



...it's all about Exceptional Service



Credit Union and
Building Society group

ANNUAL MEMBER REPORT **2010**



ANNUAL REPORT

RAILWAYS CREDIT UNION LTD
ABN 91 087 651 090

Railways Credit Union Limited Information

Registered Office:	Level 1, 179 Ann Street Brisbane QLD 4000
ABN:	91 087 651 090
AFSL No:	234536
Postal Address:	GPO Box 648 Brisbane QLD 4001
Phone:	1300 362 216
Fax:	(07) 3221 1672
Email:	info@railwayscreditunion.com.au
Website:	www.railwayscreditunion.com.au
Member Care Centre:	Central Station, Brisbane QR Administration Building, Rockhampton (by appointment only)
Auditors:	BDO Audit (QLD) Pty Ltd – Brisbane
Bankers:	National Australia Bank Queen Street, Brisbane
Affiliated with:	Abacus Australian Mutuals
Board of Directors: (as at 30 September 2010)	Graeme Sang – Chair John Harnischfeger – Vice Chair Kellie Dyer Andrew Haynes Andrew Hughes Michael Scanlan Henry Scheuber
Credit Union Management: (as at 30 September 2010)	Julianne Plath – Chief Executive Officer Gavin Burkhardt – Executive Manager Sales & Member Service Sam Carroll – Executive Manager Compliance Alan Bignell – Chief Financial Officer Grant Freeman – Operations Manager Matt Hogno – Marketing Manager Bernard Luton – Legal Manager and Company Secretary Noeline Stewart – Project Manager

Member quotes



Integrity

Great over the phone and internet service.... always had great service from RCU & that's why I keep coming back. Also great interest on savings that the banks just don't offer.
C Edwards of Yeppoon

Railways Credit Union have been very helpful & efficient to deal with - our builder also commented how great you are to deal with - cheers. *T Patteson of Mackay*

Staff are very knowledgeable and helpful and made the experience quite easy & painless.

D Cant of Andergrove



Commitment

RCU staff are just fantastic with friendly excellent product knowledge and so easy to deal with, be it by phone or face to face.
P Bennett of Brassall

I have had many loans throughout my service & found RCU to be polite accommodating and of excellent service. *J Manz of Sarina*



Exceptional Service

Everyone always wears a smile and extends their helping hand.....Keep up the good job and congrats to the jobs well done!
N Nolasco of Browns Plains

We only have praise for RCU. Thank you and keep up the good work. We have made comparisons with other financial institutions and we are happy to stick with RCU.
D Wrench of Woodend



Mutuality in Action

Thanks so much it was a pleasure dealing with RCU. *P Hunt of North Rockhampton*

I was extremely pleased with the service you guys offered - 10 out of 10.
K Brooks of Clayfield

Message from the Chair

It is a pleasure to report on behalf of your Board on the direction, performance and contribution of Railways Credit Union for the 2009/10 financial year.

As well as presenting the financial results for the past 12 months, this year's report contains additional information that references some of the more visible aspects of our mutual promise to members. This includes coverage of our involvement with the railway community, the day to day delivery of our services and more importantly, the people who make that happen.

As an informed member, it is important you understand and appreciate the multi-faceted approach your Credit Union takes in delivering on its core promise of mutuality. This is achieved through prudent and responsible financial management and by giving tangible quality member service back to the members who support us.

Earlier this year the Mutual Industry launched its advertising campaign "*It all comes back to you*". The campaign is a timely reminder of the important role that mutual organisations play in the delivery of competitive financial services and the vibrant alternative to the major banks that they offer all Australians.

Railways Credit Union as an active contributor to this campaign remains equally committed as an organisation to the principles and ethics of all Australian mutuals in offering our members exceptional service and quality financial products at a fair price.

Without any doubt the biggest changes to Railways Credit Union has been the announcement and subsequent formation of two new organisations (Queensland Rail & QR National) from 1 July 2010. Your Board's response to the Queensland Government's timeline for change resulted in the calling of an Extra General Meeting on the 3rd June this year. The resulting resolution for the EGM will assist your Board to deliver on its bond with both Queensland Rail and QR National and ensure that a strong relationship can be built with the employees of both organisations

The development of a high performance Board continues to be a theme for your elected representatives with all Directors continuously striving to develop and use their understanding of what it means to deliver mutual benefit to members. The Directors on your Board represent a strong cross section of the membership of the Railways Credit Union community and it is a great pleasure to be able to work with a group of dedicated professionals in delivering on the credit union ethos.

As always a great deal of thanks and appreciation must go to our CEO Julianne Plath and her management team for their dedication and resolve in continuing the exemplary way in which they lead your Credit Union forward in a time of continuous change. Your management provides a

strong focus on ensuring our day to day operations are well managed within the constraints set by our regulators and all the while keeping the strategic direction and future well-being of the organisation at the forefront of their thinking.

Equally so the indefatigable enthusiasm and professional commitment of the Credit Union's staff to continually meet and exceed the expectations of our members' each and every need. Even by the Credit Union's already lofty standards, the consistent attention to these standards are to be highly commended.

The future for Railways Credit Union remains extremely up beat with the Government owned Queensland Rail and soon to be floated QR National both looking to grow to meet the growing needs of the state of Queensland.

Through the careful planning and well executed management of our strategies, we will continue to evolve and grow as an organisation. The current changes in our midst represent some of the greatest and most exciting opportunities for growth and success in the Credit Union's history, and is one that we are determined to grasp with both hands.

Most importantly of all, we look forward to remaining the preferred financial institution of choice for all Railway employees and their families, not just today, but tomorrow and into the future. As the Chair I want to personally thank you for your continued support, and look forward to a strong and vibrant future for our organisation together.



Graeme Sang - Chair

CEO's Report

The year just past has been an extremely busy but rewarding one for everyone here at the Credit Union. The entire team has been focussed on ensuring that we provide you, our members, with the highest level of exceptional service that is possible. I receive many emails from members telling me of the fantastic service they have received from the staff that they come in contact with. Whilst our member care employees do an exceptional job of meeting and exceeding your expectations, there is a whole team of people behind the scenes working towards making your entire experience exceptional.

What's been keeping us busy

Queensland Rail / QR National

With the Government's announcement that QR was going to be restructured into two organisations, your Credit Union began planning for the practicalities of the 1 July deadline. Our first priority was to communicate with our members to reassure them that the changes to QR did not impact on their ongoing relationship with the Credit Union or the potential of employees of both organisations to still be eligible to join RCU.

Our second point of focus was to ensure that members pay arrangements continued as normal from the first pay day after the 1 July separation date. Our thanks go to the QR staff in payroll who worked closely with us to bring about a seamless transition for our members.

Now that the separation is final and the Government is moving ahead with the public float of QR National, our focus will be on ensuring that the Credit Union maintains the valuable relationships within QR National that will enable the Credit Union to grow as QR National expands its business footprint.

Queensland Rail is also going through an expansionary period with plans to expand the South East Queensland passenger network and your Credit Union will be there to ensure that employees of Queensland Rail are also afforded the ability to be apart of their exclusive Credit Union.

Your financial information even more secure

During the previous 12 months your Credit Union has started to roll out Visa Card chip technology. The chip provides greater security of your personal information which is stored on the card.

New Product Offering

In January we launched our First Home Owner Savings account. This account is one which helps people to save for the deposit on their first home and has the ability to attract government co-contributions. If you or one of your children is thinking about starting to save for the great Australian dream, then this is a fantastic kick start to that process.

Head Office Renovations

In planning for the continued success of RCU into the future, it became obvious that it was necessary to expand our head office accommodations. Given that the location, in the Queensland Law Society House, is convenient and that the Credit Union owns the 1st floor which we currently occupy, the first preference was to be able to obtain a lease on additional office space in the same building. This would enable the Credit Union to renovate to take into account future growth and also to keep ongoing costs to a minimum.

We are currently in the final planning stages of this exciting project and believe that after 23 years it will deliver to the staff a more modern vibrant work environment in which they are able to excel in providing our members with exceptional service.

Website Revamp

This is a major project that we will be undertaking in the next 12 months. Our objective is to deliver a website that our members want to visit and that is one that fulfils their requirements. If you would like to have your say there is a survey online that members can complete. We'd love to hear from you.

Thank You

My first vote of thanks goes to you our members. Without the support and patronage there would be no reason for Railways Credit Union to exist. I look forward to providing you with compelling reasons to continue to chose RCU as your preferred partner to enhance your financial wellbeing into the future.

I would also like to thank the Board for their continued support and guidance over the last 12 months and I look forward to working with them into the future to position Railways Credit Union to take advantage of the many opportunities that will present.

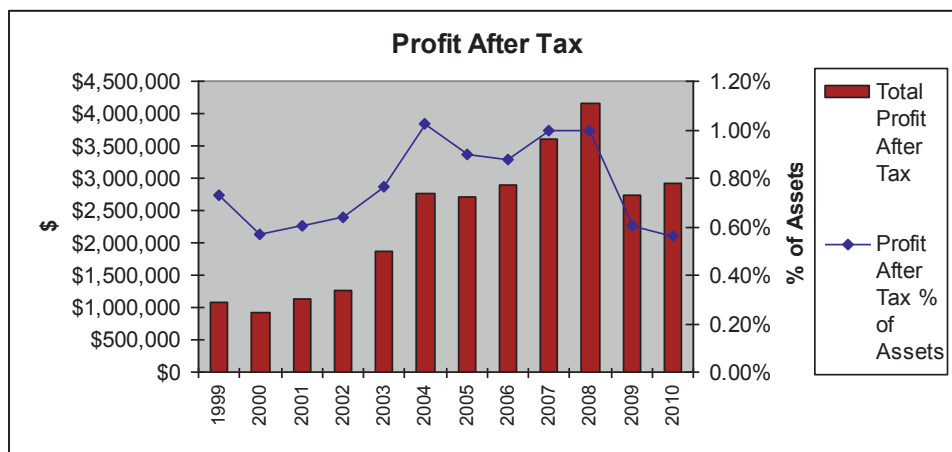
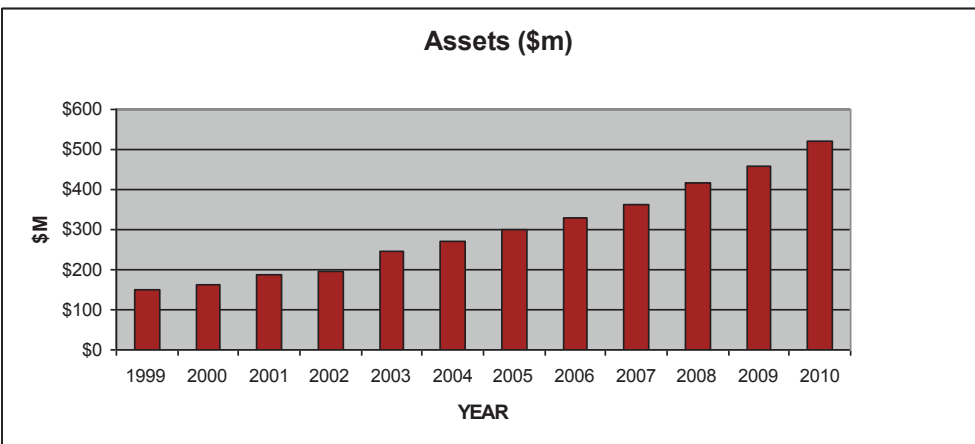
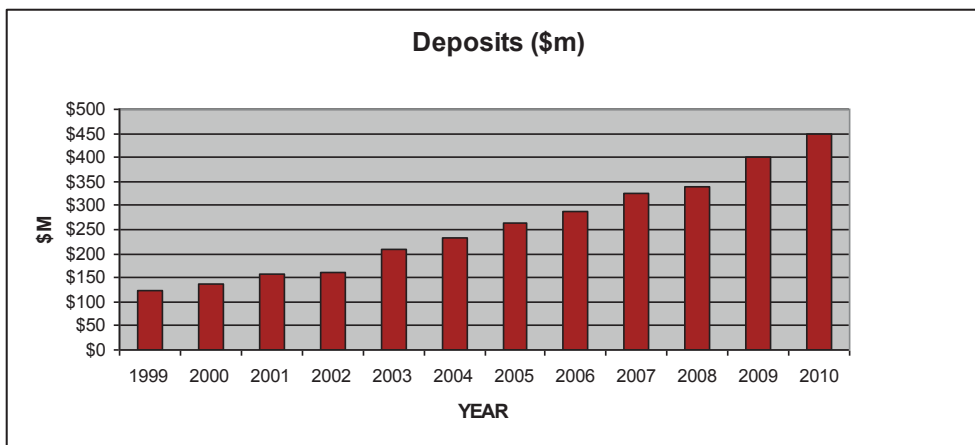
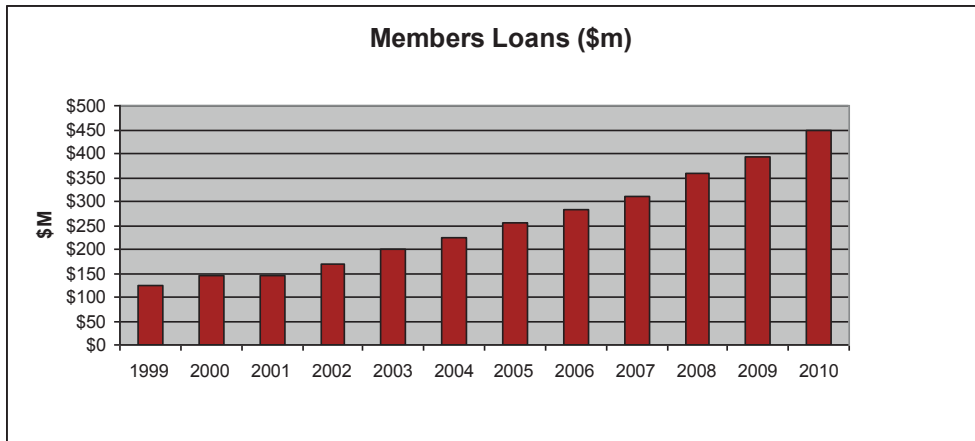
My sincere thanks also go to the leadership team who work tirelessly to deliver on the Board's strategic initiatives. Of course, the Credit Union wouldn't enjoy the reputation with our members that it does if not for the exceptional level of commitment to our values that each and every one of our employees provide each and every day.

The future is certainly looking very bright and I know the entire team at RCU is excited to be in a position to deliver higher levels of exceptional service to our membership than ever before.



Julianne Plath – Chief Executive Officer

Our Performance



Our Values in Action

At Railways Credit Union we realise that you can't rest on the achievement of the past, nor can you expect that those things that have served you well over previous years will necessarily work for you in the future.

The needs of our members not only continue to evolve and change with new and innovative technologies, but the nature and dynamic of the members themselves is continually evolving and presenting new challenges to the organisation overall.

In this regard, the Credit Union undertakes a number of key tasks to ensure that we are continually addressing the evolving needs of all members, as well as making sure our products and services remain attractive and relevant in the future as well.

It's about adhering to the values of **Integrity**, **Commitment** and **Exceptional Service** for our members every day, with **Mutuality in Action** at the core of everything that we do.

Talk to us...

Open channels of communications are the key to ensuring we're listening to what our members tell us. That's why you can contact the Credit Union 24/7 to ensure your thoughts and comments are heard and actioned accordingly.

Outside of our regular business hours you can provide your feedback via our info@railwayscreditunion.com.au email address and be assured that you will receive a prompt and informative reply to your query if you so desire. Or if you like you can talk directly to our Chief Executive Officer via our website simply by clicking on the "Feedback to the CEO" option on our homepage menu.

Fairness and Equity

Fees and charges are something that no-one likes having to pay. But with the facilities and convenience of modern banking there are still simple and effective ways to minimise or even avoid paying unnecessary charges. Railways Credit Union takes a practical and pragmatic approach, only charging members for the services that they choose to utilise under a simple "user pays" system.

More importantly, the Credit Union actively advises members through regular contact such as Newsletters, our website or in person on ways to help minimise or even avoid paying fees when conducting your day to day finances.

Financial Literacy

One of the most important programs undertaken by RCU is the continued assistance and education it provides to all members in enhancing their financial wellbeing.

In 2009 the RCU launched **Money Track** as a part of the Credit Union's current website. **Money Track** comprises 20 easy to use, self paced modules that provide valuable information and handy tips on how to better manage your money. The modules are free to use and cover all life stages from starting your first job right through until retirement. They also include practical knowledge about more diverse topics as superannuation, taxation and work/life balance.

Providing practical and easy to understand assistance to members regarding their finances remains an important part of the Credit Union's mutual charter and fulfils our role of being much more than just a provider of financial services, but rather a source of help, assistance and advice when it comes to members needs.



Integrity



Commitment



Exceptional Service



Mutuality in Action

Our Community

RCU is proud to play a continuing role in supporting the broader railway community through significant sponsorship involvement and providing both monetary and in-kind support (such as promotional products) to a diverse range of events.

Through the Credit Union's close relationship with both Queensland Rail and QR National employees and their families, active involvement at a sponsorship and local event level is extremely important. These also include sponsorship and involvement with a number of QRI based and charitable events, and constitutes an integral part of RCU's mutuality focus in always giving back to our members.

Events that the Credit Union has been involved in over the past 12 months have included lawn bowls and cricket carnivals, golf days, retirees functions as well as significant annual Railway related events such as QR Family Day, the annual First Aid Challenge as well as the Apprentice of the Year Awards, just to name a few.

The Credit Union also hosts a number of BBQ days at various sites throughout the state every year, providing members and non-members alike the opportunity to meet with our staff, seek answers to questions they have about their financial needs, and also provide us with feedback about the services that we provide.

Over the course of the past financial year, Railways Credit Union has provided either direct or in-kind sponsorship support across a wide range of interests and pursuits within the Railways Community to the value of over \$60,000.

Our Regional Member Care Consultant also undertakes a regular monthly program of visiting various worksites and locations throughout regional Queensland ensuring that members in these locations are still afforded the ability to meet "one on one" with a representative of the Credit Union on a regular basis to discuss their financial needs.

Railways Credit Union has also continued to be actively involved in the induction program of new employees at QR,

and ongoing with both Queensland Rail and QR National post 1 July 2010. Our induction program presentations provide both product information and promotional items to new employees at these sessions with the Credit Union also sponsoring the event by providing morning tea to all those in attendance at each session.

Our advertising of our "Lucky Personnel Number" on payslips of both Queensland Rail and QR National employees also continues, with the amount now available to win each fortnight up to \$200. Additionally, our 5 lucky member numbers in the quarterly Railway Lines Newsletter also have the chance to win \$100 cash simply by locating their member number within the publication.



Our People



Railways Credit Union employs approximately 53 staff across a range of departments including Sales, Lending, Credit Control, Member Support, Accounts, Compliance, IT, Marketing and HR. RCU prides itself on offering staff not just a dynamic workplace but a 'family' like working environment.

Our values of Integrity, Commitment, Exceptional Service and Mutuality in Action underpins the way we work and provides the basis for all decisions that are made not only for our members but our staff too.

We value the opinions of our people

We listen to our staff and have a number of ways they can actively participate and influence their working environment.

RCU conducts a staff survey every 18 months to gather information with the aim to improve and make RCU an even better place to work. Additionally, staff members also have direct access to the leadership team and are also kept up-to-date with direct communication from the CEO and through the staff intranet site 'InfoCentre'.

Employee benefits

RCU provides its staff with a range of financial and non-financial benefits. Benefits offered recognise the value of our staff and the importance of their professional, personal and financial well-being. RCU staff benefits include (but are not limited to):

Work/life balance:

- 38 hour working week
- Flexible work options (Full Time, Part Time and Casual employment)
- Credit Union sponsored events such as monthly staff functions, Christmas parties, and corporate events
- 10 days personal leave per annum
- 6 weeks paid parental leave
- 4 weeks paid annual leave
- 1.5 days recreational leave per annum

Remuneration and salary packaging:

- Competitive salaries
- Financial Incentives
- Opportunity to receive up to 14% superannuation
- Staff product benefits

Corporate wardrobe:

- A full corporate wardrobe is available to all staff

Training & development:

- Access to an employee assistance scheme
- Structured training and development opportunities
- Study Assistance and study incentive scheme

Looking after health:

- An optional annual flu shot
- A staff benefit towards a range of healthy lifestyle options (which includes fitness membership, quit smoking program, exercise equipment, nutritionist visits etc)

Workplace

RCU staff work across our three office locations:

- Head Office located at Level 1, Law Society House, 179 Ann Street, Brisbane
- Member Contact Centre – Central located on the Concourse Level, Central Station, Brisbane
- Member Contact Centre – Rockhampton located Ground Floor, QR Administration Building, 320 Murray Street, Rockhampton

After 23 years of having being located at our Head Office in Ann Street, we are all looking forward to the scheduled renovations of this office due for unveiling in 2011. Additional space has also been leased on the ground floor of the Law Society to ensure we have the necessary space to accommodate our expansion in the future, and to deliver on the promise of our values.

No matter the location, RCU staff are assured of a work environment that is safe, free from harassment, bullying and discrimination and where they are always valued and respected.



Our members.....It all comes back to you...

Our members.

You are the lifeblood of our organisation and the sole reason we exist.

In reporting upon the Railways Credit Union's performance over the course of the past year it is also important that the people who collectively make this possible are recognised and acknowledged for their continued contribution to Railways Credit Union.

2010 has already been a landmark year for the Australian Mutuals industry.

Earlier this year Credit Union & mutual Building Societies in Australia came together collectively and launched a national advertising campaign for mutual organisations centred around the concept of "it all comes back to our members". This campaign was specifically designed to highlight the key benefits and advantages available through membership of a mutual organisation, and the strong and viable alternative that Credit Unions and Building Societies offer as opposed to the traditional banks.

The campaign focused upon the fact that more than 4.5 million Australians already conduct their banking business at a Credit Union or Building Society, and that the pricing on our products and services are in many cases superior to that offered by traditional banks.

The campaign also reinforces the ideology of the Mutual Banking Code of Practice to which the Railways Credit Union closely adheres to in all dealings with members.

The Mutual Banking Code of Practice is the public expression of our commitment to these fundamental principles – a legal and moral commitment to delivering on our promise to members. At the core of this are our 10 key promises to you as a Railways Credit Union member:

- 1. We will be fair and ethical in our dealings with you**
- 2. We will focus on our members**
- 3. We will give you clear information about our products and services**
- 4. We will be responsible lenders**
- 5. We will deliver high customer service and standards**
- 6. We will deal fairly with any complaints**
- 7. We will recognise member rights as owners**
- 8. We will comply with our legal and industry obligations**
- 9. We will recognise our impact on the wider community**
- 10. We will support and promote this Code of Practice.**

Membership Survey

Our annual membership survey takes place every year in November with around 2,500 members randomly selected to take part. The respondents represent members of every age from all regions and localities.

The membership survey represents an opportunity for members to not only tell us what they love about RCU, but to also let us know what they want in the future and how we can improve the services that we currently offer. The high return rate of these surveys every year ensures that members feedback and comments form an important part of our thinking and planning into the future.

Our commitment to our members

We continue to be extremely honoured by the support demonstrated through our loyal membership, and the active role that they take in the culture, governance and direction that the Credit Union has chartered over the past 42 years.

We also welcome the annual addition of new employees, work colleagues and family members alike who join the Railways Credit Union family and contribute to our growing success and prosperity.

All told, the ability to deliver quality and affordable financial products to members, coupled with our commitment to exceptional service will always remain the cornerstone of our business.

In everything we undertake as an organisation, members can rest assured that the philosophy of "*it all comes back to you*" will continue to be at the forefront of our thinking at all times.



**Credit Union and
Building Society group**



Board Of Directors

Graeme Sang - Chair

Member of Audit & Compliance Committee
Member of Performance & Risk Management Committee
Member of Remuneration Committee

Member of Australian Institute of Company Directors
Member of Australasian Mutuals Institute



Graeme has served on the Board since 2000 and was elected to the position of Chair in November 2008. Graeme commenced his career with QR in 1976 as a fettler at the Wacol depot. He transferred to the clerical grade in early 1977. He has worked in many divisions within QR and currently holds the position of Manager Service Planning in Queensland Rail. Graeme said his desire to represent his fellow employees on the Board was borne from a personal interest in seeing how the Credit Union worked for its members. Graeme's interests are wide and varied. He has been a keen sportsman but now enjoys sports watching rather than active participation.

Kellie Dyer

Chair of Performance & Risk Management Committee
Member of Remuneration Committee

Master of Business Administration
Bachelor of Business (Marketing)
Graduate Diploma of Management
Graduate of Australian Institute of Company Directors
Member of Australasian Mutuals Institute



Kellie commenced on the Board in 2009. Kellie is currently working as Divisional Business Services Manager for QR National, Network Capital Program.

Kellie's experience in both business administration and management, combined with a strong business acumen and 10 years experience within QR, ensures she has not only extensive knowledge, but also a strong skill set in communication and teamwork. As a Director, Kellie enjoys contributing in an innovative and creative way to Railways Credit Union.

John Harnischfeger - Vice Chair

Committee Chair of Audit & Compliance Committee
Member of Remuneration Committee

Bachelor of Commerce - Queensland University
Australian Society of Certified Practising Accountants
Member of Australasian Mutuals Institute



John began on the Board of Directors in February 2005 and was elected to the position of Vice Chair of the Board in November 2008. John was employed with QR for nine years and in his most recent position was a Manager in QR National until 2009. John is now employed by a Federal Government agency. Prior to joining QR John held financial management roles in the aviation and maritime transport industry, as well as local government and the banking industry. His interests outside of work include music, woodwork, outdoor activities such as bush walking and skiing, and spending time with family.

Andrew Haynes

Member of Performance & Risk Management Committee
Member of Remuneration Committee

Bachelor of Arts
Bachelor of Laws
Postgraduate Diploma in International Studies
Attorney of the High Court of South Africa
Fellow of Chartered Secretaries Australia
Graduate of Australian Institute of Company Directors
Member of the Institute of Public Administration
Member of Australasian Mutuals Institute
Justice of the Peace (Qualified)



Andrew was admitted as an Attorney of the High Court of South Africa in 1994 and worked in the areas of personal injury litigation and tax before migrating to Australia in 1997.

He has worked in a number of senior governance, legal, commercial and compliance roles in Australian listed companies and multinationals operating in Australia, including Orica Limited and General Electric. Andrew is currently a self employed consultant following his previous role as Company Secretary of QR Limited. Prior to this appointment at QR, he was Director Corporate Governance of the Metropolitan Fire & Emergency Services Board in Victoria.

Board Of Directors - continued

Andrew Hughes

Member of Audit & Compliance Committee
Member of Remuneration Committee

Master of Commerce, Accounting
Bachelor of Commerce
Qualified Certified Practising Accountant

Associate Diploma in Civil Engineering
Graduate of Australian Institute of Company Directors
Member of Australasian Mutuals Institute



Andrew commenced on the Board in 2009. Andrew is currently working as Finance Manager, Network Business for Queensland Rail and holds a Master of Commerce, Accounting and is a qualified Certified Practising Accountant. Additionally, he holds an Associate Diploma in Civil Engineering.

Andrew has also run his own sole-trader business for a period of four years and is an avid participant in both the stock and property markets. The focus of his work life has been founded on operating with integrity and nurturing strong interpersonal relationships through open channels of communication.

Michael Scanlan

Committee Chair of Remuneration Committee
Member of Performance & Risk Management Committee

Bachelor of Engineering
Post Graduate in Management
Master of Business Administration
Fellow of Australian Institute of Company Directors

Fellow of Australian Institute of Management
Fellow of Chartered Institute of Logistics and Transport
Member of the Institution of Engineers
Certified Practising Marketer
Member of Australasian Mutuals Institute



Mike returned to the Railways Credit Union Board in 2009. Mike was previously a Director from 1989 to 1990 and from 1991 to 1996. In previous terms he was a member of the Audit Committee, Salary Committee and chaired the former Marketing Committee. He is also a director of rt health fund, a family superannuation fund and has previous Board experience in tourism and public transport related entities.

Mike enjoyed a good reputation throughout his diverse 34 year career at QR. He held executive positions with responsibility for a diverse range of business units including Network, Passengers, Q-Link, Regional Freight and Coal businesses. Mike now works part time as a company director and self employed consultant.

Mike's interests include outdoor family activities and sports (snow skiing, surfing, fishing, travelling and gardening), home improvements, maintaining good fitness and continuously learning.

Henry Scheuber

Member of Audit & Compliance Committee
Member of Remuneration Committee

Bachelor of Business
Fellow CPA Australia
Graduate of Australian Institute of Company Directors
Member of Australasian Mutuals Institute



Henry Scheuber began on the Board of Directors in 2006. An accountant by profession, Henry holds a Bachelor of Business Degree from Central Queensland University, is a Fellow of CPA Australia, and is a Graduate of the Australian Institute of Company Directors.

During Henry's work history, he has spent over 19 years in cost and managerial accounting positions in Government organisations. Following his previous position as the CEO's representative for QR in Central Queensland, Henry is now the Finance Manager of a college in Rockhampton.

Henry has spent his life in, and is passionate about, regional Queensland.

The Leadership Team

The Railways Credit Union Leadership team represents a wealth of collective experience, covering a broad range of specialised skills and knowledge related to the financial services industry. In particular, the team has an intricate understanding of Credit Unions and the importance of mutuality to all members.



(L-R) Noeline Stewart, Alan Bignell, Matt Hogno, Sam Carroll, Grant Freeman, Julianne Plath, Bernard Luton & Gavin Burkhardt

Julianne Plath – Chief Executive Officer

Julianne commenced work at Railways Credit Union in October 1984. Since then she has worked throughout the organisation holding various positions, and obtained her first managerial position in July 1996 and soon after obtained an Advanced Diploma of Business (Accounting) in August 1996. In February 2009 Julianne obtained her Diploma from the Australian Institute of Company Directors when she completed the Company Directors Course.

Julianne was promoted to the role of Deputy CEO in March 2003 and was responsible for managing all member related services, both the front line and support services area. Following this appointment, Julianne became Chief Executive Officer of the organisation in February 2007.

Julianne said “Making a difference in the financial life of our members is what makes working at RCU so rewarding. That and the terrific team I get the privilege of working with every day”. Julianne’s time out of the office is dedicated to travelling and music.

Gavin Burkhardt – Executive Manager Sales & Member Service

Gavin Burkhardt started in the retail financial services industry over 22 years ago, of which 3 years were spent in the UK financial services market. Over this time Gavin has held various positions ranging from teller, loans and mortgage assessing, insurance and investment advisory roles, to various supervisory and managerial roles. Gavin has also spent 2 years in the advertising/sales industry, holding advisory roles in both small and large businesses.

In his current role, Gavin is responsible for all aspects of sales and service levels provided by the front line staff of the Credit Union as well as the Marketing and

Human Resources functions of the organisation. He is also directly responsible for the Team Leaders of the Member Care Contact Centre and Member Care Central, in addition to the conception, introduction and implementation of strategic planning initiatives.

Gavin enjoys working at Railways Credit Union because he relates to both the “mutual” concept and the ability to tangibly “make a difference”. He appreciates the fact that Railways Credit Union is an organisation with progressive ideas and approaches to both members and staff and enjoys being surrounded by positive people with a “can do” approach to life. Outside of work he enjoys playing soccer and spending time with his wife and son.

Sam Carroll – Executive Manager Compliance

Holding a Bachelor of International Finance, Bachelor of Commerce and Bachelor of Law degrees, Sam has worked in the general financial services industry for nine years, seven of which have been spent with Credit Unions. Working primarily in compliance/audit related roles, Sam has developed an in-depth appreciation of the compliance related requirements which the Credit Union must adhere to, and an understanding of the audit process which are essential to support the compliance systems that are in place.

In his current role, Sam is responsible for key aspects of compliance and audit. As an important member of the Executive Management team, Sam contributes to the planning and implementation of the overall strategic direction and focus of the Credit Union. Sam feels that the key to the success of Railways Credit Union is its team based culture and the way every team member works together to ensure the needs of members are always met. Outside the office Sam is an active marathon swimmer and keen traveller.

The Leadership Team - continued

Alan Bignell – Chief Financial Officer

Alan joined Railways Credit Union in April 2007, and brings many years of senior management experience in the financial services sector. His previous roles have encompassed financial management, portfolio management, product development and compliance. As CFO, Alan is responsible for the management of treasury, interest rates, financial and regulatory reporting, and payroll at Railways Credit Union. He is CPA qualified, and holds an MBA from the University of Queensland, as well as being a fellow of the Australian Institute of Company Directors.

Alan was attracted to Railways Credit Union by its well recognised and pro-active people policies, as well as its commitment to great member service, and a positive, challenging work environment.

In his spare time, Alan enjoys spending time with his wife and three children, as well as following his passions for golf, rugby and travelling.

Grant Freeman – Operations Manager

Grant commenced his career at Railways Credit Union in 1993 and initially worked in a variety of roles for a number of years. As a result, he gained a significant knowledge and interest in the Information Technology (IT) systems that were being used and developed at the Credit Union, and subsequently moved into a full time IT role in 1998.

Since working in IT, Grant has been able to develop the systems used by Railways Credit Union to grow with and service the needs of all members. In 2003 Grant changed his working situation to a casual basis, and began studying full time. In 2006 he completed his Bachelor of IT degree, which has greatly assisted him in being able to better understand the systems used by the Credit Union, and importantly, the challenges that lay ahead. In addition to his IT responsibilities Grant's current role also takes in the responsibilities for the Support Services team at RCU

Matt Hognó – Marketing Manager

Matt has been a marketing professional for the past 16 years, and holds a Bachelor of Business degree (Major in Marketing), as well as a Diploma of Export Management from the Australian Institute of Export.

His previous marketing positions have included management roles within the tourism, media and legal industries, but his primary professional focus has been within the financial sector, and for the past 10 years, working with and promoting credit unions.

Matt is responsible for the Credit Union's corporate style and image, as well as managing all aspects of advertising, promotion and public relations as they relate to our members and their families. He also believes that the positive message of mutuality is a strong undercurrent that should be incorporated into all contact with both members and non-

members alike, reinforcing the organisations' commitment to providing outstanding products and exceptional service at all times.

Outside of work Matt enjoys spending time at the gym, surfing and playing touch football. In his spare time he also enjoys reading, listening to music and playing the guitar.

Bernard Luton – Legal Manager & Company Secretary

Bernard has a Bachelor of Laws degree and a Graduate Diploma in Applied Corporate Governance. He has been a solicitor since 1991 working mainly in the Property and Banking & Finance areas. Since 1996 Bernard has worked in the financial services industry. For most of this time Bernard has worked in credit unions in the areas of Governance, Compliance and Risk Management.

Bernard has been instrumental in the implementation of numerous systems and processes primarily to cater for significant legislation including the Consumer Credit Code (and more recently, the National Credit Code), Financial Services Reform Act and Anti Money Laundering legislation.

Bernard rejoined the Credit Union in September 2009, having previously been the Legal & Assurance Manager for RCU from 2003 through until 2006.

Bernard's interests outside of work include Rugby (Union and League) and surfing.

Noeline Stewart – Project Manager

Noeline has worked at Railways Credit Union for over 20 years and has held a position in almost all facets of the Credit Union. Noeline holds an Associate Diploma in Accounting.

Noeline is responsible for implementing of projects including testing of new software, legislative changes and new products. Outside work Noeline's interests include dancing, going to the movies and renovating old houses.



Railways Credit Union Ltd
A.B.N. 91 087 651 090

30 June 2010

Financial Statements

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
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: David H Drew
Position: QR Corporate Counsel
Qualifications: Bachelor of Laws, (LLB), MAMI
Experience: Director 4 years
Responsibilities: Member Performance and Risk Management Committee

Retired as Director: 2009

Name: Kellie L Dyer
Position: Group Business Support Manager, Network Services, QR National
Qualifications: Bachelor of Business (Marketing), MBA (Tech Mgt) Graduate Diploma of Management, MAMI, GAICD
Experience: Director 18 months
Responsibilities: Chair Performance and Risk Management Committee, Member Remuneration Committee

Name: John P Harnischfeger
Position: Employee of a Federal Government Agency
Qualifications: B.Com, CPA, MAMI, GAICD
Experience: Director 5 years
Responsibilities: Vice-Chair of Board Chair Audit and Compliance Committee, Member Remuneration Committee

Name: Andrew R Haynes
Position: Governance Consultant. Previously Company Secretary (QR Limited)
Qualifications: BA, Bachelor of Laws (LLB), Cert Legal Prac, Higher Diploma International Studies.
Experience: Director 7 months
Responsibilities: Member Performance and Risk Management Committee, Member Remuneration Committee

Name: Andrew J Hughes
Position: Finance Manager, Network Business - Queensland Rail
Qualifications: B.Com, CPA, Associate Diploma in Civil Engineering GAICD
Experience: Director 18 months
Responsibilities: Member Audit and Compliance Committee, Member Remuneration Committee

Name: Graeme G Sang
Position: Manager Service Planning – Queensland Rail
Qualifications: MAMI, MAICD, AMI Qld/NZ Reg Council Member
Experience: Director 10 years
Responsibilities: Chair of Board Member Performance and Risk Management Committee Member Audit & Compliance Committee Member Remuneration Committee

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
DIRECTORS' REPORT

Name:	Michael (Mike) G Scanlan	Name:	Henry C Scheuber
Position:	Transportation Consultant	Position:	Finance Manager of Emmaus College
Qualifications:	B.Eng, Grad Dip - Management, MBA, FAICD, MAMI, FAIM, FCILT, MIE, CPM	Qualifications:	B.Bus, FCPA, GAICD, MAMI
Experience:	Director 13 years including RCU 1989 – 90, 1991 – 96 and since November 2009.	Experience:	Director 9 years including RCU since 2006
Responsibilities:	Member Performance and Risk Management Committee Chair Remuneration Committee	Responsibilities:	Member Audit & Compliance Committee Former Chair Performance and Risk Management Committee Member Remuneration Committee

The names of the Company Secretaries in office at the end of the year are:

Name: Bernard Luton
Qualifications: Bachelor of Laws, Grad Dip Applied Corporate Governance.
Experience: Company Secretary of Railways Credit Union 2003 – 2006. Re-appointed Company Secretary 13 November 2009.

Name: Sam Carroll
Qualifications: Bachelor of Commerce, Bachelor of International Finance, Bachelor of Laws
Experience: Appointed Company Secretary of Railways Credit Union 5 March 2007

Directors' Meeting Attendance

Director	Board		Performance & Risk		Audit		Remuneration	
	E	A	E	A	E	A	E	A
D H Drew	3	3	2	2	-	-	-	-
K L Dyer	11	11	7	7	-	-	2	2
J P Harnischfeger	11	11	-	3	10	10	2	2
A R Haynes	7	6	4	4	-	-	2	1
A J Hughes	11	11	-	-	10	10	2	2
G G Sang	11	10	7	6	10	9	2	2
M G Scanlan	7	7	4	3	-	-	2	2
H C Scheuber	11	10	3	4	6	5	2	1

E = Eligible to Attend

A= Attended

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, a subsidiary, 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 7 of the financial statements.

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 was \$2,933,946 (2009: \$2,749,998).

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.

Options

No options over issued shares or interests in the parent entity or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of these financial statements.

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 the State Of Affairs

In the opinion of the Directors there have been no significant changes in the state of affairs subsequent to the Balance Date.

Events Subsequent to the End of the Reporting Date

No other matters or circumstances have arisen since the end of the reporting date which 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 other matter, circumstance or likely development in the operations has arisen since the end of the reporting date that 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.

Auditors' Independence

The auditors have provided to the Board a declaration of independence as prescribed by the Corporations Act 2001. The declaration of independence appears on page 6 of these financial statements.

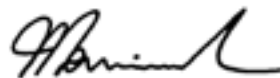
Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the company or interfere in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to any such proceedings during the 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:



Mr Graeme Sang
Chair



Mr John Harnischfeger
Vice Chair

Signed and dated this 29th day of September 2010

DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF RAILWAYS CREDIT UNION LIMITED

As lead auditor of Railways 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:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Railways Credit Union Limited and the entities it controlled during the period



Paul Gallagher
Director
BDO Audit (QLD) Pty Ltd

Brisbane, 29 September 2010

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Interest income	2	30,988,624	32,381,747
Interest expense	2	(21,176,196)	(23,454,198)
Net interest income		<u>9,812,428</u>	<u>8,927,549</u>
Fee commission and other income	3	2,697,266	3,191,945
Net impairment loss on loans and advances to members	13 (c)	(600,134)	(630,721)
Employee benefits expense	4	(4,017,346)	(3,981,526)
Occupancy expense		(182,080)	(166,548)
Depreciation and amortisation expense	4	(469,776)	(378,313)
Other expenses	4	(3,087,790)	(3,175,637)
		<u>4,152,568</u>	<u>3,786,749</u>
Profit before income tax expense		4,152,568	3,786,749
Income tax expense	5	(1,218,622)	(1,036,751)
		<u>2,933,946</u>	<u>2,749,998</u>
Profit for the year		2,933,946	2,749,998
Other comprehensive income, net of income tax		-	-
		<u>2,933,946</u>	<u>2,749,998</u>
Total comprehensive income for the year		<u>2,933,946</u>	<u>2,749,998</u>

The accompanying notes should be read in conjunction with these financial statements

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
ASSETS			
Cash and cash equivalents	8	10,238,504	10,459,572
Financial assets available for sale	9	825,840	825,850
Other receivables	10	1,007,046	635,472
Financial assets held to maturity	11	56,000,000	48,000,000
Loans and advances	12	447,456,967	392,976,979
Property, plant and equipment	14(a)	4,379,148	4,500,376
Deferred tax assets	15	690,913	571,833
Intangible assets	16	335,950	229,324
Other assets	17	106,886	117,058
		<hr/>	<hr/>
TOTAL ASSETS		521,041,254	458,316,464
		<hr/>	<hr/>
LIABILITIES			
Short term borrowings	18	25,000,000	14,000,000
Deposits	19	450,530,401	402,170,752
Other payables	20	911,306	716,522
Current tax payable	21	352,423	154,445
Deferred tax liabilities	22	776,753	799,217
Provisions	23	541,689	480,792
		<hr/>	<hr/>
TOTAL LIABILITIES		478,112,572	418,321,728
		<hr/>	<hr/>
NET ASSETS		42,928,682	39,994,736
		<hr/>	<hr/>
EQUITY			
Redeemed preference share capital account	24	128,780	120,150
Reserves	25	42,799,902	39,874,586
		<hr/>	<hr/>
TOTAL EQUITY		42,928,682	39,994,736
		<hr/>	<hr/>

The accompanying notes should be read in conjunction with these financial statements

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Red Pref Issued Capital \$	Credit Loss Reserve \$	Asset Revaluation Reserves \$	General Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2008	113,420	259,275	2,654,383	34,217,660	-	37,244,738
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	2,749,998	2,749,998
Other comprehensive income	-	-	-	-	-	-
Revaluation increment	-	-	-	-	-	-
Tax Effect of Revaluation	-	-	-	-	-	-
<i>Transfers</i>						
- credit loss reserve	-	12,153	-	-	(12,153)	-
- redeemed preference share capital account	6,730	-	-	-	(6,730)	-
- general reserve	-	-	-	2,731,115	(2,731,115)	-
<i>Total transfers</i>	<u>6,730</u>	<u>12,153</u>	<u>-</u>	<u>2,731,115</u>	<u>(2,749,998)</u>	<u>-</u>
Balance at 30 June 2009	120,150	271,428	2,654,383	36,948,775	-	39,994,736
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	2,933,946	2,933,946
Other comprehensive income	-	-	-	-	-	-
<i>Transfers</i>						
- credit loss reserve	-	625,913	-	-	(625,913)	-
- redeemed preference share capital account	8,630	-	-	-	(8,630)	-
- general reserve	-	-	-	2,299,403	(2,299,403)	-
<i>Total transfers</i>	<u>8,630</u>	<u>625,913</u>	<u>-</u>	<u>2,299,403</u>	<u>(2,933,946)</u>	<u>-</u>
Balance at 30 June 2010	128,780	897,341	2,654,383	39,248,178	-	42,928,682

The accompanying notes should be read in conjunction with these financial statements

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		30,515,417	32,805,775
Dividends received		103,221	315,010
Fees and commissions received		2,543,993	2,884,836
Other Income		118,663	121,951
Interest and other costs of finance paid		(21,176,196)	(23,625,048)
Payments to suppliers and employees		(6,988,342)	(7,311,036)
Income taxes paid		(1,162,187)	(1,535,714)
Net movement in investment securities		(8,000,000)	(235,947)
Net movement in member loans		(55,080,122)	(33,958,510)
Net movement in deposits		48,359,649	62,803,465
Proceeds from / (Repayments of) borrowings		11,000,000	(24,200,000)
Net cash provided by operating activities	36(c)	<u>234,096</u>	<u>8,064,782</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(455,174)	(645,916)
Proceeds from sale of property, plant and equipment		-	-
Payments for other financial assets		10	(65)
Net cash used in investing activities		<u>(455,164)</u>	<u>(645,981)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Total net increase/(decrease) in cash held		(221,068)	7,418,801
Cash at the beginning of the financial year		10,459,572	3,040,771
Cash at the end of the financial year	36(a)	<u>10,238,504</u>	<u>10,459,572</u>

The accompanying notes should be read in conjunction with these financial statements

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose statements which have been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA).

The financial statements cover Railways Credit Union Limited as an individual entity. Railways Credit Union Limited is a public company limited by shares, incorporated and domiciled in Australia.

The financial statements of Railways Credit Union Limited as an individual entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs except for land and buildings modified by revaluation, and financial assets and financial liabilities that are measured at fair value. The presentation currency of the financial statements is Australian Dollars.

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied.

(a) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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 tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of benefits brought to account or which may be realised in the future 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 to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in other comprehensive income on the Statement of Comprehensive Income.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Financial Assets and Liabilities

Introduction

(i) Initial recognition

The Credit Union initially recognises loans and advances to members, deposits, debt securities and sub-ordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) De-recognition

The Credit Union de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

The Credit Union de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Off-setting

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Credit Union has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Identification and measurement of impairment

Refer Note 1(d) and Note 1(g) for details.

Application

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Financial Assets and Liabilities (cont)

Application (cont.)

Loans and advances to members

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Credit Union does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Refer to Note 1 (d) for impairment of loans and advances.

Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, or available for sale.

(i) Held-to-maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has a positive intent and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Credit Union from classifying investment securities as held-to-maturity for the current and the following two financial years.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial asset.

After initial recognition, available-for-sale investments are measured at fair value. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Unrealised gains or losses arising from changes in the fair value of available-for-sale investments are recognised directly in other comprehensive income in the available-for-sale investments revaluation reserve. On sale, the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment. Realised gains and losses on available for sale financial assets are classified as gains and losses on disposal in profit or loss.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Financial Assets and Liabilities (cont)

(ii) Available-for-sale (cont.)

Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

Interest income from available-for-sale investments is recognised in profit or loss using the effective interest method. Dividend income from available-for-sale investments is recognised in profit or loss when the Credit Union becomes entitled to the dividend.

Deposits

Refer Note 1(j) for details.

Borrowings

Refer Note 1(k) for details.

(c) Income

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the last day of each month. Loan interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as impaired, the Credit Union ceases to recognise interest and other income earned but not yet received.

Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, a judgement has been obtained, or where repayments are in arrears and the prospect of a contribution from the member is minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Loan origination fee income and loan transaction costs that are direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate in relation to the originated loans. The amortisation of these amounts forms an adjustment to the interest revenue over the expected life of the loan.

Net deferred loan fee income is amortised on a straight-line basis over the calculated average life of the loan portfolio to which the net deferred loan fee income applies. The average life and interest recognition pattern of loan portfolios is reviewed annually to ensure the amortisation methodology is appropriate. The results of this method represent a valid approximation of the effective interest method.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Income (cont)

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

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

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and commission are recognised on an accrual basis once a right to receive the consideration has been attained or when service to the customer has been rendered.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Impairment - Loans & Advances to Members

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans 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.

Loans and advances to members are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

The amount provided for impairment of loans is determined by Management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Credit Union. Management and the Board also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. The critical assumptions used in the calculation are set out in Note 13. Note 1(o) details the credit risk management approach to loan impairment.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Impairment - Loans & Advances to Members (cont)

Bad debts are written off, as determined by Management and the Board, when it is reasonable to expect that the recovery of the loan is unlikely. All write-offs are on a case-by case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where an impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the statement of comprehensive income.

Renegotiated loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members. Facilities that are classified as renegotiated are either past due but not impaired, or neither past due nor impaired and interest continues to accrue to income.

(e) Securitisation

The Credit Union does not conduct a loan securitisation program whereby housing mortgage loans are sold as securities to Trusts, thus removing the asset from the Credit Union's statement of financial position.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. It is the policy of the Credit Union to have an independent valuation every three years, with annual appraisals being made by the Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is credited to other comprehensive income in the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrease on the same asset previously recognised in the income statement. A revaluation deficit is recognised in the income statement unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Property, Plant and Equipment (cont)

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the net profit or loss in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis. A summary of the rates used is:

Buildings	4%	Motor Vehicles	20.0%
Computer Hardware	33.3%	Office Furniture and Equipment	15.0%
Leasehold improvements	40.0%		

Assets under \$300 are not capitalised.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Impairment Testing of Assets (excluding Loans and Advances)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Intangible Assets

Computer Software

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets with a finite life. Computer software is amortised on a straight line basis over the expected useful life of the software. These lives range from 2 – 5 years.

Costs relating to computer software have been classified as intangible assets and are amortised over the estimated useful life of the software.

(i) Leases

Lease payments for operating leases, where substantially all the risks and benefits incidental to ownership of the asset remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

(j) Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Interest on deposits is brought to account on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.

(k) Borrowings

Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation Contributions – Accumulation Fund

Contributions are made by the Credit Union to employee superannuation funds and are charged as expenses when incurred.

(m) Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(n) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(o) Risk Management Policy and Objectives

Introduction

The Board of Directors (the Board) has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

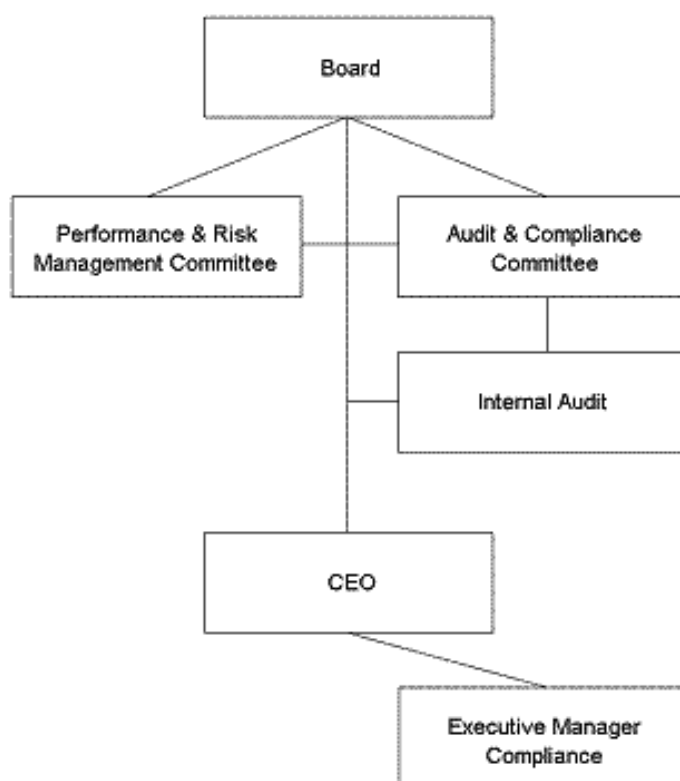
- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management including data risk management.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Authority flows from the Board to the Performance & Risk Management Committee and to the Audit and Compliance Committee which are integral to the management of risk. The following diagram gives an overview of the structure:



The main elements of risk governance are as follows:

Board: This is the primary governing body and approves the level of risk to which the Credit Union is exposed and the framework for reporting and mitigating those risks.

Performance & Risk Management Committee: This is a key body in the control of risk. The Committee is comprised of members of the Board. The Performance & Risk Management Committee recommends to the Board the risk management policies which the Audit and Compliance Committee monitor. This includes the identification, assessment and reporting of risks.

The Performance & Risk Management Committee ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Performance & Risk Management Committee generally meet monthly and provide reports to the Board following each meeting.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Audit and Compliance Committee: The Committee is comprised of members of the Board and its key role in risk management is the assessment of the controls that are in place to mitigate risks.

The Audit and Compliance Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit and Compliance Committee receives the internal audit reports on assessment and compliance with the controls and also receives external audit reports. The Audit and Compliance Committee provides feedback on these reports to the Board for their consideration.

The Audit and Compliance Committee generally meet monthly and provide reports to the Board following each meeting.

Executive Management: The Executive Management Team meets regularly and has responsibility for managing and reporting risk exposure. They scrutinise operational reports and monitor exposures against limits determined by the Board. Executive Management also determine the credit risk of loans in the banking book, ensure provisioning is accurate and determine controls that need to be put in place regarding the authorisation of new loans.

Executive Management has responsibility for drafting and implementing (once approved) Board & Management Policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay.

All large credit exposure facilities above policy limits are approved by the Board.

All loans are managed fortnightly through the monitoring of the scheduled repayments. Accounts where the arrears are over 89 days or overdraft facilities over the limit by over 13 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful.

Loan arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. Dedicated credit control personnel, which report to Senior Management, implements the Credit Union's Credit Risk Policies.

Executive Manager Compliance: Whilst part of the Executive Management team, the Executive Manager Compliance is also responsible for liaising with external and internal audit and ensuring that audit issues are resolved in a timely fashion. This person is also responsible for reporting any incidents of non compliance to the Audit and Compliance Committee and relevant authorities, and for overseeing any rectification processes that need to be implemented.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

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

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

A. Market risk and Hedging policy

The objective of Railways Credit Union's market risk management is to manage and control market risk exposures in order to minimise risk and optimise return.

Market risk is the risk that changes in interest rates and foreign exchange rates will have an adverse effect on Railways Credit Union's financial condition or results. Railways 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 only exposed to interest rate risk arising from changes in market interest rates.

The management of market risk is the joint responsibility of the Chief Financial Officer (CFO) and Chief Executive Officer (CEO).

(i) Interest rate risk

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

Most Authorised Deposit-Taking Institutions (ADI) are exposed to interest rate risk within their Treasury operations.

The policy of the Credit Union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Credit Union aims to maintain a gap of less than 6% of total equity. The gap is measured quarterly 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 deposit liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivative transactions to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 32 which details the Credit Union's interest rate risk profile.

A review of the interest rate risk management profile is conducted by an independent risk management consultancy. The Board monitors interest rate risk through these reviews and other Management reports.

Based on calculations as at 30 June 2010, the net profit impact for a 1% (2009: 1%) movement in interest rates would be \$509,300 (2009: \$459,600).

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

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, term deposits and savings accounts;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would all reprice in the event of a rate change;
- mortgage loans would all reprice to the new interest rate within 30 days;
- personal loans would reprice to the new interest rate within 30 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 significant change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures interest rate risk in the reporting period.

(ii) Price risk

The Credit Union is not exposed to any other significant price risk.

B. 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.

Loans

The maximum credit risk exposure in relation to loans is discussed in Note 33(a).

All loans and advances are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are discussed below and in Note 33(b).

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

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value lent to individual borrowers, non-mortgage secured loans, commercial lending and concentrations of geographic and industry groups considered a high risk of default;
- 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; and
- Review of compliance with the above policies.

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

(i) Past due and impaired loans

A loan is past due when the counterparty has failed to make 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 each fortnight. On the first day after the payment falls due, if the agreed repayment amount has not been paid the loan is past due. Past due does not mean that a counterparty will never pay but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 89 days, 13 days for overdrafts, the loan is regarded as impaired unless other factors indicate the impairment should be recognised sooner.

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

In addition to specific provisions against individually significant financial assets the Credit Union makes collective assessments for each financial asset portfolio segment by similar risk characteristics.

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

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in counterparty risk, changes in counterparty's industry and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to loans to members. Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details of past due and impaired balances and provisions for impairment of loans and advances to members are discussed in Note 13. Refer Note 1(d) for details of the Credit Union's policies in regards to bad debt write-offs.

(ii) Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 13(i) outlines the nature and extent of the security held against the loans held as at balance date.

It is the policy of the Credit Union to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. Details of assets acquired from loan recovery and their disposal are shown in Note 13(d).

(iii) Concentration risk – individuals

Concentration risk is a measurement of the Credit Union's exposure to individual counterparty (or group of related parties).

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of members. Concentration risk is also managed in accordance with the Prudential Standards. A large exposure is considered to exist if prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent). No additional capital is required to be held against these but APRA must be informed. APRA may impose extra capital requirements if it considers the aggregate exposure to all loans over the 10 per cent capital benchmark to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 33(a). The Credit Union holds no significant concentrations of exposures to members.

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FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

(iv) Concentration risk – industry

The Credit Union has a concentration in retail lending to members who comprise employees in the Railway industry. 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 33.

Liquid Investments

Credit risk in relation to liquid investments 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.

(i) Concentration of credit risk

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal Limited.

To limit the concentration risk the Credit Union follows these investment guidelines:

Cuscal Limited (S&P Credit Rating: AA-)

The Credit Union is a contracted recipient of banking, investment and borrowing facilities from Cuscal Limited under the terms of the Central Banking Facilities letter. Under these terms the Credit Union must maintain a minimum of 120% of Committed Facilities on deposit with Cuscal Limited and be a participant in the Credit Union Financial Support Scheme (CUFSS). Under the terms of the Industry Support Contract with CUFSS the Credit Union must maintain a minimum of 3.2% of its On Balance Sheet Assets on deposit with Cuscal Limited.

Subject to Cuscal Limited maintaining a minimum S&P rating of A- HQLA may be invested subject to the following:

Minimum: The greater of 120% of Committed Facilities or 3.2% of On Balance Sheet Assets

Maximum: 106% of the Credit Union's Eligible Capital Base

Credit Rated ADI's (S&P Credit Rating: AAA to A-)

HQLA in excess of the Credit Union's obligations to Cuscal Limited and CUFSS may be invested with ADIs with an S&P credit rating ranging between AAA to A- subject to the following:

- A maximum of 50% of the Credit Union's Eligible Capital Base may be invested with an individual ADI, and
- A maximum of 150% of the Credit Union's Eligible Capital Base may be invested with a number of ADI's.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Credit Rated ADI's (S&P Credit Rating: BBB + to BBB-)

HQLA in excess of the Credit Union's obligations to Cuscal Limited and CUFSS may be invested with ADI's with an S&P credit rating ranging between BBB+ to BBB- subject to the following:

- A maximum of 25% of the Credit Union's Eligible Capital Base may be invested with an individual ADI, and
- A maximum of 75% of the Credit Union's Eligible Capital Base may be invested with a number of ADI's.

Unrated ADI's

HQLA in excess of the Credit Union's obligations to Cuscal Limited and CUFSS may be invested with unrated ADI's subject to the following:

- A maximum of 5% of the Credit Union's Eligible Capital Base may be invested with an individual ADI, and
- A maximum of 15% of the Credit Union's Eligible Capital Base may be invested with a number of ADIs.

(ii) External Credit Assessment for Institutional 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.

Acceptable ADIs include:

- 1st and 2nd tier Banks, Building Societies or
- Credit Unions who are contracted with CUFSS

that have their main APRA licensed business operated in Australia and that have a Reserves to Assets ratio of at least 8%.

Prior to placing an investment with an acceptable ADI, Management must ensure sufficient due diligence is undertaken to satisfy it that the ADI is a financially viable and stable entity. As part of this process, Management will review the ADI's most recent annual report, and such other financial information as may be available. Management will also ensure the ADI is licensed with APRA and has a securities dealers license appropriate to the nature of its business.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

The carrying values associated with each credit quality step for the Credit Union are as follows:

	2010	2009
	Carrying value	Carrying value
Cuscal Limited	22,776,820	22,448,712
ADI's – rated AA and above	9,000,000	8,500,000
ADI's– rated below AA	35,500,000	28,000,000
Total	67,276,820	58,948,712

Equity Investments

All investments in equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in entities set up for the provision of services such as treasury services where specialisation demands quality staff. This is best secured by one entity. Further details of the investments are set out in Note 9.

C. Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments eg borrowing repayments or member withdrawal demands. It is the policy of the Board that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

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

The Credit Union has a long standing arrangement with the industry liquidity support scheme, CUFSS, which can access industry funds to provide support to the Credit Union should this 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 48 hours under the APRA Prudential standards. The Credit Union's policy is to apply 12.5% 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 this level the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available. Note 27 describes the borrowing facilities as at balance date.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

The maturity profile of the financial assets and financial liabilities based on the contractual repayment terms is set out in Note 31. The ratio of liquid funds over the past year is set out below:

APRA	2010	2009
To total adjusted liabilities:		
- As at 30 June	13.77%	13.65%
- Average for the year	14.20%	13.41%
- Minimum during the year	12.07%	12.41%
 To total deposits:		
- As at 30 June	14.91%	15.13%

D. Operational Risk

Operational risk is the risk of loss to Railways 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 Railways Credit Union relate mainly to legal compliance, business continuity, data infrastructure, outsourced services, fraud, and employee errors.

Railways 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 policies and systems to monitor the likelihood of the events and minimise 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 behaviour;
- Implementation of whistle blowing policies to promote a compliance culture and awareness of duty to report exceptions by staff;
- Education of members to review their account statements and report exceptions to Railways 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 loss of functionality of system or premises or staff;
- The use of a software system designed to manage compliance related tasks.

(i) Fraud

Fraud can arise from Visa cards and internet banking where either PIN or passwords are being compromised and are not protected adequately by the member. It can also arise from other system failures. Railways Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail ADIs fraud is potentially a real cost to Railways Credit Union. Fraud losses have arisen from Visa card transactions and internet banking activity.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

(ii) IT Systems

Railways Credit Union manages its own IT environment with the contracted support of specialist organisations. Railways Credit Union's investment in its IT environment and training of the IT staff is significant so as to ensure that the Credit Union is able to meet customer expectations and service requirements. Other network suppliers are engaged on behalf of Railways Credit Union by Cuscal Limited to service the settlements with other financial institutions for direct entry, Visa cards, BPay.

Railways Credit Union's disaster recovery site is equipped with sufficient IT furniture and equipment to mitigate the risk of a disaster having a significant impact on the Credit Union's financial position.

E. Capital Management

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

- Credit risk
- Market risk (trading book)
- Operations risk

The market risk component is not applicable as the Credit Union does not conduct trading book activities.

The on-balance sheet credit risk weighting attached to each asset is based on the weights prescribed by APRA Prudential Standard 112. The carrying values and risk weighted values for the economic entity are as follows:

	Risk Weighting	Carrying value	Risk weighted Value	Carrying value	Risk weighted value
		2010	2010	2009	2009
		\$	\$	\$	\$
Cash	0%	-	-	54,929	-
Deposits < 3 months with ADI's – Grade 1	20%	27,224,584	5,444,914	18,176,902	3,635,380
Deposits < 3 months with ADI's – Grade 2	20%	3,070,006	614,001	3,012,915	602,583
Deposits > 3 months with ADI's – Grade 1	20%	16,110,135	3,222,027	18,640,496	3,728,099
Deposits > 3 months with ADI's – Grade 2	50%	7,105,424	3,552,712	6,020,520	3,010,260
Deposits > 3 months with ADI's – Grade 3	50%	13,639,407	6,819,703	13,111,191	6,555,596
Loans to members – well secured	35%	338,464,782	118,462,673	287,424,510	100,598,579
Loans to members – less well secured	50%	40,579,516	20,289,758	31,989,126	15,994,563
Loans to members – poorly secured	75%	331,670	248,752	1,759,277	1,319,458
Loans to members – unsecured	100%	69,294,693	69,294,693	72,721,057	72,721,057
Other 100% weighted assets	100%	3,372,307	3,372,307	3,773,421	3,773,421
Other 0% weighted assets	0%	1,852,702	-	1,626,997	-
Total		521,045,226	231,321,540	458,311,341	211,938,995

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

The off-balance sheet credit risk weightings for the economic entity as at 30 June 2010 are \$2,944,677 (2009: \$4,448,783).

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

Based on this approach, the Credit Union's operational risk weighting as at 30 June 2010 is \$26,489,225 (2009: \$23,674,463).

It is considered that the Standardised approach accurately reflects the Credit Union's operational risk.

Capital resources

(i) Tier 1 Capital

The vast majority of Tier 1 capital comprises

- retained profits
- realised reserves.

(ii) Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A general reserve for Credit Losses

The Credit Union's asset revaluation reserve on the land and buildings is discounted to 45% of the value of the net of any capital gains tax and estimated costs of sale.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Capital in the Credit Union is made up as follows:

Tier 1 Capital	2010	2009
	\$	\$
General reserve	36,314,231	34,198,781
Retained earnings	2,933,946	2,749,998
Prescribed deductions	(748,870)	(642,244)
	<hr/>	<hr/>
Net Tier 1 capital	38,499,307	36,306,535
	<hr/>	<hr/>
Tier 2 Capital		
Reserve for credit losses	897,341	271,428
Asset revaluation reserve on property	1,194,472	1,194,472
Prescribed deductions	(412,920)	(412,920)
	<hr/>	<hr/>
Net Tier 2 capital	1,678,893	1,052,980
	<hr/>	<hr/>
Total Tier 1 & Tier 2 Capital	40,178,200	37,359,515
	<hr/>	<hr/>
Less deductions from total capital	-	-
	<hr/>	<hr/>
Total Capital	40,178,200	37,359,515

Credit Unions are required to maintain a minimum capital level of 8% of risk weighted assets at any given time in accordance with APRA Prudential Standards.

The capital ratio as at the end of the financial year, for the past 5 years are as follows:

2010	2009	2008	2007	2006
15.41%	15.56%	15.60%	14.07%	13.88%

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

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 12%. Further, a 3 year projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Risk Management Policy and Objectives (cont.)

Internal capital adequacy management

The Credit Union follows an Internal Capital Adequacy Assessment Process (ICAAP) that allocates capital based on the material risks faced by the Credit Union. Management prepare a detailed risk assessment including recommendations on future capital management strategies every six months, or more often if the Credit Union's risk profile changes, for consideration and adoption by the Board.

As part of the annual strategic planning and budget process, Management prepare forward projections of capital adequacy for consideration by the Board.

In addition to the risks covered by Pillar 1 disclosures, the Credit Union's major operational risks are Interest Rate Risk; Contagion Risk; Counter Party Default Risk; Liquidity Risk; and Strategic Risk.

(p) Adoption of New and Revised Accounting Standards

During the current year Railways Credit Union Limited adopted AASB 101: Presentation of Financial Statements. Railways Credit Union Limited has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, Railways Credit Union Limited has to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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 Credit Union's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 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 credit union has not yet made an assessment of the impact of these amendments.
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process - AASB 107 Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the credit union only recognises cash flows from investing activities for expenditure that results in a recognised asset in the statement of financial position.
AASB 2009-5 (issued May 2009)	AASB 136 Impairment of Assets	Clarifies that Cash Generating Units (CGUs) to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 Operating Segments before aggregation.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 January 2010.

(r) Date of issue

The financial statements were authorised for issue on 30th September 2010 by the Board of Directors.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2: INTEREST INCOME AND INTEREST EXPENSE

	2010	2009
	\$	\$
(a) Interest income on assets carried at amortised cost		
Cash – deposits at call	433,140	403,669
Financial assets held to maturity	2,844,566	3,122,000
Loans and advances to members	27,710,918	28,856,078
Total Interest Income	30,988,624	32,381,747
(b) Interest expense on liabilities carried at amortised cost		
Borrowings	1,170,516	1,535,502
Deposits	20,005,680	21,918,696
Total Interest expense	21,176,196	23,454,198

NOTE 3: INCOME

Interest Income	30,988,624	32,381,747
Non-Interest Incomes		
Dividends received		
- other corporations	103,221	315,010
Fees and commissions	2,561,886	2,842,976
Bad debts recovered	30,733	17,485
Other	1,426	2,696
Profit on sale of assets	-	13,778
Total Non-Interest Income	2,697,266	3,191,945
Total Income	33,685,890	35,573,692

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 4: PROFIT BEFORE INCOME TAX

	2010	2009
	\$	\$
Profit before income tax has been determined after:		
(a) Expenses:		
Interest Expense	21,176,196	23,454,198
	<hr/>	<hr/>
Non-Interest Expenses:		
Depreciation of property, plant and equipment		
- buildings	111,000	111,000
- plant and equipment	232,074	223,717
Amortisation	126,702	43,596
	<hr/>	<hr/>
Total depreciation and amortisation	469,776	378,313
	<hr/>	<hr/>
Net impairment on loans & advances	600,134	630,721
Rental expense on operating leases		
- minimum lease payments	38,048	40,089
Employee benefit expenses*	4,017,346	3,981,526
Member withdrawal expense	802,831	1,157,386
Loss on sale of assets	-	174
General and administration	2,428,991	2,144,536
	<hr/>	<hr/>
Total Non-Interest Expense	8,357,126	8,332,745
	<hr/>	<hr/>
Total Expenses	29,533,322	31,786,943
* Includes contributions to superannuation of \$315,793 in 2010 (2009: \$324,413)		
(b) Net gains and losses		
Net gain / (loss) on sale of property, plant & equipment	-	13,604

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5: INCOME TAX

	2010	2009
	\$	\$
(a) The Prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit at 30% (2009: 30%)	1,245,770	1,136,023
Add tax effect of:		
Non-deductible entertainment	14,189	13,004
Other non-allowable items	20	145
Under-provision for income tax in prior year	3,423	-
Less tax effect of:		
Rebateable fully franked dividends	(30,966)	(94,503)
Investment allowance 10%	(2,342)	-
Investment allowance 30%	(2,461)	(3,423)
Tax building depreciation/building allowance	(8,945)	(8,945)
Other	(66)	-
Correction to the tax base on buildings		(5,550)
	<u>1,218,622</u>	<u>1,036,751</u>
(b) The components of tax expense comprise:		
Current tax	1,356,742	1,133,737
Deferred tax	(141,543)	(91,436)
Under/over-provision for tax in prior years	3,423	(5,550)
	<u>1,218,622</u>	<u>1,036,751</u>
(c) Current and deferred tax recognised directly in other comprehensive income		
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to other comprehensive income:		
<i>Deferred tax</i>		
Net gain on revaluation of land and buildings	-	-
	<u>-</u>	<u>-</u>

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5: INCOME TAX (cont)

	2010	2009
	\$	\$
(d) Franking account		
Balance of franking account at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting date based on a tax rate of 30% (2009: 30%)	15,435,435 <hr/>	14,034,077 <hr/>

NOTE 6: REMUNERATION OF AUDITORS

(a) Remuneration of the auditor for:		
- Auditing or reviewing the financial statements	59,250	57,530
- Regulatory or prudential audits	22,250	21,600
- Other services – tax compliance	43,636	45,452
	<hr/> 125,136	<hr/> 124,582

NOTE 7: KEY MANAGEMENT PERSONNEL

(a) Directors

The names of the Directors of the Credit Union who have held office during the financial year are:

Henry C Scheuber	Graeme G Sang
David H Drew	John P Harnischfeger
Andrew R Haynes	Michael G Scanlan
Kellie L Dyer	Andrew J Hughes

(b) Remuneration of Key Management Personnel

Key Management Personnel (KMP) 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 entity.

KMP comprise of the Directors and the members of the Executive Management responsible for the day-to-day financial and operational management of the Credit Union.

The names of the KMP in addition to the Directors of the Credit Union who have held office during the financial year are:

Julianne Plath	Chief Executive Officer
Gavin Burkhardt	Executive Manager Sales & Member Service
Sam Carroll	Executive Manager Compliance

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7: KEY MANAGEMENT PERSONNEL (Cont.)

(b) Remuneration of Key Management Personnel (cont)

The aggregate compensation of KMP during the year comprising of amounts paid, payable or provided for was as follows:

	Directors		Other KMP	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) short-term employee benefits	140,429	159,231	607,104	605,760
(b) post-employment benefits				
- Superannuation contributions	12,638	13,885	50,122	50,987
(c) other long-term benefits				
- net increases in Long Service Leave provision	-	-	12,658	19,252
	<u>153,067</u>	<u>173,116</u>	<u>669,884</u>	<u>675,999</u>

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

(c) Loans to Key Management Personnel and their Close Family Members

All loans disbursed to KMP were approved on the same terms and conditions applicable to members for each class of loan, with the exception of those KMP who are not Directors. There are no loans that are impaired in relation to the loan balances with KMP.

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans that are impaired in relation to the loan balances with close family relatives of KMP.

	2010	2009
	\$	\$
The aggregate value of loans	<u>414,616</u>	<u>432,848</u>

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7: KEY MANAGEMENT PERSONNEL (Cont.)

(c) Loans to Key Management Personnel and their Close Family Members (cont)

	2010	2009
	\$	\$
The total value of revolving credit facilities to KMP		
as at balance date amounted to:	1,822,500	1,133,000
Less amounts drawn down and included in the above balance	(1,455,001)	(821,846)
	<u>367,499</u>	<u>311,154</u>
Net balance available		
During the year the aggregate value of loans disbursed to KMP amounted to:		
- Revolving credit facilities	6,000	-
- Personal loans	-	19,681
- Term loans	-	-
	<u>6,000</u>	<u>19,681</u>
During the year the aggregate value of Revolving Credit Facility limits granted or increased to KMP amounted to:	6,000	-
	<u>6,000</u>	<u>-</u>
Interest and other revenue earned on loans and revolving credit facilities to KMP and related parties	107,102	97,940
	<u>107,102</u>	<u>97,940</u>

(d) Other Transactions of KMP's

KMP have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.

Total value term and savings deposits at year end	1,223,664	1,212,741
	<u>1,223,664</u>	<u>1,212,741</u>
Total interest paid on deposits	71,487	76,908
	<u>71,487</u>	<u>76,908</u>

The Credit Union's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMP. There are no service contracts to which KMP or their close family members are an interested party.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 8: CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash on hand	-	54,929
Deposits with ADI's	10,238,504	10,404,643
	<u>10,238,504</u>	<u>10,459,572</u>

The effective interest rate on short-term bank deposits was 3.73% (2009: 3.76%); these deposits have an average maturity of 20 days.

NOTE 9: FINANCIAL ASSETS AVAILABLE FOR SALE

Shares in other entities	825,840	825,850
	<u>825,840</u>	<u>825,850</u>

The shareholding in Cuscal is measured at cost as its fair value cannot be measured reliably. These shares are held to enable the Credit Union to receive essential banking services. The shares are not publicly traded and are not redeemable.

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

NOTE 10: OTHER RECEIVABLES

Accrued interest	850,064	376,857
Sundry debtors	156,982	258,615
	<u>1,007,046</u>	<u>635,472</u>

NOTE 11: FINANCIAL ASSETS HELD TO MATURITY

Deposits with Cuscal Limited	11,500,000	11,500,000
Bank interest bearing deposits	44,500,000	36,500,000
	<u>56,000,000</u>	<u>48,000,000</u>

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: LOANS AND ADVANCES

Overdrafts	167,041,869	161,832,197
Term loans	281,568,434	231,985,442
	<hr/>	<hr/>
Gross loans and advances	448,610,303	393,817,639
Deferred application fees	(336,195)	(272,832)
Specific provisions for impairment	(817,141)	(567,828)
	<hr/>	<hr/>
Net Loans and Advances	447,456,967	392,976,979
	<hr/>	<hr/>

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES

	2010	2009
	\$	\$
(a) Provisions for Impairment		
Opening balance	567,828	370,747
Doubtful debts expense	249,313	197,081
	<hr/>	<hr/>
Closing balance	817,141	567,828
	<hr/>	<hr/>
Details of credit risk management is set out in Note 1(o).		
(b) Provision for Impairment Calculation		
Provision prescribed by Prudential Standards	723,290	375,160
Additional specific provision	93,851	192,668
	<hr/>	<hr/>
Closing balance	817,141	567,828
	<hr/>	<hr/>

Key assumptions in determining the provision for impairment

In the course of the preparation of the financial statements, the Credit Union has determined the likely impairment loss on loans and overdrafts which have not maintained loan repayments in accordance with the contract, or where there is other evidence of potential impairment such as bankruptcy, 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.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (Cont.)

(b) Provision for Impairment Calculation (cont.)

The provision calculated on a specific identification basis is prescribed by the Prudential Standards and is broadly on the following basis:

Period of impairment	Unsecured Overdrafts	Unsecured Loans	Secured Loans and Overdrafts (Category 2 facilities)
	% of balance	% of balance	% of balance
Less than 14 days	-	-	-
14 to 89 days	40	-	-
90 days to 181 days	75	40	5
182 days to 272 days	100	60	10
273 days to 364 days	100	80	15
Over 364 days	100	100	20

(c) Impairment expense on loans and advances

	2010 \$	2009 \$
Movement in provision for impairment	249,313	197,081
Bad debts written off directly	350,821	433,640
Total impairment expense for loans and advances	<u>600,134</u>	<u>630,721</u>

(d) Assets acquired from loan recovery

There were no assets acquired by the Credit Union during the financial year. The policy of the Credit Union is to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay the debts have been exhausted.

(e) Loans and advances by impairment class

Net impaired loans – refer 13(f)	423,955	292,509
Past due but not impaired – refer 13(g)	2,856,549	2,565,993
Neither past due or impaired – refer 13(h) & (j)	444,176,463	390,118,477
Net loans and advances	<u>447,456,967</u>	<u>392,976,979</u>

(f) Impaired loans and advances

Impaired loans	1,241,096	860,337
Provision for impairment	(817,141)	(567,828)
	<u>423,955</u>	<u>292,509</u>

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (Cont.)

(f) Impaired loans and advances (cont)

Impaired loans are generally not secured. Refer Note 13(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

Individually impaired loans and advances to members at reporting date

Purpose analysis

Personal including revolving credit	1,241,096	860,337
Provision for impairment	(817,141)	(567,828)
	<hr/>	<hr/>
Carrying amount	423,955	292,509
	<hr/>	<hr/>

2010
\$

2009
\$

Aging analysis

Not past due	-	-
Past due [0-90] days in arrears	8,650	11,065
Past due [90-180] days in arrears	336,546	235,694
Past due [180-270] days in arrears	47,407	73,073
Past due [270-365] days in arrears	143,242	-
Past due [>365] days in arrears	181,342	123,625
Overlimit facilities [>14] days	523,909	416,881
Allowance for impairment	(817,141)	(567,828)
	<hr/>	<hr/>
Carrying amount	423,955	292,509
	<hr/>	<hr/>

(g) Past due but not impaired loans and advances to members at reporting date

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer Note 13(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

Aging analysis

Past due [0-90] days in arrears	1,625,529	2,464,867
Past due [90-180] days in arrears	778,131	101,126
Past due [180-270] days in arrears	452,889	-
	<hr/>	<hr/>
Carrying amount	2,856,549	2,565,993
	<hr/>	<hr/>

Purpose analysis

Housing	2,285,443	2,019,143
Personal	571,106	546,850
	<hr/>	<hr/>
Carrying amount	2,856,549	2,565,993
	<hr/>	<hr/>

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (Cont.)

(h) Neither past due or impaired loans and advances to members at reporting date

Purpose analysis

Housing	379,425,481	321,485,232
Personal	64,750,982	68,633,245
Home Equity	-	-
	<u>444,176,463</u>	<u>390,118,477</u>

The above values include the balance of renegotiated loans and advances.

	2010	2009
	\$	\$
(i) Security Held Against Loans and Advances to Members		
(i) Against individually impaired		
- Unsecured	1,241,096	860,337
(ii) Against past due but not impaired		
- Unsecured	385,086	391,886
- Secured by mortgage over real estate	2,285,443	2,019,143
- Partly secured by goods mortgage	186,020	154,965
(iii) Against neither past due or impaired		
- Unsecured	34,652,954	35,825,600
- Secured by mortgage over real estate	379,425,485	321,758,064
- Partly secured by goods mortgage	30,098,028	32,534,812
	<u>448,274,112</u>	<u>393,544,807</u>

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

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

- Loan to valuation ratio of less than 80%	302,297,446	263,832,280
- Loan to valuation ratio of more than 80% but mortgage insured	76,011,935	51,623,158
- Loan valuation ratio of more than 80% and not mortgage insured	3,401,547	8,182,557
	<u>381,710,928</u>	<u>323,641,995</u>

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

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: IMPAIRMENT OF LOANS AND ADVANCES (Cont.)

(j) Renegotiated Loans	2010	2009
	\$	\$
Book value of renegotiated loans at the end of the reporting date	510,052	170,903
Book value of renegotiated loans which are well secured	98,855	101,026
Book value of renegotiated loans which are not well secured	411,197	69,877
Loans are considered well secured where they are secured by a registered mortgage over real estate.		

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

(a) Carrying values		
<u>Land & buildings</u>		
At independent valuation - 2008	4,125,000	4,125,000
Accumulated depreciation	(240,500)	(129,500)
	<u>3,884,500</u>	<u>3,995,500</u>
 <u>Plant & equipment</u>		
At cost	3,344,472	3,122,626
Accumulated depreciation	(2,849,824)	(2,617,750)
	<u>494,648</u>	<u>504,876</u>
 Total property, plant & equipment	<u>4,379,148</u>	<u>4,500,376</u>

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (Cont.)

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

<u>2010</u>	Land & buildings \$	Plant & equipment \$	Total \$
Balance at the beginning of the financial year	3,995,500	504,876	4,500,376
Additions	-	221,846	221,846
Depreciation expense	(111,000)	(232,074)	(343,074)
Carrying amount at the end of the financial year	<u>3,884,500</u>	<u>494,648</u>	<u>4,379,148</u>
<u>2009</u>	Land & buildings \$	Plant & equipment \$	Total \$
Balance at the beginning of the financial year	4,106,500	291,748	4,398,248
Additions	-	434,726	434,726
Disposals	-	(10,108)	(10,108)
Depreciation expense	(111,000)	(211,490)	(322,490)
Carrying amount at the end of the financial year	<u>3,995,500</u>	<u>504,876</u>	<u>4,500,376</u>

(c) Revaluations

The valuations of freehold land and buildings were based on the assessment of their current market value. The independent revaluations on 31 March 2008 were carried out by John Watt & Associates. The revaluation surplus, net of applicable deferred income taxes, was credited to an asset revaluation reserve in equity.

The revaluations of freehold land and buildings were based on the capitalisation of estimated net return.

The revaluation was made in accordance with a policy to revalue land and buildings every three years. No capital gains tax has been taken into account in determining revalued amounts.

Land and buildings were re-valued to \$4,125,000 as at 30 April 2008 based upon this independent valuation.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (Cont.)

(d) If revalued land and buildings were stated at historical cost, amounts would be as follows:

	2010	2009
	\$	\$
Cost	1,347,967	1,347,967
Accumulated depreciation	(746,624)	(692,705)
Net book value	601,343	655,262

NOTE 15: DEFERRED TAX ASSETS

(a) **Deferred tax assets comprise temporary differences attributable to:**

Provisions	487,193	388,426
Deferred application fees	100,859	81,850
Depreciation	101,413	100,765
Other	1,448	792
	690,913	571,833

Deferred tax assets recognised do not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

(b) **The movement in deferred tax assets for each temporary difference during the year is as follows:**

<u>Provisions</u>		
Opening balance	388,426	295,735
Charge to profit or loss	98,767	92,691
Closing balance	487,193	388,426
<u>Deferred Application Fees</u>		
Opening balance	81,850	92,443
Charge to profit or loss	19,009	(10,593)
Closing balance	100,859	81,850
<u>Depreciation</u>		
Opening balance	100,765	123,975
Charge to profit or loss	648	(23,210)
Closing balance	101,413	100,765

RAILWAYS CREDIT UNION LIMITED
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FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: DEFERRED TAX ASSETS

	2010	2009
	\$	\$
(c) Deferred tax assets comprise temporary differences attributable to:		
<u>Other</u>		
Opening balance	792	1,584
Charge to profit or loss	656	(792)
Closing balance	1,448	792

NOTE 16: INTANGIBLE ASSETS

(a) Carrying values		
Computer software at cost	911,089	677,761
Accumulation amortisation	(575,139)	(448,437)
	335,950	229,324
(b) Movements in carrying amounts		
Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.		
Computer Software		
Balance at the beginning of the financial year	229,324	50,245
Additions	233,328	222,675
Amortisation expense	(126,702)	(43,596)
Carrying amount at the end of the financial year	335,950	229,324

NOTE 17: OTHER ASSETS

Prepayments	106,886	117,058

NOTE 18: SHORT TERM BORROWINGS

Wholesale funding – Cuscal Limited	25,000,000	14,000,000
	25,000,000	14,000,000

Refer to note 27 for details of borrowing facilities.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19: DEPOSITS

	2010	2009
	\$	\$
Call deposits (including withdrawable shares)	221,571,491	221,476,060
Term deposits	228,958,910	180,694,692
	450,530,401	402,170,752
 <u>Concentration of Deposits</u>		
The following groups represent concentrations of deposits in excess of 10% of total liabilities		
QR employees - % of total deposits	15.51%	12.77%
- Balance of deposits	69,867,889	51,362,291

NOTE 20: OTHER PAYABLES

Annual leave	191,845	199,448
Sundry creditors and accrued expenses	719,461	517,074
	911,306	716,522

NOTE 21: INCOME TAX PAYABLE

Current income tax payable	352,423	154,445

NOTE 22: DEFERRED TAX LIABILITIES

(a) Deferred tax liabilities comprise temporary differences attributable to:

Amounts recognised in profit and loss

Prepayments and sundry debtors	(1,349)	(12,186)
Land and buildings	(33,300)	(38,851)

Amounts recognised directly in other comprehensive income

Land & buildings	811,402	850,253

Total deferred tax liabilities	776,753	799,217

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22: DEFERRED TAX LIABILITIES (Cont.)

	2010	2009
	\$	\$
The movement in deferred tax liability for each temporary difference during the year is as follows:		
<u>Prepayments and Sundry Debtors</u>		
Opening balance	(12,186)	(12,140)
Charge to the profit or loss	10,835	(46)
	(1,349)	(12,186)
 <u>Land & Buildings</u>		
Opening balance	811,402	850,253
Prior period adjustment	-	(5,551)
Charge to the asset revaluation reserve	-	-
Charge to profit or loss	(33,300)	(33,300)
	778,102	811,402

NOTE 23: PROVISIONS

Long service leave	541,689	480,792
	541,689	480,792

The reconciliations of each class of provisions are as follows:

Long service leave		
Balance at the beginning of the reporting date	480,792	398,906
Additional provisions raised during the year	75,587	99,359
Amounts used	(14,690)	(17,473)
	541,689	480,792
Carrying amount at the end of the reporting date	541,689	480,792

Long term employee benefits comprise amounts payable for long service leave which are not vested at the end of the reporting date and the amount and timing of payments to be made when leave is taken is uncertain. Refer to Note 1(l) for more details on employee benefits.

NOTE 24: REDEEMED PREFERENCE SHARE CAPITAL ACCOUNT

Redeemed Preference Share Capital Account	128,780	120,150
	128,780	120,150

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25: RESERVES

	2010	2009
	\$	\$
General Reserve	39,248,178	36,948,775
Asset Revaluation Reserve	2,654,383	2,654,383
Credit Loss Reserve	897,341	271,428
	42,799,902	39,874,586

(a) The general reserve records funds set aside for future expansion of the Credit Union.

(b) The asset revaluation reserve records revaluations of non-current assets.

(c) The credit loss reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards as set down by APRA.

NOTE 26: COMMITMENTS

(a) Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements, payable monthly in advance:

- Not longer than 1 year	80,160	10,158
- Longer than 1 and not longer than 5 years	320,433	31,583
	400,593	41,741

(b) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

Loans approved but not funded	7,766,203	11,597,888
Undrawn overdrafts	69,389,049	66,661,966

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 27: STANDBY BORROWING FACILITIES

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

	Approved Facility \$	Current Borrowing \$	Net Available \$
<u>2010</u>			
Pre-approved loan facility			
Overdraft facility	1,000,000	-	1,000,000
Stand by facility	3,000,000	-	3,000,000
Corporate Online Funds Transfer (NAB)	500,000	-	500,000
	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>
<u>2009</u>			
Pre-approved loan facility			
Overdraft facility	1,000,000	-	1,000,000
Stand by facility	3,000,000	-	3,000,000
Corporate Online Funds Transfer (NAB)	500,000	-	500,000
	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>

Borrowings, stand by lines, and credit facilities are secured by an equitable mortgage over all assets of the Credit Union. There are no restrictions in relation to these loan facilities.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 28: CONTINGENT LIABILITIES

Credit Union Financial Support Scheme (CUFSS)

The Credit Union is a participant in CUFSS. The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

An Industry Support Contract made on the 28 June 1999 between Cuscal Limited, Credit Union Financial Support Scheme Limited and participating Credit Unions required the Credit Union to execute an equitable charge in favour of Cuscal Limited. The charge is a fixed and floating charge over the assets and undertakings of the Credit Union, and secures any advances that may be made to the Credit Union under the scheme.

The balance of the debt at 30 June 2010 was Nil (2009: Nil).

NOTE 29: EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

There are to date no events, subsequent to the audit, which have an effect in the financial statements of the Credit Union.

NOTE 30: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

The following is a summary of the Credit Union's financial instruments by class.

(a) Loans and receivables – measured at amortised cost	2010	2009
	\$	\$
Cash and cash equivalents	10,238,504	10,459,572
Trade and other receivables	1,007,046	635,472
Loans and advances to members	447,456,967	392,976,979
	<hr/>	<hr/>
Total	458,702,517	404,072,023
	<hr/>	<hr/>
(b) Held to maturity investments – measured at amortised cost		
Financial assets held to maturity	56,000,000	48,000,000
	<hr/>	<hr/>
(c) Available for sale financial assets – measured at fair value		
Financial assets available for sale	825,840	825,850
	<hr/>	<hr/>
(d) Financial liabilities measured at amortised cost		
Short-term borrowings	25,000,000	14,000,000
Deposits	450,530,401	402,170,752
Trade and other payables	911,306	716,522
	<hr/>	<hr/>
Total	476,441,707	416,887,274
	<hr/>	<hr/>

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 31: MATURITY PROFILE OF FINANCIAL LIABILITIES

Maturity profile of financial liabilities

The table below shows the undiscounted cash flows on the entity's financial liabilities, including unrecognised loan commitments on the basis of the earliest possible contractual maturity.

These values will not agree to the statement of financial position.

The entity's expected cash flows on financial liabilities vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

To manage the liquidity risk arising from financial liabilities, the entity holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the entity believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable the users to evaluate the nature and extent of liquidity risk.

Please refer to Note 1(o) for the liquidity risk management.

The maturity profile of the entity's financial liabilities is shown in the following table:

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross Nominal Outflows
	\$	\$	\$	\$	\$	\$
2010						
Financial Liabilities						
Short-term borrowings	19,172,783	6,007,574	-	-	-	25,180,357
Deposits	294,459,929	76,429,770	86,779,729	1,136,425	-	458,805,853
Trade and other payables	730,949	-	-	-	-	730,949
Total Financial Liabilities	314,363,661	82,437,344	86,779,729	1,136,425	-	484,717,159
Off Balance Sheet Items Undrawn Commitments Note 26(b)	77,155,252	-	-	-	-	77,155,252
2009						
Financial Liabilities						
Short-term borrowings	9,023,710	5,003,089	-	-	-	14,026,799
Deposits	263,412,568	61,754,621	67,787,951	14,525,916	-	407,481,056
Trade and other payables	689,723	-	-	-	-	689,723
Total Financial Liabilities	273,126,001	66,757,710	67,787,951	14,525,916	-	422,197,578
Off Balance Sheet Items Undrawn Commitments Note 26(b)	78,259,854	-	-	-	-	78,259,854

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 32: INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

Repricing Period at 30 June 2010

Assets

Cash and cash equivalents
 Financial assets available for sale
 Trade and other receivables
 Financial assets held to maturity
 Loans and advances to members

Total Assets on Statement of Financial Position

Liabilities & Equity

Borrowings
 Deposits
 Trade and other payables

Total Liabilities on Statement of Financial Position

	Floating Interest Rate \$	Fixed Interest rate maturing			Non Interest Sensitive \$	Total \$	Effective Interest Rate \$
		Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$			
	10,238,504	-	-	-	-	10,238,504	2.62%
	-	-	-	-	825,840	825,840	NA
	-	-	-	-	1,007,046	1,007,046	NA
	-	43,000,000	13,000,000	-	-	56,000,000	6.06%
	447,456,967	-	-	-	-	447,456,967	7.60%
	457,695,471	43,000,000	13,000,000	-	7,345,783	521,041,254	
	-	25,000,000	-	-	-	25,000,000	5.68%
	221,571,491	227,867,907	1,091,003	-	-	450,530,401	5.59%
	-	-	-	-	911,308	911,308	NA
	221,571,491	252,867,907	1,091,003	-	911,308	476,441,709	

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 32: INTEREST RATE RISK (Cont.)

Repricing Period at 30 June 2009

Assets

Cash and cash equivalents
 Financial assets available for sale
 Trade and other receivables
 Financial assets held to maturity
 Loans and advances to members

Total Assets on Statement of Financial Position

Liabilities & Equity

Borrowings
 Deposits
 Trade and other payables

Total Liabilities on Statement of Financial Position

	Floating Interest Rate \$	Fixed Interest rate maturing			Non Interest Sensitive \$	Total \$	Effective Interest Rate \$
		Within 1 Year \$	1 to 5 Years \$	Over 5 Years \$			
	10,404,643	-	-	-	54,929	10,459,572	3.76%
	-	-	-	-	825,850	825,850	NA
	-	-	-	-	635,472	635,472	NA
	-	35,000,000	13,000,000	-	-	48,000,000	5.91%
	392,976,979	-	-	-	-	392,976,979	7.67%
	403,381,622	35,000,000	13,000,000	-	6,934,842	458,316,464	
	-	14,000,000	-	-	-	14,000,000	4.52%
	221,476,060	167,368,226	13,326,466	-	-	402,170,752	5.45%
	-	-	-	-	716,522	716,522	NA
	221,476,060	181,368,226	13,326,466	-	716,522	416,887,274	

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 33: CREDIT RISK

(a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position, except loans, where the maximum credit risk exposure is \$525,765,555.

In relation to loans, the maximum credit exposure is the value of on Statement of Financial Position plus the undrawn facilities (loans approved not advanced, redraw facilities, overdraft limits). Details of undrawn facilities are shown in Note 26(b). Details of collateral held as security are disclosed in Note 13(i).

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of members. Credit risk is currently managed in accordance with Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk on loans greater than 10% of capital currently arise in the following categories:

	Maximum Credit Risk Exposure			
	% of Total Loans		\$	
Industry	2010	2009	2010	2009
QR Employees	64.23%	63.24%	\$288,601,469	\$249,157,583

As at balance date, there were no concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital.

NOTE 34: FAIR VALUE OF FINANCIAL INSTRUMENTS

(i) The net fair value estimates were determined by the following methodologies and assumptions:

(a) Liquid assets

The carrying values of cash, cash equivalents and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

(b) Investments

Financial assets available for sale are held at cost. Fair value is not reasonably determinable due to the unpredictable nature of cashflow and lack of suitable method of arriving at a reliable fair value.

Financial assets held to maturity are carried at amortised cost. Carrying values approximate fair values due to the short-term maturities of these investments.

RAILWAYS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 34: FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont.)

(c) Loans and advances

The carrying value of loans, advances and other receivables is net of specific provisions for impairment.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value.

(d) Deposits from Members

The net fair value of call and variable rate deposits, and fixed rate deposits repriced within twelve months is the carrying value as at 30 June 2010.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the net fair value of other term deposits.

(e) Short-term Borrowings

The carrying value of short-term borrowings approximate their net fair value as they are short term in nature and reprice frequently.

- (ii) The table below summarises instances where the carrying value of financial assets or financial liabilities differs from the net fair value.

	2010		2009	
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	10,238,504	10,238,504	10,459,572	10,459,572
Accrued receivables	1,007,046	1,007,046	635,472	635,472
Financial assets held to maturity	56,000,000	56,000,000	48,000,000	48,000,000
Loans and advances	447,456,967	447,456,967	392,976,979	392,976,979
Other Investments	825,840	825,840	825,850	825,850
Financial Liabilities				
Deposits	450,530,401	451,522,446	402,170,752	402,630,190
Borrowings	25,000,000	25,010,851	14,000,000	14,026,811
Payables and other liabilities	911,306	911,306	716,522	716,522
Provisions	541,689	541,689	480,792	480,792

The values reported have not been adjusted for the changes in credit ratings of the assets.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 35: SUPERANNUATION COMMITMENTS

The Credit Union provides Superannuation Guarantee Contributions (SGC), as required by law, to superannuation funds nominated by employees for the provision of benefits to employees on retirement, death or disability.

In addition, the Credit Union contributes an extra 5% of gross earnings where a non-salaried employee personally contributes at least 5% of their gross salary to their nominated superannuation fund. Except as required under the Superannuation Guarantee Legislation, there is no legally enforceable obligation on the Credit Union to make these extra contributions.

NOTE 36: STATEMENT OF CASH FLOWS

(a) Reconciliations of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010	2009
	\$	\$
Cash liquid assets	10,238,504	10,459,572
	<u>10,238,504</u>	<u>10,459,572</u>

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- (a) Deposits in and withdrawals from savings, money market and other deposit accounts;
- (b) Sales and purchases of dealing securities;
- (c) Sales and purchases of maturing certificates of deposit;
- (d) Short-term borrowings; and
- (e) Provision of member loans and the repayment of such loans.

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 36: STATEMENT OF CASH FLOWS (Cont.)

(c) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Profit after income tax	2,933,946	2,749,998
Non-cash flows in profit after income tax:		
Provision for loan impairment	600,134	630,721
Depreciation and amortisation	469,776	378,313
Net Loss/(Gain) on sale of Assets	-	(13,604)
Changes in assets and liabilities		
Increase / (Decrease) in interest payable	-	(170,850)
(Increase) / Decrease in interest receivable	(473,208)	424,028
Increase / (Decrease) in income taxes payable	197,978	(287,880)
(Increase) / Decrease in deferred taxes payable	(119,079)	(58,090)
Increase / (Decrease) in provisions	53,294	113,338
(Increase) / Decrease in sundry debtors	101,633	(72,237)
(Increase) / Decrease in prepayments	10,172	(3,758)
Increase / (Decrease) in accrued expenses	202,387	4,691
Increase / (Decrease) in deferred tax liabilities	(22,464)	(38,896)
(Increase) / Decrease in investments	(8,000,000)	(235,947)
(Increase) / Decrease in member loans	(55,080,122)	(33,958,510)
Increase / (Decrease) in deposits	48,359,649	62,803,465
Increase / (Decrease) in borrowings	11,000,000	(24,200,000)
Net cash provided by operating activities	234,096	8,064,782

NOTE 37: COMPANY DETAILS

Railways Credit Union Limited
Level 1
Law Society House
179 Ann Street
BRISBANE QLD 4000

RAILWAYS CREDIT UNION LIMITED
A.B.N. 91 087 651 090
DIRECTOR'S DECLARATION

The Directors of Railways Credit Union Limited declare that:

In the opinion of the Directors:

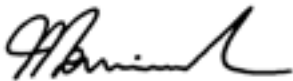
- (a) The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes of Railways Credit Union Limited are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the financial position of Railways Credit Union Limited as at 30 June 2010 and the performance for the year ended on that date, and
 - (ii) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (iii) comply with International Financial Reporting Standards as disclosed in Note 1; and

- (b) there are reasonable grounds to believe that Railways Credit Union Limited 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:



Graeme Sang
Chair



John Harnischfeger
Chair Audit and Compliance Committee

Dated this 29th day of September 2010.

INDEPENDENT AUDITOR'S REPORT

To the members of Railways Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Railways Credit Union Limited (the 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 ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Credit Union are responsible for the preparation and fair presentation of the financial report 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 financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements, comprising the consolidated and parent financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

AUDITOR'S OPINION

In our opinion:

- a) the financial report of Railways Credit Union Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Credit Union'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 Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

BDO Audit (QLD) Pty Ltd



Paul Gallagher
Director

Brisbane, 29 September 2010

The Credit Union Prayer

Lord, make us instruments of Thy peace
Where there is hatred let us sow love;
Where there is injury, pardon;
Where there is despair, hope;
Where there is darkness, light;
And where there is sadness, joy.

O Divine Master, grant that we
May not so much seek to be consoled, as to console;
To be understood, as to understand;
To be loved; as to love;
For it is in the giving that we receive;
It is in the pardoning that we are pardoned;
And it is in the dying that we are born to eternal life
AMEN

Positioning Statement

Railways Credit Union... it's all about Exceptional Service.



Integrity



Commitment



Exceptional Service



Mutuality in Action



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