Laboratories Credit Union Ltd

2008-2009

55th Annual Report

LCU

banking you can trust

LABORATORIES

CREDIT UNION LIMITED

A.B.N. 77 087 650 217

Incorporated in Australia

2009 ANNUAL

FINANCIAL REPORT

Registered Office:

No. 1 The Village, Riverside Corporate Park, Julius Ave
NORTH RYDE NSW 2113

Chairman's Report
Financial Year 2008 –2009

On behalf of the Board of Directors, it is my pleasure to present to members the fifty-fifth Annual Report of Laboratories Credit Union Limited, covering the 2008 – 09 Financial Year.

As members would know, the past year saw a major downturn in the world wide economy, which affected the local economy and caused a major credit squeeze. The past 12 months in Australia saw an unprecedented drop of 400 basis points in interest rates, with the cash rates going from around 7% to a low of around 3%. This credit crisis had a major impact on consumer confidence, which led to a significant reduction in the demand for home loans, the bread & butter of your Credit Union. However, despite all the doom & gloom, LCU managed to remain positive, returned a strong surplus and achieved 5% overall growth.

LCU maintains its focus on the long-term benefits for our members first and foremost, even though the home lending industry continues to be very competitive, including the use of less secure loan products (eg. 'low-doc' loans). LCU policies are there to protect all its members, not just borrowers, from undue risks, we have not reduced lending standards as has happened elsewhere in the industry. Similarly, LCU offers deposit products subject to the same regulatory conditions and as safe as those of any major bank.

LCU continues to maintain a strong Capital Adequacy (approx 20%, which is in excess of prudential requirements), very low operating costs, high member value and well-contained bad debt and fraud costs.

Financial Performance
At June 30th 2009, LCU had reached a significant milestone, with total assets valued in excess of $100 million and after-tax surplus of $533,000 (last year $524,000) after paying our capital issue dividend. LCU's low Return on Assets is indicative of a true Co-operative, operating with the lowest possible fee structure in the interests of all its members.

In the coming year, LCU is planning for asset growth continuing at around 6% with similar rates of deposit and loans growth.

Member Services and New Products
During the year LCU conducted a complete overhaul of its website, in response to members' feedback, in order to make it more user friendly, including introducing online application forms, e-newsletters, members' testimonials, etc. During the year LCU also updated its logo to include the phrase 'banking you can trust' – which reflects how most of our members feel about LCU.

LCU was required to install a new telephone system after CSIRO advised it could no longer use theirs. This involved purchasing a new system as well as being issued with new phone numbers, which also required the update of all stationery and web site contact details.

To top it all off, LCU fell victim to the “Hole-in-the-Wall” bandits, who blew up the LCU ATM in November 2008. Despite the major disruption, including a real “Hole-in-the-wall” in the General Manager’s office, the LCU staff and Management worked tirelessly to ensure that impact on our members’ services was minimal, they were back working within hours of the explosion. The repairs and final tidy up took a little longer!

Community Service

LCU continues its tradition of community service and recognises the importance placed on education by our members. Each year we award a number of scholarships to members, or children of members, who have completed the HSC and are progressing to a tertiary institution or who have completed a TAFE Associate Diploma or Certificate. It was my pleasure in February to present scholarships to Kathleen Batty, Jack Day, Kieran Helmore, Jessica Horsham, Sadia Islam, Michaela Lockett, Christopher Molloy, Gilbert O’Neill, Meredith Frankel, Maxwell Sutton, Kate Wilcockson, and Yiqing Wang. LCU warmly congratulates all the winners on their achievements so far and wish them every success in their further studies.

Acknowledgements

I would like to thank the hardworking LCU Board: Ms Janine Clark, Mr Kieran Greene (Chair of the Board Risk Committee), Dr Doug Shaw, Dr Bob Steele (Deputy Chair & Chair of the Board Audit Committee), Mr Ian McDonald (Executive Officer to the Board), Mr Peter Steele and Dr Tony Murphy, for their much valued cooperation and dedication to the governance of LCU. I would also like to thank Dr Anita Andrew and Dr Fiona Cameron, Associate Directors, both of whom attend Board meetings by invitation and provide invaluable advice and service to the Board. In September 2008 Ms Caroline Hart resigned her position as Associate Director. I wish to thank Ms Hart for the years of invaluable legal guidance given to the Board.

As always, our General Manager Michael Sinclair and Assistant General Manager Leanne Harris deserve special thanks, for making LCU such an efficient, cooperative, friendly, compliant and reliable operation. In this, they are supported by our loyal, capable and dedicated staff: Eileen Thoms, Lyn Slatter, Terri Breen, Kerrie Griffiths, Rhonda Hatton, Susanne Tran, Jenny Vote, Nalini Mannie and Elizabeth Sinclair.

Finally, as most of you know, LCU is indebted to CSIRO, and other organisations that employ our members, for their goodwill and access to premises for seminars and presentations. This helpfulness allows LCU to provide the best possible and most cost effective financial services for its members amongst their staff.

Frank Benito de Valle
Chairman
September 2009

DIRECTORS' REPORT

Your directors present their report on the credit union for the financial year ended 30 June 2009.

The credit union is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

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

Name	*Position*	*Qualifications*	*Experience*
F. Benito de Valle	Chairman	B Econ. FAIDC Dip. FCIS FCPA	Chairman - since December 2007 Director - since January 2000
R.J. Steele	Deputy Chairman	BSc., PhD, MBA., ARACI.	Director - since March 2003 Finance Committee - since November 2005 Audit Committee - since November 2005
K.J. Greene	Director	B.A.	Director – since January 2000 Risk Committee - since November 2005 Audit Committee – since November 2008
J.E. Clark	Director	Grad Bus Dip Adm	Director – since December 2006 Risk Committee - since December 2006
A.B. Murphy	Director	BSc. , Hons.PhD	Director – since January 1998 Risk Committee - since November 2005
I.R.McDonald	Director	B.Comm	Director – since June 1982 Finance Committee - since November 2000
D.E. Shaw	Director	BSc. M.S. PhD	Director – since June 1974 Risk Committee since November 2005
P.B. Steele	Director	CPA, Grad Dip Tech Management	Director – since January 1990 Finance Committee since November 2005 Audit Committee since November 2005

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

Name	*Qualifications*	*Experience*
M. Sinclair	**PNA, FAMI**	**Company Secretary – since 1986**

Directors' Meeting Attendance

H *= Meetings Held in the period of appointment.* ***A****= Attended*

Director	Board		Finance		Audit		Risk		Comments
	H	A	H	A	H	A	H	A	
F. Benito de Valle	13	11					2	2	
J.E.Clark	13	12					6	6	
K.J.Greene	13	13			10	10	6	6	
I.R.McDonald	13	13	1	1					
A.B.Murphy	13	11					6	6	
D.E.Shaw	13	12					6	6	
P.B.Steele	13	12	1	1	10	10			
R.J.Steele	12	10	1	1	10	10			

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 controlled credit union, or a related body corporate with a director, a firm of which a director is a member or a credit union in which a director has a substantial financial interest, other than that disclosed in note 29 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

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

No insurance cover has been provided for the benefit of the auditors of the credit union.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The net profit of the credit union for the year after providing for income tax was $ 593,547
[2008 $ 595,223]

DIVIDENDS

Dividends relating to Tier 1 preference shares have been paid or declared during and since the end of the financial year amounted to $ 60,318.

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.

The Result for the year was affected by :-

The completion of the core banking system conversion to Ultradata, business interruption caused by the ATM explosion and subsequent damage, and the unprecedented drop of 400 basis points in interest rates due to the Global Financial Crisis.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from this, there were no significant changes in the state of the affairs of the credit union during the year.

EVENTS OCCURRING AFTER BALANCE DATE

No other matters of circumstances have arisen since the end of the financial year 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 financial year 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 the declaration of independence to the board as prescribed by the Corporations Act 2001 as set out on page 4.

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:

Frank Benito de Valle
Chairman

Peter Steele
Director

Signed and dated this 16th day of September 2009

DECLARATION OF INDEPENDENCE TO THE DIRECTORS OF LABORATORIES CREDIT UNION LIMITED

As lead auditor of Laboratories Credit Union Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, I declare that there have been no contraventions of;

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

Signed Neville Sinclair, Partner
BDO Kendalls Audit Assurance (NSW-Vic) Pty Ltd
Dated 22 September 2009.

INDEPENDENT AUDITOR'S REPORT to the members of Laboratories Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Laboratories Credit Union Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion

a. the financial report of Laboratories Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the company's financial position as at 30 June 2009 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 Kendalls
Sydney, 22 September 2009

Neville Sinclair
Partner

DIRECTORS' DECLARATION

The directors' of Laboratories Credit Union Limited declare that:-

The financial statements comprising Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying notes and notes related thereto, are in accordance with the Corporations Act 2001, and :-

(a) comply with Accounting Standards; and

(b) give a true and fair view of the financial position of the credit union as at 30 June 2009 and performance for the year ended on that date.

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

This declaration is made in accordance with a resolution of the board of Directors.

Frank Benito de Valle ____________________Chairman Peter Steele________________Director

Dated this ____16th__day of __September__2009.

INCOME STATEMENT
FOR THE YEAR ENDED 30 June 2009

	Note	2009 $	2008 $
Interest revenue	2.a	7,198,043	7,094,224
Interest expense	2.c	5,009,972	4,786,806
Net interest income		2,188,071	2,307,418
Fee commission and other income	2.b	327,247	304,284
		2,515,318	2,611,702
Less			
Non interest expenses			
Impairment losses on loans receivable from members	2.d		50,000
Fee and commission expenses		180,531	197,103
General administration			
- Employees compensation and benefits		760,454	721,944
- Depreciation and amortisation	2.f	88,919	73,203
- Information technology		156,664	218,078
- Office occupancy		83,002	75,472
- Other administration		130,190	128,508
Total General Administration		1,219,229	1,217,205
Other operating expenses		315,447	320,950
Total non interest expenses		1,715,207	1,785,258
Profit before income tax		800,111	826,444
Income tax expense	3	206,564	231,221
Profit after income tax		593,547	595,223

STATEMENT OF CHANGES IN MEMBER EQUITY
FOR THE YEAR ENDED 30 June 2009

	Capital	Reserve for Credit Losses	Retained Earnings	Other Reserves	Total
	$	$	$	$	$
Total at 1 July 2007	866,600	729,552	6,518,752	12,730	8,127,634
Profit for the year			595,223		595,223
Dividends Paid			(70,849)		(70,849)
Transfers to (from) reserves					
Transfer to capital reserve on redemption of shares			(1,940)	1,940	
Total at 30 June 2008	866,600	729,552	7,041,186	14,670	8,652,008
Profit for the year			593,547		593,547
Dividends Paid			(60,318)		(60,318)
Transfers to (from) reserves					
Transfer to capital reserve on redemption of shares			(1,060)	1,060	
Total as at 30 June 2009	866,600	729,552	7,573,355	15,730	9,185,237

BALANCE SHEET
AS AT 30 June 2009

	Note	2009 $	2008 $
ASSETS			
Cash	4	3,678,498	2,460,583
Receivables from financial institutions	5	23,382,162	23,863,601
Receivables	6	368,524	49,527
Loans to members	7 & 8	77,617,001	73,591,654
Available for sale investments	9	235,315	235,300
Property, plant and equipment	10	221,421	229,800
Taxation assets	11	252,695	198,302
Loans to Capital Investors	12	100,000	100,000
Intangible assets	13	111,672	135,971
TOTAL ASSETS		105,967,288	100,864,738
LIABILITIES			
Deposits from members	14	94,353,922	89,130,295
Creditor accruals and settlement accounts	15	244,140	1,908,335
Taxation liabilities	16		9,579
Provisions	17	197,309	184,541
Subordinated Debt	18	986,680	979,980
TOTAL LIABILITIES		96,782,051	92,212,730
NET ASSETS		9,185,237	8,652,008
MEMBERS' EQUITY			
Share capital - preference shares	19	866,600	866,600
Capital reserve account	20	15,730	14,670
General reserve for credit losses	21	729,552	729,552
Retained earnings		7,573,355	7,041,186
TOTAL MEMBERS' EQUITY		9,185,237	8,652,008

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2009

	Note	2009 $	2008 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		6,879,046	7,237,756
Fees and commissions		218,785	229,145
Dividends		79,497	29,411
Other income		31,939	33,586
Revenue outflows			
Interest paid		(5,227,245)	(4,544,871)
Suppliers and employees		(1,842,946)	(1,654,206)
Income taxes paid		(270,536)	(259,758)
Net cash from revenue activities	38.c	(131,460)	1,071,063
Inflows from other operating activities			
Increase in member loans (net movement)		4,960,367	(6,845,351)
Increase in member deposits and shares (net movement)		(3,972,881)	7,125,926
Increase in deposits to other financial institutions (net)		481,439	(2,062,649)
Net cash from operating activities		**1,337,465**	**(711,011)**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		(15)	
Proceeds on sale of property, plant and equipment		17,772	20,955
Less: Outflows			
Purchase of investments in shares			
Purchase of Intangible Assets		(72185)	(121,930)
Purchase of property plant and equipment		(4802)	(48,822)
Net cash from investing activities		(59230)	(149,797)
FINANCING ACTIVITIES			
Inflows (outflows)			
Increase in borrowings (net movement)			
Dividends Paid		(60,320)	(70,849)
Proceeds of issue of preference share capital			
Proceeds of issue of subordinated debt			
Net cash from financing activities		(60,320)	(70,849)
Total net cash increase/ (decrease)		1,217,915	(931,657)
Cash at beginning of year		2,460,583	3,392,240
Cash at end of year		3,678,498	2,460,583

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Laboratories Credit Union Limited as a single credit union, for the year ended the 30th June 2009. The report was authorised for issue on 16th September 2009 in accordance with a resolution of the board of directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards board and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of Measurement

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

b. Loan to Members

(i) Basis of recognition

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

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

(ii) Interest earned

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

Overdraft –interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account.

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

1.

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

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

(v) Fees on loans

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

(**vi) Net gains and losses**

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

c. Loan Impairment

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

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 25 details the credit risk management approach for loans.

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

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

ii) **Reserve for credit losses**

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

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

iii) **Renegotiated loans**

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

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

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

e. Property, plant and equipment

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

- Buildings - 40 years.
- Leasehold improvements - 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than $300 are not capitalised.

f. Receivables from other financial institutions

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

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

g. Equity investments and other securities

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

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on balance sheet date. The gains and losses in fair value are reflected in equity through the asset revaluation reserve.

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

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

All investments are in Australian currency.

h. Member Deposits

(i) **Basis for measurement**

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

(ii) **Interest payable**

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

i. Borrowings

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

j. Provision for Employee Benefits

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

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

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

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

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

k. Leasehold on Premises

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

l. Income Tax

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

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

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

m. Intangible Assets

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

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

n. Goods and Services Tax

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

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

o. Impairment of Assets

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

p. Accounting Estimates and Judgements

Management have made judgements when applying the credit union’s accounting policies with respect to

i. The classification of preference shares as equity instruments – refer note 19

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

q. New or emerging standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Nature of Change	Application date:	Impact on Initial Application
AASB 123 (revised Jun 2007) Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.
AASB 101 (Revised Sep 2007) Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

2. INCOME STATEMENT

a. Analysis of interest revenue

	Note	2009 $	2008 $
Interest revenue on assets carried at amortised cost			
Cash – deposits at call		187,896	169,242
Receivables from financial institutions		1,503,097	1,469,460
Loans to members		5,507,050	5,455,522
Other			
TOTAL INTEREST REVENUE		7,198,043	7,094,224

b. Fee, commission and other income

		2009 $	2008 $
Fee and commission revenue			
Fee income on loans – other than loan origination fees		16,550	6,050
Other fee income		112,564	122,617
Insurance commissions		5,201	4,888
Other commissions		84,470	95,590
TOTAL FEE AND COMMISSION REVENUE		218,785	229,145
Other income			
Dividends received on available for sale assets		79,497	29,411
Bad debts recovered		20,432	8,553
Gain on disposal of assets			
- Property, plant and equipment		2,026	12,142
Miscellaneous revenue		6,507	25,033
TOTAL FEE COMMISSION AND OTHER INCOME		327,247	304,284

c. Interest expenses

	Note	2009 $	2008 $
Interest expense on liabilities carried at amortised cost			
Short term borrowings - overdraft		14,281	10,653
Deposits from members		4,927,515	4,692,983
Subordinated Debt		68,176	83,170
TOTAL INTEREST EXPENSE		5,009,072	4,786,806

	Note	2009 $	2008 $
d. Impairment losses			
Loans and advances			
Increase in provision for impairment			50,000
Bad debts written off directly against profit			
TOTAL IMPAIRMENT LOSSES			50,000

e Individually significant items of expenditure (detail)

The following items of expense are shown as part of Administration expenses and considered to be significant to the understanding of the financial performance:-

f. Other prescribed disclosures

	2009	2008
General administration - depreciation expense include:		
- plant and equipment	37,640	36,056
- leasehold improvements	27,178	27,178
- amortisation of software	24,101	9,969
	88,919	73,203
General administration – office occupancy costs include:		
property operating lease payments		
- minimum lease payments	77,523	71,190
- contingent rents		
Other operating expenses include**:**		
Auditor's remuneration (excluding GST)		
- Audit fees	28,800	28,400
- Other Services – taxation	2,400	3,500
- Other Services – compliance	3,000	3,000
- Other Services – other	5,500	5,500
	39,700	40,400
Defined contribution superannuation expenses	117,100	88,142
Loss on disposal of assets		
- property, plant, equipment		

3. INCOME TAX EXPENSE

a. The income tax expense comprises amounts set aside as:-

Current tax expense - current year profits (3b)	210,000	239,106
Adjustments for previous years		(7,885)
Total current income tax expense	210,000	231,221
Deferred tax expense		
Movement in temporary differences	(3436)	
Total income tax expense in income statement	206,564	231,221

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

Profit	800,110	826,444
Prima facie tax payable on profit before income tax at 30%	240,033	247,933
Add tax effect of expenses not deductible		
- Other non-deductible expenses		2,330
- Dividend imputation	10,221	3,782
Subtotal		
Less		
- Tax deductions not in accounting profit	6,184	2,334
- Franking rebate	34,070	12,605
- Adjustment for transitional tax rate provision		
Income tax expense attributable to current year profit	210,000	239,106

	Note	2009 $	2008 $
4. CASH			
Cash on hand		121,449	75,676
Deposits at call		3,557,049	2,384,907
		3,678,498	2,460,583
5. RECEIVABLES FROM FINANCIAL INSTITUTIONS			
Deposits with industry bodies - Cuscal (refer note 31)		4,975,471	22,157,597
Deposits with other societies			556,411
Deposits with banks		18,406,691	1,149,593-
		23,382,162	23,863,601

6. RECEIVABLES

Interest receivable on deposits with other financial institutions	368,524	49,527
Sundry debtors and settlement accounts		
	368,524	49,527

7. LOANS TO MEMBERS

a. Amount due comprises:

Overdrafts and revolving credit	1,020,962	910,319
Term loans	76,666,180	72,903,942
Subtotal	77,687,142	73,814,261
Less:		
Provision for impaired loans (Note 8)	70,141	122,607
	77,617,001	73,691,654

b. Credit quality - Security held against loans

Secured by mortgage over real estate	74,278,407	69,354,614
Partly secured by goods mortgage	1,722,306	1,684,067
Wholly unsecured	1,686,429	2,775,580
	77,687,142	73,814,261

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

	2009 $	2008 $
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	63,399,396	57,020,958
- loan to valuation ratio of more than 80% but mortgage insured	5,433,351	5,140,474
- loan to valuation ratio of more than 80% and not mortgage insured	5,445,660	7,193,182
Total	74,278,407	69,354,614

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

c. Concentration of loans

The values discussed below include on balance sheet values and off balance sheet undrawn facilities as described in Note 30.

(i) Loans to Individual or related groups of members which exceed 10% of reserves in aggregate		1,977,444

(ii) Loans to members are concentrated to individuals employed primarily in the technology and scientific research industries

(iii) Geographical concentrations
Australia

2009	Housing	Personal	Business	Total
NSW	62,423,061	4,841,573	693,110	
Victoria	2,104,944	36,239		
Queensland	3,006,449	179,283	134,398	
South Australia	404,649	8,433	255,788	
Western Australia	1,187,828			
Tasmania	253,003	16,224	19	
Northern Territory				
ACT	1,206,854	61,175		
Other	867,239	6,841		
Total per balance sheet	71,454,059	5,149,768	1,083,315	77,687,142

2008	Housing	Personal	Business	Total
NSW	61,044,417	2,550,151	1,095,842	
Victoria	2,828,666	47,019		
Queensland	3,892,989	129,359		
South Australia		30,110		
Western Australia	1,271,399	1,718		
Tasmania	588,005	16,084		
Northern Territory				
ACT	308,364	10,138		
Other				
Total per balance sheet	69,933,840	2,784,579	1,095,842	73,814,261

	2009 $	2008 $
8. PROVISION ON IMPAIRED LOANS		
a. Total provision comprises		
Collective provisions	70,141	122,607
Individual specific provisions		
Total Provision	70,141	122,607
b. Movement in the provision for impairment		
Balance at the beginning of year	122,607	84,173
Add (deduct):		
Transfers from (to) income statement		50,000
Bad debts written off provision	(52,466)	(11,566)
Balance at end of year	70,141	122,607

Details of credit risk management are set out in Note 25.

c. Impaired loans written off

Amounts written off against the provision for impaired loans	52,466	11,566
Amounts written off directly to expense		
Total bad debts	52,466	11,566

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

In the Note below -

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

	2009	2009	2009		2008	2008	2008
	Carrying value	Value of Impaired Loans	Provision for impairment		Carrying value	Value of Impaired Loans	Provision for impairment
	$	$	$		$	$	$
Loans to members							
Mortgages	73,989,595				69,933,840		
Personal	1,566,591	16,452	15,735		1,872,449	228,301	118,127
Overdrafts	1,020,962	2,369	949		910,319	5,362	4,480
Commercial	1,110,264	0	0		1,096,653		
Total	**77,687,412**	**18,821**	**16,684**		**73,814,261**	**233,663**	**122,607**

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.
It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

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

	2009 Carrying Value $	2009 Provision $	2008 Carrying Value $	2008 Provision $
30 to 90 days in arrears	515,396		196,951	
90 to 180 days in arrears	1,195	478	512,542	68,386
180 to 270 days in arrears			15,369	9,221
270 to 365 days in arrears				
Over 365 days in arrears	15,257	15,257	40,520	40,520
Overlimit facilities over 14 days	10,152	949	5,362	4,480
Total	542,000	16,684	770,744	122,607

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

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

There are loans with a value of $ 542,000 past due which not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

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

Loans to members

2009	1- 3 Mnths	3-6 Mnths	6-12 Mnths	> 1 Year	Total
Mortgage secured	456,215				456,215
Personal loans	59,181	1,195		15,257	75,633
Overdrafts	10,149	3			10,152
Total	525,545	1,198		15,257	542,000

2008	1- 3 Mnths	3-6 Mnths	6-12 Mnths	> 1 Year	Total
Mortgage secured	132,894	340,129			473,023
Personal loans	64,057				64,057
Overdrafts					
Total	196,951	340,129			573,080

i. Key assumptions in determining the provision for impairment

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

Period of impairment	% of
Up to 90 days	
90 days to 181 days	40
181 days to 270 days	60
270 days to 265 days	80
Over 365 days	100

	Note	2009 $	2008 $
9. AVAILABLE FOR SALE INVESTMENTS			
Shares in unlisted companies – at cost			
- Cuscal		235,315	235,300

Cuscal Limited

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the credit union to receive essential banking services . The shares are not able to be traded and are not redeemable.

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

The credit union is not intending, nor able to, dispose of these shares.

10. PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

	Note	2009 $	2008 $
Plant and equipment - at cost		327,094	292,010
Less: provision for depreciation		(207,590)	(191,304)
		119,504	100,706
Capitalised leasehold improvements at cost		271,778	271,778
Less: provision for amortisation		(169,861)	(142,684)
		101,917	129,094
		221,421	229,800

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

	2009			2008		
	Plant & equipment	*Leasehold improvements*	*Total*	*Plant & equipment*	*Leasehold improvements*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
Opening balance	100,706	129,094	229,800	96,753	156,272	253,025
Purchases	72,185		72,185	48,822		48,822
Less						
Assets disposed	15,747		15,747	8,814		8,814
Depreciation charge	37,640	27,177	64,817	36,055	27,178	63,233
Impairment loss						
Balance at the end of the year	119,504	101,916	221,421	100,706	129,094	229,800

11. TAXATION ASSETS

	2009 $	2008 $
Provision for income tax – instalments recoverable	68,105	0
Deferred Tax Assets	184,590	198,302
	252,695	198,302

Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	23,162	24,255
Provisions for impairment on loans	21,042	36,782
Provisions for employee benefits	98,474	106,230
Depreciation on fixed assets	41,912	31,035
	184,590	198,302

	2009 $	**2008 $**

12. LOANS TO CAPITAL INVESTORS

	Note	**2009 $**	**2008 $**
Subordinated loans to Subordinated debt investors		100,000	100,000

These loans are issued as subordinated loans to the respective investors and on the following terms and conditions :

- the loans are unsecured
- interest is payable quarterly at BBSW plus 1.19%.
- no repayments are required until the respective liabilities are settled in accordance with the agreements in 2016

13. INTANGIBLE ASSETS

Computer software	212,732	215,730
Less provision for amortisation	101,060	79,759
	111,672	135,971

Movement in the assets balances during the year were :

Opening balance	135,971	24,009
Purchases	4802	121,930
Less		
Assets disposed	5000	
Depreciation charge	24101	9,968
Impairment loss		
Balance at the end of the year	111,672	135,971

14. DEPOSITS FROM MEMBERS

Member Deposits		
- at call	50,224,016	53,945,377
- term	44,097,266	35,152,948
Member withdrawable shares	32,640	31,970
	94,353,922	89,130,295

Concentration of member deposits

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

(ii) Member deposits at balance date were received from individuals employed principally in the scientific and technology research industry

(iii) Geographical concentrations
Australia

	2009	2008
NSW	88,000,815	76,839,340
Victoria	911,526	951,156
Queensland	2,083,858	936,408
South Australia	343,703	121,758
Western Australia	512,517	565,245
Tasmania	489,201	372,079
Northern Territory	21,804	5,049
ACT	696,182	9,339,260
Other	1,294,316	
Total per balance sheet	94,353,922	89,130,295

15. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Annual leave	110,831	169,558
Creditors and accruals	199,781	318,014
Interest payable on deposits	749,631	973,606
Sundry creditors	183,897	447,157
	1,244,140	1,908,335

16. TAXATION LIABILITIES

Current income tax liability See Note 11		9,579
		9,579

Current income tax liability comprises:

Balance – previous year	9,579	49,870
Less paid	(69,012)	49,870
Over / under statement in prior year	(270)	
Liability for income tax in current year	192,852	227,352
Less Instalments paid in current year	(201,524)	217,773
Balance – current year	(68,375)	9,579

	Note	2009 $	2008 $

17. PROVISIONS

		2009 $	2008 $
Long service leave		197,309	184,541
Provisions – other			
		197,309	184,541

18. SUBORDINATED DEBT

		2009 $	2008 $
Balance at the beginning of the year		979,980	973,280
Increase due to debt issued			
Amortisation of Costs of debt		6,700	6,700
Balance at the end of year		986,680	979,980

The credit union entered into an agreement to issue subordinated debt in the year which was approved at the members meeting held on 2006. The agreement specified that the credit union place also loans equivalent to 10% of the liability with the investors as security for payment of interest.

19. PREFERENCE SHARES

	2009 $	2008 $
Balance	866,000	866,000
The credit union issued 10,000 redeemable preference shares with a face value of $100 each to Australian Mutual T1 Capital Funding Trust. The shares may be redeemable after June 2016.	1,000,000	1,000,000
Less capital raising costs associated with the issue	(33,400)	(33,400)
As part of the capital raising scheme, the credit union was required to provide a limited recourse unsecured subordinated loan to the Trustee for 10% of the face value of shares issued. The loan is repayable upon the redemption of the shares.	(100,000)	(100,000)
	866,600	866,600

Key Assumptions

The structure of the share issue agreement and the T1 Loss Reserve are considered to be effectively one transaction to raise capital.

20. CAPITAL RESERVE ACCOUNT

	2009 $	2008 $
Balance at the beginning of the year	14,670	12,730
Transfer from retained earnings on share redemptions	1,060	1,940
Balance at the end of year	15,730	14,670

Share Redemption

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

	2008 $	2007 $
21. GENERAL RESERVE FOR CREDIT LOSSES		
General reserve for credit losses	729,552	729,552
Other reserve for credit losses		
	729,552	729,552
General reserve for credit losses This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA		
Balance at beginning of year	729,552	729,552
Add: increase (decrease) transferred from retained earnings		
Balance at end of year	729,552	729,552

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A. MARKET RISK AND HEDGING POLICY

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

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

The management of market risk is the responsibility of the Management, which reports directly to the board.

(i) INTEREST RATE RISK

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

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

Interest rate risk in the banking book

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

The interest rate risk on the banking book is measured daily, reported to the board monthly.

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

The level of mismatch on the banking book is set out in Note 25 below**.** The table set out at note 25 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

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

Interest rate sensitivity

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

The policy of the credit union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured quarterly to identify and large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the credit union is not to undertake derivatives to match the interest rate risks. The credit unions exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

The credit union performs a sensitivity analysis to measure market risk exposures.

Based on the calculations as at balance date a 1% upwards movement in interest rates would result in an increase in net profit of $59,000. Conversely, a 1% downwards movement in interest rates would result in an equivalent decrease in annual net profit.

The method used in determining the sensitivity was 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 over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change ;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would loans would all reprice to the new interest rate at the within 28 days;
- personal loans would reprice after a 3 month delay;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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

B. LIQUIDITY RISK

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that 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 forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

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

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The credit union policy is to apply 12% 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, or borrowing facilities available. Note 28 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 24.

C. CREDIT RISK

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the credit union which may result in financial losses. Credit risk arises principally from the credit union's loan book, investment assets and derivative contracts (where applicable).

(i) CREDIT RISK – LOANS

The analysis of the credit union's loans by class, is set out in Note 7

Carrying value is the value on the balance sheet**.** Maximum exposure is the value on the balance sheet plus the undrawn facilities (Loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities). The details are shown in note 27.

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

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

The credit union has established policies over the:

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

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

Past due and impaired

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

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

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

In addition to specific provisions against individually significant financial assets, the credit union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance Sheet provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the credit union's loan portfolio from 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. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a 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 the loans to members.
Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are as set out in Note 8.

Bad debts

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

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

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

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the credit union is exposed to risks in the reduction 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.

The board policy is to maintain the majority of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

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

The aggregate value of large exposure loans are set out in note 7. [The credit union holds no significant concentrations of exposures to individual members.] Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base.

The credit union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of at least 80 per cent and reviews of compliance with this policy are conducted.

Concentration risk – industry

The credit union has a concentration in the retail lending for members who comprise employees and family in the scientific research and technology 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 7.

(ii) CREDIT RISK – LIQUID INVESTMENTS

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that limit the amount that can be invested with any one financial institution at a time.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one credit union. Also the relative size of the credit union as compared to the industry is relatively low such that the risk of loss is reduced.

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

All other investment must be with financial institutions with a rating in excess of BBB. The policies of the board limit the investments outside Cuscal to Authorised Deposit taking Institutions (ADI's).

D. OPERATIONAL RISK

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

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

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

Fraud

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

IT systems

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

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

E. CAPITAL MANAGEMENT

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

- Credit risk
- Market risk (trading Book)
- Operations risk.

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

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises
- Preference share capital
- Retained profits
- Realised reserves.

The preference shares issued are approved by APRA and qualify as Tier 1 capital.

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 subordinated loan remitted from the credit union's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential standard APS 111.

- A General Reserve for Credit Losses.

The credit union's available for sale (AFS) reserve, and an asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

Capital in the credit union is made up as follows:

	2009	2008	2007
Tier 1			
Share capital	866,600	866,600	866,600
Capital reserve	15,730	14,670	12,730
General reserve			3,602,634
Retained earnings	7,573,355	7,041,186	2,916,118
	8,455,685	7,922,456	
Less prescribed deductions	561,024	351,372	343,456
Net tier 1 capital	7,894,661	7,571,084	2,572,662
Tier 2			
Subordinated debt	986,680	979,980	973,280
Reserve for credit losses	729,552	729,552	729,552
	1,716,232	1,709,532	
Less prescribed deductions	394,335	409,636	362,020
Net tier 2 capital	1,321,897	1,299,896	1,340,812
Total Capital	9,216,558	8,870,980	3,913,474

The credit union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel 2 Prudential framework enhancements. Comparative data has not been available on the revised methods – the risk weighted assets for 2007 and prior reflect the previous methodology.

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

2009	2008	2007	2006	2005
20.35%	**20.62%**	**19.54%**	**20.13%**	**15.59%**

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

To manage the credit unions capital the credit union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

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

The credit union uses 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 credit union's various business lines.

Based on this approach, the credit union's operational risk requirement is as follows:

- operational risk capital $ 634,359 2008 $ 714,000

It is considered that the Standardised approach accurately reflects the credit union's operational risk

23. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2009 $	2008 $
Financial assets - carried at amortised cost			
Cash	4	3,678,498	2,460,583
Receivables		368,524	49,527
Receivables from financial institutions -	5	23,382,162	23,863,601
Loans to members	7 & 8	77,617,001	73,591,654
Loans to capital investors		100,000	100,000
Total loans and receivables		105,146,185	100,065,365
Available for sale investments - carried at cost		235,315	235,300
Available for sale investments - carried at fair value			
Total available for sale investments		235,315	235,300
TOTAL FINANCIAL ASSETS		105,381,500	99,300,665
Financial liabilities			
Short term borrowings			
Creditors		1,244,144	1,908,335
Deposits from other institutions			
Deposits from members		94,353,922	89,130,295
Subordinated debt		986,680	979,980
Total carried at amortised cost		96,584,746	92,018,610
Fair value through profit and loss			
TOTAL FINANCIAL LIABILITIES		96,584,746	92,018,610

24. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2009	Balances $	0-3 months $	3-12 months $	1-5 years $	After 5 years $	Total cash flows $
LIABILITIES						
Creditors	1,244,144	1,244,144				1,244,144
Deposits from members – at call	50,276,656	50,244,016				50,244,016
Deposits from members – term	44,097,266	20,609,549	22,729,885	1,552,941		44,892,375
Subordinated debt	900,000				900,000	900,000
On Balance sheet	**96,518,066**	72,097,709	22,729,885	1,552,941	900,000	97,280,535
Undrawn commitments	18,387,410	18,387,410				18,387,410
Total financial Liabilities	**114,905,476**	90,485,119	22,729,885	1,552,941	900,000	115,667,945

2008	Balances $	0-3 months $	3-12 months $	1-5 years $	After 5 years $	Total cash flows $
LIABILITIES						
Creditors	1,908,335	1,908,335				1,908,335
Deposits from members – at call	53,977,346	53,977,346				53,977,346
Deposits from members – term	35,152,948	16,565,406	19,856,062	764,364		37,185,833
Subordinated debt	900,000				900,000	900,000
On Balance sheet	**91,938,629**	72,451,087	19,856,062	764,364	900,000	93,971,514
Undrawn commitments	15,980,747	15,980,747	**-**	**-**	**-**	15,980,747
Total financial Liabilities	**107,919,376**	88,431,834	19,856,062	764,364	900,000	**109,952,261**

25. INTEREST RATE CHANGE PROFILE OF FINANCIAL LIABILITIES

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

2009	Within 1 month	1-3 months	3-12 months	1-5 years	Non interest bearing	Total
ASSETS	$	$	$	$	$	$
Cash	3,679,048					3,678,498
Receivables					368,524	368,524
Advances to other financial Institutions	5,000,000	15,475,470	2,906,691			23,382,162
Loans & advances - Residence	61,826,686	2,053,965	8,763,584	1,643,172		74,287,407
Loans & advances - personal	3,398,331					3,398,331
Loans & advances – other						
Investments					235,314	235,314
On Balance sheet	73,904,065	17,529,435	11,670,275	1,643,172	603,838	105,350,236
Undrawn commitments	-	**-**	**-**	**-**	**-**	**-**
Total financial assets	73,904,065	17,529,435	11,670,275	1,643,172	603,838	105,350,236
LIABILITIES						
Creditors					1,133,309	1,133,309
Deposits from members	54,367,729	15,726,525	22,800,720	1,426,608	32,640	94,353,922
Subordinated debt	986,680					986,680
On Balance sheet	55,354,409	15,726,525	22,800,720	1,426,608	1,165,949	**96,473,911**
Undrawn commitments	18,387,410					18,387,410
Total financial liabilities	73,741,819	15,726,525	22,800,720	1,426,608	1,165,949	**114,861,321**

2008	Within 1 month	1-3 months	3-12 months	1-5 years	Non interest bearing	**Total**
ASSETS	$	$	$	$	$	**$**
Cash	2,384,907				75,676	**2,460,583**
Receivables					49,527	**49,527**
Advances to other financial Institutions	5,562,306	13,493,528	4,807,767			**23,863,601**
Loans & advances - mortgage	49,949,537	3,198,639	11,941,586	4,264,852		**69,354,614**
Loans & advances - personal	4,161,288					**4,359,647**
Loans & advances – other	100,000					**100,000**
Investments					235,300	**235,300**
On Balance sheet	62,158,038	16,692,167	16,749,353	4,264,852	360,503	**100,423,272**
Undrawn commitments	-	-	-	-	-	**-**
Total financial assets	62,158,038	16,692,167	16,749,353	4,264,852	360,503	**100,423,272**
LIABILITIES						
Creditors	1,908,335					**1,908,335**
Deposits from members	56,217,699	13,706,475	18,499,016	675,135	31,970	**89,130,295**
Subordinated debt	979,980					**979,980**
On Balance sheet	59,106,014	13,706,475	18,499,016	675,135	31,970	**92,018,610**
Undrawn commitments	15,980,747	-	-	- -	-	15,980,747
Total financial liabilities	75,086,761	13,706,475	18,499,016	675,135	31,970	**107,999,357**

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.
Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.
The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held regularly traded by the credit union, and there is no active market to assess the value of the financial assets and liabilities.
The values reported have not been adjusted for the changes in credit ratings of the assets.

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

2009	Fair Value	2009 Carrying Value	Variance	Fair Value	2008 Carrying Value	Variance
	$	$	$	$	$	$
FINANCIAL ASSETS						
Cash	3,678,498	3,678,498		2,460,583	2,460,583	
Advances to other financial institutions	23,420,495	23,382,162	38,333	23,863,601	23,863,601	
Receivables	368,524	368,524		49,527	49,527	
Loans	76,849,066	77,617,001	(767,935)	71,344,302	73,691,654	(2,347,352)
Investments	235,315	235,315		235,300	235,300	
Subordinated loans	100,000	100,000		100,000	100,000	
Total financial assets	104,651,898	105,381,500	(729,602)	98,053,313	100,400,665	(2,347,352)
FINANCIAL LIABILITIES						
Creditors	1,133,309	1,133,309		1,908,335	1,908,335	
Deposits from members	94,474,363	94,353,922	120,441	89,130,295	89,130,295	
Subordinated debt	986,680	986,680		1,000,000	979,980	20,020
Total financial liabilities	96,594,352	96,473,911	120,441	1,000,000	92,018,610	20,020

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

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

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

Loans and advances

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

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

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

Deposits from members

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

		2009 $	2008 $
27.	**FINANCIAL COMMITMENTS**		
a.	**Outstanding loan commitments**		
	The loans approved but not funded	269,694	3,372,986
b.	**Loan redraw facilities**		
	The loan redraw facilities available	15,840,794	8,349,467
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	3,297,884	5,168,613
	Less: Amount advanced	(1,020,962)	(910,319)
	Net undrawn value	2,276,922	4,258,294
	These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
	Total financial commitments	18,387,410	15,980,747

Expenditure commitments

e.	**Computer Licence commitments**		
	The costs committed under contracts with Ultradata are as follows		
	Not later than one year	137,000	126,672
	Later than 1 year but not 2 years	137,000	506,608
	Later than 2 years but not 5 years	274,000	
	Later than 5 years		
		548,000	633,280

		2009	2008
		$	$
f.	**Lease expense commitments for operating leases on property occupied by the credit union**		
	Not later than one year	83,400	71,171
	Later than one year but not later than five years	250,200	284,685
	Over five years		35,585
		333,600	391,441

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the credit union so as to limit the ability to undertake further leases, borrow funds or issue dividends

28. STANDBY BORROWING FACILITIES

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

2009

	Gross	Current Borrowing	Net Available
	$	$	$
Loan facility	1,200,000		1,200,000
Overdraft facility	500,000		500,000
TOTAL STANDBY BORROWING FACILITIES	1,700,000		1,700,000

2008

	Gross	Current Borrowing	Net Available
	$	$	$
Loan Facility	1,200,000		1,200,000
Overdraft Facility	500,000		500,000
TOTAL STANDBY BORROWING FACILITIES	1,700,000		1,700,000

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

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

29. CONTINGENT LIABILITIES

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

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the credit union's total assets (3% under loans and facilities and .2% under the cap on contributions to permanent loans). This amount represents the participating credit union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

30. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of key management persons [KMP]

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

Key management persons (KMP) have been taken to comprise the directors and the members of the executive management responsible for the day to day financial and operational management of the credit union.

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

Note the AASB 124 standard does not specifically require the separation of the directors and executive remuneration. A single table may be shown for KMP combined.

		2009 Total $	2008 Total $
(a)	short-term employee benefits;	308,112	265,230
(b)	post-employment benefits - superannuation contributions	30,790	37,387
(c)	other long-term benefits – net increases in long service leave provision	9,201	8,708
(d)	termination benefits;		
(e)	share-based payment.		
	Total	**348,103**	**311,325**

In the above table, remuneration shown as short term benefits means (where applicable) **wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received,** but excludes out of pocket expense reimbursements.
All remuneration to directors was approved by the members at the previous Annual General Meeting of the credit union.

		2009 $	2008 $
c.	**Loans to Directors and other Key Management Persons**		
(i)	The aggregate value of loans to directors and other key management persons as at balance date amounted to	1,654,564	1,715,791
(ii)	The total value of revolving credit facilities to directors and other key management persons, as at balance date amounted to	92,000	92,000
	Less amounts drawn down and included in (i)	(14,939)	(13,329)
	Net balance available	77,061	78,671
(iii)	During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:		
	Term Loans	22,320	915,141
		22,320	915,141
(iv)	During the year the aggregate value of revolving credit facility limits granted or increased to directors and other key management persons amounted to:		
(v)	Interest and other revenue earned on Loans and revolving credit facilities to KMP	125,633	174,315

The credit union's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.
There are no loans which are impaired in relation to the loan balances with director's or other KMPs.

There are no benefits or concessional terms and conditions applicable to the Close family members of the key management persons (KMP). There are no loans which are impaired in relation to the loan balances with close family relatives of directors and other KMP.

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

	2009 $	2008 $
Total value term and savings deposits from KMP	448,846	423,678
Total Interest paid on deposits to KMP	18,789	24,208

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

d. Transactions with Other Related Parties

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP.
The credit union's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.
There are no benefits paid or payable to the close family members of the key management persons.
There are no service contracts to which key management persons or their close family members are an interested party.

31. SUPERANNUATION LIABILITIES

The credit union contributes to the CUE Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee.
The credit union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

32. SECURITISATION

The credit union has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The credit union also manages the loans portfolio on behalf of the trust. The credit union bears no risk exposure in respect of these loans. The credit union receives a management fee to recover the costs of no-going administration of the processing of the loan repayments and the issue of statements to the members.

The amount of securitised loans under management as at 30 June 2009 is $ 607,190 (2008: $993,398).

33. NOTES TO CASH FLOW STATEMENT

Reconciliation of cash

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

	2009 $	2008 $
Cash on hand	121,449	75,676
Deposits at call	3,557,049	2,384,907
Bank overdraft		
Total cash	3,678,498	2,460,583

Reconciliation of cash from operations to accounting profit

The net cash increase/(decrease) from operating activities is reconciled to the profit after tax

	2009 $	2008 $
Profit after income tax	593,547	595,223
Add (Deduct) :		
Bad debts	(52,466)	50,000
Depreciation and Amortisation expense	64,818	63,234
Amortisation of intangible assets	24,101	9,969
Loss on sale of assets	5,000	
Increase in provisions for staff leave	(45,959)	(11,287)
Increase in provision for income tax	(77,684)	(40,285)
Increase in other provisions		(65,000)
Increase in accrued expenses	(118,233)	77,436
Increase in interest payable	(223,973)	241,935
Loss (Gain) on sale of assets	(2,026)	(12,142)
Decreases in prepayments		
Decreases in sundry receivables		
Decreases in deferred tax assets	13,712	11,754
Decrease in other assets		
Decrease in interest receivable	(318,997)	143,526
Amortisation of borrowing costs	6,700	6,700
Net cash from revenue activities	(131,460)	1,071,063

34. CORPORATE INFORMATION

The credit union is a company limited by shares, and is registered under the Corporations Act 2001
The address of the registered office is
The address the principal place of business is

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