**	**760**		**647**	**43,416**
Undrawn commitments Note 24	5,654						5,654
Total Financial Liabilities	**29,009**	**7,508**	**11,146**	**760**		**647**	**49,070**

2009	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	3,187	-	-	-	-	69	3,256
Receivables	-	-	-	-	-	104	104
Advances to other financial Institutions	1,982	3,959	3,459		-	-	9,400
Loans and advances	28,883	1,470	4,568		-	-	34,921
Other Investments	-	-	-	-	-	166	166
Total Financial Assets	**34,052**	**5,429**	**8,027**		**-**	**339**	**47,847**
LIABILITIES							
Creditors	-	-	-	-	-	515	515
Deposits from members:							
- At Call	16,114	-	-	-	-	39	16,153
- Term	4,454	6,233	10,782	2,375	-	-	23,844
On Balance sheet	**20,568**	**6,233**	**10,782**	**2,375**	**-**	**554**	**40,512**
Undrawn commitments Note 24	5,716	-	-	-	-	-	5,716
Total Financial Liabilities	**26,284**	**6,233**	**10,782**	**2,375**	**-**	**554**	**46,228**

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

		2010			2009	
	Fair Value	**Carrying Value**	**Variance**	**Fair Value**	**Carrying Value**	**Varian ce**
2010	$,000	$,000	$,000	$,000	$,000	$,000
FINANCIAL ASSETS						
Cash	1,458	1,458	-	3,256	3,256	-
Receivables (1)	90	90	-	104	104	-
Advances to other financial institutions	5,978	5,978	-	9,400	9,400	-
Loans and advances	43,096	43,340	(244)	34,929	34,921	8
Other Investments	166	166	-	166	166	-
Total Financial Assets	50,788	51,032	(244)	47,855	47,847	8
FINANCIAL LIABILITIES						
Deposits from other FIs	4,754	4,750	4	-	-	-
Creditors (1)	608	608	-	515	515	-
Deposits from members:						
- At Call	16,302	16,302	-	16,153	16,153	-
- Term	21,757	21,756	1	24,042	23,844	198
Total Financial Liabilities	43,421	43,416	5	40,710	40,512	198

(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.

		2010 $	2009 $
24.	**FINANCIAL COMMITMENTS**		
a.	**Outstanding loan commitments**		
	The loans approved but not funded	310,220	716,836
b.	**Loan redraw facilities**		
	The loan redraw facilities available	5,127,880	4,781,237
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	510,648	545,650
	Less: Amount advanced	294,894	328,083
	Net undrawn value	215,754	217,567
	These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
	Total financial commitments	5,653,854	5,715,640

Expenditure commitments	**2010 $**	**2009 $**

d. Computer expenditure commitments

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

	2010 $	2009 $
Not later than one year	119,567	138,889
Later than 1 year but not 2 years	103,367	97,089
Later than 2 years but not 5 years	227,725	283,505
Later than 5 years	-	32,363
	450,659	551,846

e. Future Lease and Rental Commitments

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

	2010 $	2009 $
Not later than one year	101,243	96,805
Later than one year but not later than five years	25,616	24,493
Over five years		
	126,859	121,298

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 1 to 5 years and options for renewal are usually obtained for a further 5 years. At time of printing a new lease agreement was being negotiated for the Credit Union's head office in Surry Hills NSW.

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

f. Computer Bureau Charges

	2010 $	2009 $
Not later than one year	21,120	35,796
Later than 1 year but not 2 years	21,120	17,898
Later than 2 years but not 5 years	63,360	-
Later than 5 years		-
	105,600	53,694

25. STANDBY BORROWING FACILITIES

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

2010

	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

2009

	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 4 members (2009 - 4 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:

		2010		2009	
		Directors	Other KMP	Directors	Other KMP
		$	$	$	$
(a)	short-term employee benefits;	-	352,072	-	403,239
(b)	post-employment benefits - superannuation contributions	-	31,686	-	33,261
(c)	other long-term benefits – net increases in long service leave provision	-	(8,973)	-	(18,069)
(d)	termination benefits;	-	-	-	
(e)	share-based payment.	-	-	-	
	Total	-	374,785	-	418,431

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.

	2010 $	2009 $
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	459,967	565,727
(ii) The total value of revolving credit facilities to directors and other key management persons, as at balance date amounted to	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	-	-
(iii) During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:		
Revolving credit facilities	-	-
Personal loans	-	-
Term Loans	-	20,700
	-	20,700
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to directors and other key management persons amounted to:	-	-
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	32,998	41,439

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 –

	2010 $	2009 $
Total value Term and Savings Deposits from KMP	505,558	531,587
Total Interest paid on deposits to KMP	18,165	15,087

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

	2010 $	2009 $
a. Reconciliation of Cash		
Cash on Hand	89,378	68,731
Deposits at Call	1,368,545	3,186,776
	1,457,923	3,255,507
b. Reconciliation of Cash from Operating Activities to Operating Profit		
Profit after Income Tax	167,647	29,909
Add:		
Increases in Amortised fees on loans	7,978	(3,660)
Increase in Provisions for Loans	9,430	(10,461)
Depreciation	96,145	73,672
Loss on sale of fixed assets	650	-
Amortisation of Intangible assets	52,385	29,477
Increases in Liabilities		
Creditors and Accruals	30,904	(39,803)
Interest Payable	(21,326)	21,708
Staff Entitlements	(14,987)	(15,381)
Income Tax	66,145	-
Increases in Assets		
Interest Receivable - Deposits FI's	8,417	20,993
Prepayments	986	7,174
Deferred Tax Asset	10,572	(123,989)
Net Cash From Operating Activities	414,946	(10,361)

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

www.rtascu.com.au