

Focusing on

YOU

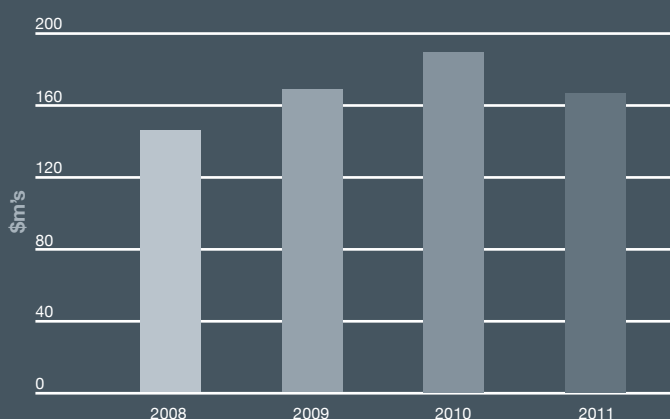
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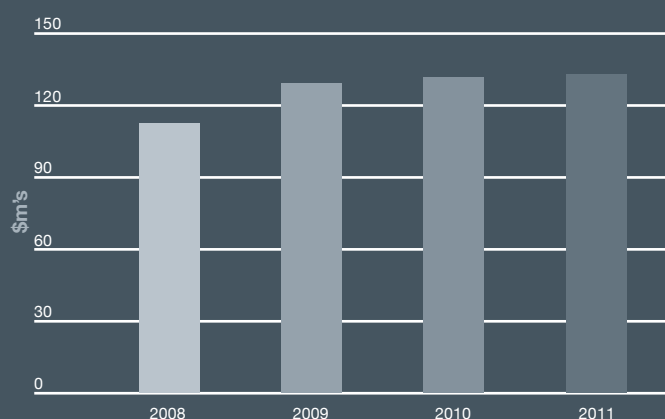
PERFORMANCE ANALYSIS

KEY STATISTICS	2011	2010
Net Profit	\$485,792	\$139,577
Total Assets	\$167,363,034	\$182,983,477
Loans	\$136,249,175	\$139,789,433
Member Deposits	\$130,459,311	\$128,033,579
Members' Equity	\$18,797,622	\$18,311,830

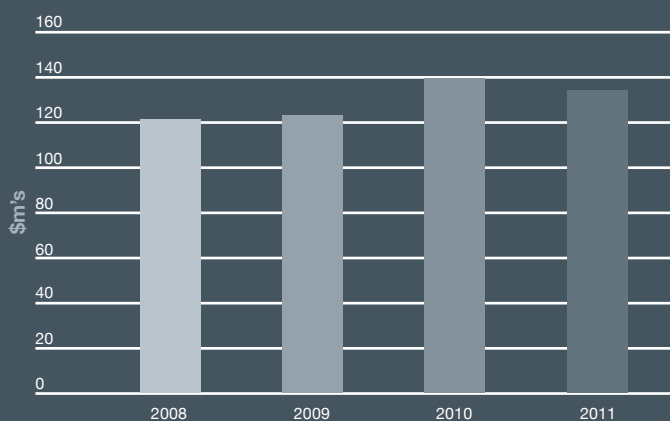
ASSETS



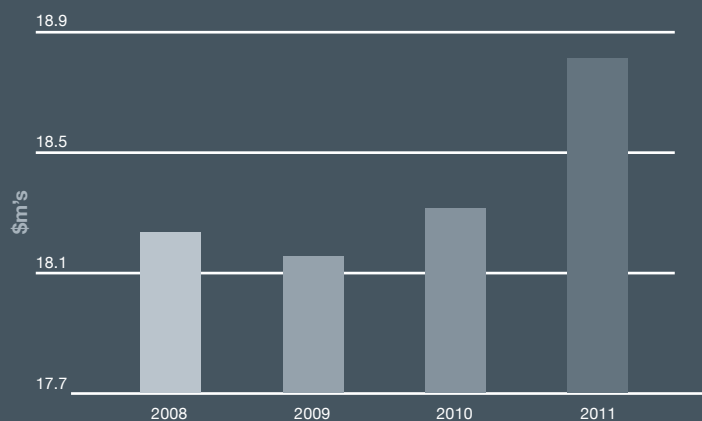
MEMBER DEPOSITS



LOANS



MEMBERS' EQUITY



CHAIRMAN'S REPORT 2011

THE YEAR IN REVIEW

I am pleased to be able to present our Annual Report for the year ended 30 June 2011. This is our 40th Annual Report and I want to start by thanking YOU for your support throughout the year and for entrusting us with the stewardship of your Credit Union. I would also like to thank our founding members who had the foresight to start a financial institution dedicated to assisting IBM employees achieve their financial goals. I was elected as Chairman in November 2010 following last years Annual General Meeting, having been a member of the Telstra Credit Union Board since 1995 and the Intech Board since the merger with Telstra Credit Union in 2005.

Our Performance

I am happy to report that following two tough years Intech has emerged in a strong and secure position, posting an excellent before tax profit of \$623k. This improvement, up from \$152k last year, was brought about by having a very strong focus on improving our cost/income ratio, whilst at the same time ensuring that our service levels do not deteriorate. At last years AGM, our then chairman, Jim Jefferis advised that our focus for the coming 12 months was to consolidate and stabilise the Credit Union, to grow the Credit Union profitably and to improve our cost to income ratio and I am very pleased to report that we have been able to achieve those goals.

Strategic Initiatives

Going forward our Strategic Plan 2011–2014 identified three main areas of focus:

- Grow the membership profitably
- Grow the business profitably
- Continue to improve our Cost to Income ratio.

It is recognised that our membership has been declining for a number of years and this needs to be addressed if we are to continue to have relevance to our members and to continue to be a successful small financial institution.

Secure and Strong

We continue to maintain a strong capital position, well above our Regulatory requirement. We are regulated by APRA and our capital adequacy ratio, calculated in accordance with APRA requirements stood at 21.84%, significantly above the minimums required. This gives us plenty of cushioning to support future business growth.

Community Initiative – The Fred Hollows Foundation

In 2008, as part of our Corporate Social Responsibilities program we agreed to support the work of the Fred Hollows Foundation. This year your Credit Union and its staff donated over \$15,000 to the Foundation. These funds will be used to assist in restoring sight to those in remote locations, particularly within Australian Indigenous Communities.

This amount brings the total of our contribution since 2008 to \$57,125. This has helped save the sight of up to 1700 people with cataracts by paying for the insertion of an intraocular lens that cost just \$25 each.

Board Renewal

At last years AGM, our Chairman Jim Jefferis and Deputy Chairman, Anna-Leena Risku advised the members they would be standing down from the Board.

Following the AGM Bob Dean also stood down. Bob had served with distinction on the Telstra Credit Union Board since 1976, was Chairman of that Board from 2000 to 2005 and became a member of the Intech CU Board at the merger in 2005.

I would like to formally record the thanks of the Board for their extraordinary respective contributions to the work of the Board over many years. The loss of such experienced leaders meant that we needed to focus on Board renewal and succession.

During this year we have appointed a number new Associate Directors with a view to having them step up to Board positions. Our Associate Director program is proving to be very successful and we are very lucky to have a pool of new talented people to fill vacancies which arise.

Remuneration Policy for Directors

The Board has a Remuneration Policy to remunerate fairly and responsibly that will motivate directors and management to pursue the long-term growth and success of the Credit Union within an appropriately controlled framework. Your directors do not receive any performance related remuneration. Director's remuneration which is approved by the members at the Annual General Meeting covers all Director Credit Union activities including serving on committees of the Board.

CHAIRMAN'S REPORT 2011

Board Committees

To assist in the execution of its responsibilities the Board has established a number of committees, including Audit, Risk, Governance, Board Renewal and Remuneration and Growth.

Diversity

The Credit Union has a policy of appointing the best person to any position within the Credit Union, 83% of our total staff are females, 60% of our senior management team are females and 33% of directors and associate directors are also female.

Intech Staff

Once again our staff performed under intense pressure: firstly to continue to deliver a high level of service and to put YOU at the centre of everything we do and secondly in meeting the challenges of an ever-changing financial services landscape.

On behalf of the Board I thank them all for their hard work and commitment to your Credit Union.

The Board would also like to thank the senior management team of Leigh Glaser (CEO), Maria Krohn (Operations Manager) and Michelle Mantas (Customer Service and Sales Manager) for their great contribution and hard work that has seen our Net Profit increase substantially.

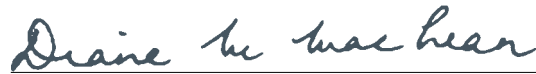
Finally, my fellow Directors and Associate Directors have once again given generously of their energy and time, in serving not only on the Board but also on the Audit, Risk, Governance, Board Renewal, Remuneration and Growth Committees. Their dedication and professionalism has made a major contribution to your Credit Union. They continue to focus their energies on the key areas of strategic planning, corporate governance and policy making, and are committed to providing YOU with a trusted alternative for your financial needs.

It gives me great pleasure to record here my appreciation of the fine team spirit and co-operation that exists between the Board and Management of Intech Credit Union.

Looking forward, Management and the Board believe that your Credit Union still needs to do more particularly in the area of membership growth. We are excited by the opportunities that are ahead of us over the next few years and are confident of our ability to deliver levels of customer service meeting your needs and continued profit and value growth.

Again I thank YOU, our shareholders and members, for your support and I am pleased to be able to present this year's Annual Report on behalf of the Board.

Both Board and Management look forward to serving YOU in the years to come.



Diane MacLean
Chairman

CORPORATE GOVERNANCE DISCLOSURES

BOARD

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management and are elected by Members on a rotation of every 3 years.

Each Director must be eligible to act under the Constitution as a member of the Credit Union and Corporations Act 2001 criteria. The Directors must also satisfy the Fit and Proper criteria set down by the Australian Prudential Regulatory Authority (APRA).

The Board has established policies to govern the conduct of the Board meetings and Director conflicts of interest. Training is provided so as to maintain their awareness of emerging issues and to satisfy all governance requirements.

BOARD REMUNERATION

The Board receives remuneration from the Credit Union in the form of allowances agreed each year at the Annual General Meeting and specified out of pocket expenses. There are no other benefits received from the Credit Union by the Directors.

Board Committees

An Audit Committee, Risk Committee, Governance and Board Renewal and Remuneration Committee and Growth Committee have been formed to assist the Board in relevant matters of financial prudence and corporate governance.

Audit Committee

The Audit Committee is established to oversee the financial reporting and audit process. Its role includes:

- Monitoring audit reports received from Internal and External auditors, and management responses thereto;
- Liaising with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Recommending approval of financial budgets;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations;
- Monitoring the compliance with applicable laws;
- Monitoring the performance KPI's against budget; and
- Monitoring any Whistleblower Protection Policy Issues through the Whistleblower Protection Officer.

Risk Committee

The Risk Committee is established to assist the Board of Directors in the discharge of its responsibilities for;

- Formulating the risk strategy of the Credit Union;
- Determining the policies that ensure the strategy is adhered to; and
- Monitoring adherence to those policies and the Risk Management Framework.

Governance Committee

The Governance Committee oversees the compliance with regulatory requirements and assists the Board in continually improving its governance practices. Its role includes:

- Monitoring corporate governance and raising opportunities for improvement;
- Recommending corporate strategies;
- Developing governance policies regarding Board processes, succession plans, disclosure of information;
- Managing the Board and Director assessment programs;
- Monitoring policy compliance with the relevant statutory authorities; and
- Ensuring the Board has a majority of independent Directors at all times.

Board Renewal and Remuneration Committee

Board Renewal and Remuneration Committee is responsible for:

- Establishing and monitoring the Board and Director evaluation to ensure all Directors have the skills necessary to make an effective contribution to the Board;
- Specifying how the Credit Union will recruit new directors with appropriate skills, knowledge and experience to enhance the Board composition;
- Developing a selection process for any nominees for Board positions including Directors that are retiring and seeking a further 3 year term;
- Recommending to the Board appropriateness of candidates for Board endorsement; and
- Determining the CEO Remuneration and key performance criteria.

Growth Committee

The Growth Committee monitors the Credit Union's performance against the strategic plan and budget. Its role includes:

- Creating an environment by which collective knowledge and experience of the Board may be accessible to the Credit Union management as appropriate; and
- Ensuring that if targets are not being achieved corrective action is put in place to bring performance in line with budget, Board expectations and market opportunity.

CORPORATE GOVERNANCE DISCLOSURES

POLICIES

The Board has endorsed a set of compliance and risk management policies to suit the risk profile of the Credit Union.

Key Risk Management Policies include:

- Capital Adequacy Management
- Liquidity Management
- Credit Risk Management
- Operations Risk Management
- Business Continuity Management

RISK AND COMPLIANCE MANAGER

The Credit Union has a Risk and Compliance Manager who is responsible for maintaining the awareness of staff for all changes in compliance legislation and responding to staff enquiries on compliance matters. The Risk and Compliance Manager also monitors the FSR Licence obligations and responds to member complaints and disputes should they arise.

EXTERNAL AUDIT

Audit is performed by BDO Audit (NSW-VIC) Pty Ltd as part of the BDO international group, a major international accounting body. The firm has been auditing Credit Unions for over 30 years. The firm utilises sophisticated Computer Assisted Audit Software to supplement the compliance testing.

The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

INTERNAL AUDIT

An internal audit function has been outsourced to Step Ahead Business Solutions, an Internal Audit Consultant, to deal with the areas of internal control compliance and regulatory compliance only. These matters are also examined by the external auditors.

This role is also supplemented by other external compliance reviews performed by security audits on the Data Processing centres for adequacy of the back-up, disaster recovery and Internet security systems.

The work performed by the internal auditor is examined by the Audit Committee.

REGULATION

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the Prudential Risk Management of the Credit Union.
- Australian Securities & Investment Commission (ASIC) for adherence to Corporations Act, Accounting Standards and disclosure in the financial statements, and Financial Services Reform (FSR) requirements. The FSR legislation requires the Credit Union to disclose details of products and services; maintain training for all staff who deal with Members, and provide an effective and independent complaints handling process.

Under the FSR licensing arrangements all staff that deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both ASIC and APRA conduct periodic inspections and the auditors report both quarterly and annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the Prudential policy compliance.

OCCUPATIONAL HEALTH AND SAFETY

The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless our two most valuable assets are our staff and our Members and steps need to be taken to maintain their security and safety when circumstances warrant.

OH & S policies have been established for the protection of both Members and staff and are reviewed annually for relevance and effectiveness.

Staff are trained in procedures in the event of a robbery and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas;
- Cameras monitoring persons; and
- Counter screens providing protection where cash is handled.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff.

All staff have access to trauma counsellors where required following an incident that may impair their feeling of safety in the work place.

DIRECTORS' REPORT

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

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

INFORMATION ON DIRECTORS

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

Mr. R Chaplin, Mr. R Dean, Mr. A Esteban, Mr. J Jefferis, Mr. D Mackay, Ms. D MacLean, Ms. A Risku, Mr. G Smith, Mr. R Southwell (Associate), Mr. Neal Cherry (Associate), Ms. Dong-Maria Le (Associate), Dr. Michael Neary (Associate), Ms. Jacqueline Thorley (Associate).

DIRECTORS MEETINGS ATTENDANCE

Director	Meetings Held	Meetings Attended	Period of Appointment
Chaplin R *	11	11	Associate Director – Elected 24/11/10
Cherry N	2	2	Associate Director
Dean R	4	4	22/11/07 to 24/11/10
Esteban A	11	9	27/11/08 to present
Jefferis J	4	3	23/11/09 to 24/11/10
Le D **	7	6	Associate Director
Mackay D	11	11	27/11/08 to present
MacLean D	11	10	22/11/07 to present
Neary M ***	2	2	Associate Director
Risku A-L	4	4	27/11/08 to 24/11/10
Smith G	11	10	23/11/09 to present
Southwell R	1	0	Associate Director-resigned 24/08/11
Thorley J	2	2	Associate Director

* Mr Chaplin (Associate Director) acted as Alternate on 2 occasions.

** Ms Le (Associate Director) acted as Alternate on 2 occasions.

*** Dr Neary (Associate Director) acted as Alternate on 1 occasion.

COMPANY SECRETARY AS AT 30 JUNE 2011

Name	Qualifications	Experience
Leigh Glaser	Diploma of Finance, FACUI	CEO Intech Credit Union 2006 to present Executive Manager – Intech Credit Union 2005-2006 General Manager – Telstra Credit Union 1994-2005

AUDIT COMMITTEE ATTENDANCE

Director	Meetings Held While a Member	Meetings Attended
Dean R	6	6
Risku A-L	6	5
Mackay D	13	13
Esteban A	7	7
MacLean D	7	7
Le D	6	5
Southwell R	1	0
Neary M	2	2

RISK COMMITTEE ATTENDANCE

Director	Meetings Held While a Member	Meetings Attended
Risku A-L	5	4
Esteban A	12	10
Chaplin, R	5	3
Mackay D	9	9
Dean B	5	3
Le D	7	6
Neary M	2	1
MacLean D	12	11

GOVERNANCE, BOARD RENEWAL AND REMUNERATION COMMITTEE ATTENDANCE

Director	Meetings Held While a Member	Meetings Attended
Dean R	3	3
Jefferis J	3	3
Chaplin R	6	6
Esteban	6	5
Mackay D	6	6
Smith G	6	5
MacLean D	9	8

GROWTH COMMITTEE ATTENDANCE

Director	Meetings Held While a Member	Meetings Attended
Jefferis J	5	4
Esteban A	5	5
Chaplin R	7	6
Cherry N	2	2
Thorley J	2	2
Smith G	12	12

DIRECTORS' REPORT

DIRECTORS' BENEFITS

No Director has received, or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest. This is reiterated in Note 28 of the financial statements.

INDEMNIFYING OFFICER OR AUDITOR

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

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

FINANCIAL PERFORMANCE DISCLOSURES

Principal activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members. This takes the form of 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 \$485,792 (profit of \$139,577 in 2010).

Dividends

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

Review of operations

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

Significant changes in state of affairs

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

Events occurring after balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations, the 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.

INFORMATION ON CURRENT DIRECTORS

Director	Qualifications
Diane MacLean <i>Chair</i>	Bachelor of Arts, Bachelor of Law, University of Sydney. Admitted to practice as a Solicitor in NSW and the High Court Associate Fellow Australasian Mutuals Institute (AFAMI) Member Australian Institute of Company Directors (AICD)
	Experience
	Member of Telstra Credit Union since 1984 Member of Telstra CU Board since 1995 Appointed to the Intech Board on merger, April 2005 General Counsel, Telstra Applications and Ventures Group Board Chair Member Audit Committee Member Risk Committee Chair Board Renewal and Executive Remuneration Committee Chair Governance Committee

DIRECTORS' REPORT

Director	Qualifications
<p>Alf Esteban <i>Vice Chair</i></p>	<p>Bachelor of Science Graduate Diploma in Commercial Bank Management, Master of Business Administration Fellow Finance and Securities Institute Graduate Australian Institute of Company Directors, (GAICD) Member Australasian Mutuals Institute (MAMI) Member Australian Compliance Institute Associate Global Association of Risk Professionals, Certified Compliance Professional</p> <p>Experience</p> <p>Member Intech Credit Union since 1986 Director 1993 to 1995, Vice Chair 1995 Member Audit Committee 1995. Rejoined Board as Associate Director 2005. Elected as Director, 2005. Member Audit Committee July 2007 – November 2007, Member Growth Strategy Committee November 2007 - June 2008. Chair of the Growth Committee November 2008 to June 2009. Member Risk Committee Member Audit Committee Member Board Renewal and Executive Remuneration Committee Member Governance Committee</p> <p>Director and Public Officer, Australasian Compliance Institute, Director and Company Secretary RIA Financial Services Australia (resigned May 2010), Director International Foreign Exchange Australia (resigned May 2010)</p> <p>General Manager – Asia Pacific Compliance Division SAI Global, Managing Principal StratEdge Consulting. Previously General Manager OM Technology Asia Pacific, and 21 years at IBM (Australia, UK, Singapore), primarily focused on banking and financial markets clients.</p>
<p>Rodney Chaplin <i>Director</i></p>	<p>Bachelor of Engineering (Hons) (2005), Macquarie University Member of Australasian Mutual Institute (MAMI)</p> <p>Experience</p> <p>Intech member since 2008 Associate Director 24 June 2008. Member Growth Committee Member Governance Committee</p> <p>IBM Australia since January 2006 – currently key account client executive (communications sector)</p>

Director	Qualifications
<p>Neil Cherry <i>Associate Director</i></p>	<p>Master of Engineering Chartered Engineer Member Institute of Electrical Engineers Member Australasian Mutual Institute (AMI)</p> <p>Experience</p> <p>Intech member since 2011 Associate Director 24 April 2011 Member Growth Committee</p> <p>Partner and Public Service Leader, IBM Global Business Services</p>
<p>Dong-Maria Le <i>Associate Director</i></p>	<p>Bachelor of Commerce, Graduate Diploma Applied Finance and Investment, CPA Professional Program (ongoing) Member Australasian Mutuals Institute (AMI)</p> <p>Experience</p> <p>Associate Director since 26/11/10. Member Audit Committee Member Risk Committee</p> <p>Internal Audit Manager The GPT Group</p>
<p>David Mackay <i>Director</i></p>	<p>Bachelor of Science BSc LLB University of NSW (1990) Practiced as Solicitor in NSW 1991-1994. Member Australasian Mutuals Institute (MAMI) – completed several AMI training modules</p> <p>Experience</p> <p>Member of Intech since 2004 and appointed as a Director in March 2005 Previous member Governance Committee Chair of Audit Committee Chair Risk Committee Member Governance Committee</p> <p>17 years experience in IT/ Telco with both customer and vendor companies including Hostworks, SUN, IBM, Solution 6, Optus and Hutchison within Australia as well as CitiBank, Peoples Bank and the Federal Reserve Bank in the USA (Boston). Most recently with NSW Treasury and presently working with Oakton.</p>

DIRECTORS' REPORT

Director

Michael Neary

Associate Director

Qualifications

Bachelor of Science, Master of Commerce,
Doctorate of Business Administration
Fellow Australian Institute of Marketing
Graduate Australian Institute of Company Directors
Fellow Securities Institute of Australia
Member Australasian Mutuals Institute

Experience

Associate Director 28 April 2011
Member Audit Committee
Member Risk Committee

Head of Industry Engagement,
Telstra Enterprise and Government
Head of Financial Services Industry
Telstra 2007-2010
Head of Market Development PMI Mortgage
Insurance 2000-2006
Head of Strategy &
Innovation Cuscal 1995-2000

Graeme Smith

Director

Fellow Australian Institute of
Company Directors, (FAICD)
Graduate of Surveying Studies -
University of South Australia,
Executive Program Harvard Business School
Fellow Australasian Mutuals Institute (FAMI)

Experience

Member of Intech since 1980 and Board
member since 2002.
Served as Chair of the Growth Strategy Committee
Member of the Audit Committee, Governance
Committee and Strategic Development Committee
Chair of the Growth Committee.
Member Board Renewal and Executive
Remuneration Committee
Member Governance Committee

Board activity includes, Intech, Cirrus
Communications and previously IBM
Credit Company.

Current position, IBM Alliance Executive Asia
Pacific. Previous management experience with
IBM in Australia and USA. Other General Manager
positions held in Telstra and CSC Australia.

Director

Jacqueline Thorley

Associate Director

Qualifications

Bachelor Science (BSc,Hons)
University of Surrey, England
Postgraduate Diploma in Market Management
Member Australasian Mutuals Institute (AMI)

Experience

Intech member since 2000
Associate Director 28 April 2011
Member Growth Committee
IBM Australia employee since 1999
Client Representative NSW Mid Market
IBM Australia

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:



Diane MacLean
Chairman

Signed and dated this 27 September 2011

DECLARATION OF INDEPENDENCE

BY WAYNE BASFORD TO THE DIRECTORS OF INTECH CREDIT UNION LIMITED



Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF INTECH CREDIT UNION LIMITED

As lead auditor of Intech Credit Union Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in black ink, appearing to read 'Wayne Basford', is written over a horizontal line.

Wayne Basford
Director

BDO Audit (NSW-VIC) Pty Ltd

Dated 23 September 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTECH CREDIT UNION LIMITED



Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

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Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTECH CREDIT UNION LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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*, which has been given to the directors of Intech Credit Union Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTECH CREDIT UNION LIMITED



Auditor's Opinion

In our opinion:

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

BDO Audit (NSW-VIC) Pty Ltd

Wayne Basford

Director

Signed in Sydney this 28th day of September 2011

DIRECTORS' DECLARATION

The Directors of Intech Credit Union declare that:

- (a) The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (i) give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date.
- (b) The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

- (c) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Chairman

Dated this 27 day of September 2011.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Interest revenue	2.a	11,883,377	10,635,133
Interest expense	2.c	6,447,789	5,273,036
Net interest income		5,435,588	5,362,097
Fee commission and other income	2.b	1,273,264	1,207,072
Net operating income		6,708,852	6,569,169
Less			
NON INTEREST EXPENSES			
Impairment losses on loans receivable from members	2.d	97,680	189,306
Fee and commission expenses		491,675	523,803
General administration			
- Employees compensation and benefits		2,123,765	2,776,336
- Depreciation and amortisation	2.e	402,714	397,345
- Information technology		766,704	752,142
- Office occupancy		415,688	392,589
- Other administration		508,803	502,952
Total General Administration		4,217,674	4,821,364
Other Operating Expenses		1,279,220	883,146
Total non interest expenses		6,086,249	6,417,619
Profit before income tax		622,603	151,550
Income tax expense	3.a	136,811	11,973
Profit after income tax		485,792	139,577
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the period		485,792	139,577

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Capital Reserve	General Reserve	Reserve for Credit Losses	Retained Earnings	Total
	\$	\$	\$	\$	\$
Total at 1 July 2009	62,042	941,918	200,000	16,968,293	18,172,253
Total comprehensive income for the year				139,577	139,577
Recycled on sale of shares					-
TRANSFERS TO (FROM) RESERVES					-
Transfer to reserve for credit losses in year			200,000	(200,000)	-
Transfer to capital account on redemption of shares	7,591			(7,591)	-
Total at 30 June 2010	69,633	941,918	400,000	16,900,279	18,311,830

Total comprehensive income for the year				485,792	485,792
Recycled on sale of shares					-
TRANSFERS TO (FROM) RESERVES					-
Transfer from reserve for credit losses in year					-
Transfer to capital account on redemption of shares	4,379			(4,379)	-
Total as at 30 June 2011	74,012	941,918	400,000	17,381,692	18,797,622

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
ASSETS			
Cash	4	1,928,433	8,017,836
Receivables from financial institutions	5	25,756,194	31,600,000
Receivables	6	1,616,756	1,334,929
Prepayments		103,693	122,369
Loans to members	7 & 8	136,249,175	139,789,433
Available for sale investments	9	465,869	465,869
Property, plant and equipment	10	659,289	770,746
Taxation assets	11	255,355	389,901
Intangible assets	12	328,270	492,394
TOTAL ASSETS		167,363,034	182,983,477
LIABILITIES			
Short term borrowings	13	-	584,160
Deposits from other financial institutions	14	14,500,000	30,765,100
Deposits from members	15	130,459,311	128,033,579
Creditor accruals and settlement accounts	16	3,221,438	4,883,620
Taxation liabilities	17	-	-
Provisions	18	384,663	405,188
TOTAL LIABILITIES		148,565,412	164,671,647
NET ASSETS		18,797,622	18,311,830
MEMBERS' EQUITY			
Capital reserve account	19	74,012	69,633
General reserve		941,918	941,918
General reserve for credit losses		400,000	400,000
Retained earnings		17,381,692	16,900,279
TOTAL MEMBERS' EQUITY		18,797,622	18,311,830

TABLE OF OTHER NOTES TO ACCOUNTS

20	Financial Risk management objectives and policies	27	Contingent liabilities
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		12,038,166	10,280,922
Fees and commissions		986,194	1,016,573
Dividends		145,101	58,203
Other income		116,802	132,296
Revenue outflows			
Interest paid		(6,563,880)	(4,890,107)
Suppliers and employees		(5,683,159)	(5,782,582)
Income taxes paid		(2,266)	18,015
Net cash from revenue activities	33.b	1,036,958	833,320
Inflows from other operating activities			
Decrease (increase) receivables from other financial institution (net movement)		5,852,579	1,900,000
Decrease (increase) in member loans (net movement)		3,446,945	(13,124,859)
Increase (decrease) in member deposits (net movement)		525,344	6,449,133
Net cash from operating activities		10,861,826	(3,942,406)
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		-	-
Proceeds on sale of property, plant and equipment		67,500	-
Net cash received on transfer of engagements		-	-
Less: Outflows			
Purchase of investments in shares		-	-
Purchase of property plant and equipment		(169,469)	(133,940)
Purchase of intangible assets		-	(123,769)
Net cash from investing activities		(101,969)	(257,709)
FINANCING ACTIVITIES			
Inflows (Outflows)			
Increase (decrease) in deposits from other Financial institutions (net movement)		(16,265,100)	12,740,100
Net cash from financing activities		(16,265,100)	12,740,100
Total net cash increase / (decrease)		(5,505,243)	8,539,985
Cash at beginning of year		7,433,676	(1,106,309)
Cash and cash equivalents at end of year	33.a	1,928,433	7,433,676

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Intech Credit Union Limited as a single Credit Union, for the year ended the 30 June 2011. The statements were authorised for issue on 27 September 2011 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board 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 accrual basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets. 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 daily balance outstanding and is charged in arrears to a members account on the last day of each month.

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

Credit cards – the interest is calculated on the daily balance outstanding and is charged in arrears to a members account on the 15th day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

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 is deceased, or, where a loan is impaired.

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

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

(v) Fees on loans

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

(vi) Net gains and losses

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

c. Loan Impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 20 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.

NOTES TO THE ACCOUNTS

(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

Land and buildings are measured at cost (fair value) less accumulated depreciation. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

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 – 7 years.
- Plant and equipment – 4 to 7 years.
- Assets less than \$300 are not capitalised.

f. Receivables from other financial institutions

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

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

g. Equity investments and other securities

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

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on statement of financial position 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.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

A provision is recognised for the estimated make good costs on the operating leases where applicable, based on the net present value of the future expenditure at the conclusion of the lease term discounted at 5%.

Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

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 statement of financial position 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 7 years.

Intangible assets less than \$300 are not amortised.

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. Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their market value as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

p. Impairment of Assets

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

NOTES TO THE ACCOUNTS

q. Accounting Estimates and Judgements

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans – refer Note 8.

r. New standards applicable for the current year

The Credit Union applies the current revised accounting standards applicable for financial years commencing the 1 July 2010. There are no new mandatory standards for the current financial year. Some amendments have been made to standards that have been adopted early by the Credit Union, as follows:

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

s. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Credit Union's assessment of the impact of these new standards and interpretations are set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

AASB reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 Issued Dec 2009 Financial Instrument	Amends the requirements for classification and measurement of financial assets.	Periods beginning on or after 1 January 2013.	Adoption is only mandatory for the 30 June 2014 year. The entity has not yet made an assessment of the impact of these amendments until all amendments have been confirmed.
AASB 2010-6 (Issued Nov 2010)	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.	Annual reporting periods commencing on or after 1 July 2011.	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

NOTES TO THE ACCOUNTS

2. COMPREHENSIVE INCOME STATEMENT

	Note	2011 \$	2010 \$
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a. Analysis of interest revenue

INTEREST REVENUE ON ASSETS CARRIED AT AMORTISED COST			
Cash – deposits at call		92,806	40,465
Receivables from financial institutions		1,797,370	1,940,337
Loans to members		9,993,201	8,654,331
TOTAL INTEREST REVENUE		11,883,377	10,635,133

b. Fee, commission and other income

FEE AND COMMISSION REVENUE			
Fee income on loans – other than loan origination fees		67,102	80,517
Fee Income from member deposits		833,554	823,884
Insurance commissions		50,240	77,805
Other commissions		35,298	34,300
TOTAL FEE AND COMMISSION REVENUE		986,194	1,016,506
OTHER INCOME			
Available for sale assets			
Dividends received on available for sale assets		145,101	58,230
Bad debts recovered		111,509	71,173
Gain on disposal of assets			
- Property, plant and equipment		25,166	-
Miscellaneous Revenue		5,294	61,163
Total other income		287,070	190,566
TOTAL FEE COMMISSION AND OTHER INCOME		1,273,264	1,207,072

c. Interest expense

INTEREST EXPENSE ON LIABILITIES CARRIED AT AMORTISED COST			
Deposits from financial institutions		9,265	69,790
Deposits from members		6,438,524	5,203,246
Other interest		-	-
TOTAL INTEREST EXPENSE		6,447,789	5,273,036

NOTES TO THE ACCOUNTS

	Note	2011 \$	2010 \$
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d. Impairment losses

	Note	2011 \$	2010 \$
Available for sale assets			
Loans and advances			
Increase/(decrease) in provision for impairment		(11,916)	(167,535)
Bad debts written off directly against profit		105,229	344,088
Losses associated with other facilities		4,367	12,753
TOTAL IMPAIRMENT LOSSES		97,680	189,306

e. Other prescribed disclosures

General administration – employees costs include:			
- net movement in provisions for employee annual leave		(36,661)	26,642
- net movement in provisions for employee long service leave		(20,480)	(24,316)
General administration – depreciation expense include:			
- plant and equipment		118,596	119,137
- IT Systems		37,027	53,621
- leasehold improvements (incl. lease make good prov.)		80,786	80,000
- amortisation of software		166,305	144,587
		402,714	397,345

General administration – office occupancy costs include:			
Property operating lease payments			
- minimum lease payments		326,979	315,515
Other operating expenses include:			
Auditor's remuneration (excluding GST)			
- Audit fees		61,940	59,000
- Other Services – taxation		3,000	3,000
- Other Services – compliance		2,000	2,000
- Other Services – other		-	-
		66,940	64,000

NOTES TO THE ACCOUNTS

3. INCOME TAX EXPENSE

	Note	2011 \$	2010 \$
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a. The income tax expense comprises amounts set aside as:

Current tax expense - current year profits (3b)		136,811	11,973
Adjustments for previous years		-	-
Total current income tax expense		136,811	11,973
Deferred tax expense			
Benefit of tax losses previously unrecognised		-	-
Total income tax expense in income statement		136,811	11,973

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

Profit		622,603	151,550
Prima facie tax payable on profit before income tax at 30%		186,781	45,465
Add tax effect of expenses not deductible			
- Other non-deductible expenses		1,070	-
Adjustment to Deferred Tax Assets		-	-
Less			
Adjustment to Deferred Tax Assets		7,510	4,797
Imputation credits		43,530	24,956
Investment Allowance		-	3,739
Income tax expense attributable to current year profit		136,811	11,973

4. CASH

Cash on hand		1,078,433	367,836
Deposits at call		850,000	7,650,000
		1,928,433	8,017,836

5. RECEIVABLES FROM FINANCIAL INSTITUTIONS

Deposits with industry bodies – Cuscal (refer Note 29)		3,600,000	3,600,000
Deposits with banks and other ADI's		22,156,194	28,000,000
		25,756,194	31,600,000

NOTES TO THE ACCOUNTS

6. RECEIVABLES

	Note	2011 \$	2010 \$
Interest receivable on deposits with other financial institutions		860,157	1,023,719
Sundry debtors and settlement accounts		740,872	293,086
GST receivable		15,727	18,124
		1,616,756	1,334,929

7. LOANS TO MEMBERS

a. Amount due comprises

Overdrafts and revolving credit		17,004,851	18,294,058
Term loans		119,341,410	121,610,762
Subtotal		136,346,261	139,904,820
Less:			
Unamortised loan origination fees		49,737	56,122
Subtotal		136,296,524	139,848,698
Less:			
Provision for impaired loans (Note 8)		47,349	59,265
		136,249,175	139,789,433

b. Credit quality - Security held against loans

Secured by mortgage over real estate		117,487,519	119,694,027
Partly secured by goods mortgage		4,284,129	4,741,573
Wholly unsecured		14,574,613	15,469,220
		136,346,261	139,904,820

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:

Security held as mortgage against real estate is on the basis of			
- loan to valuation ratio of less than 80%		106,907,801	109,722,724
- loan to valuation ratio of more than 80% but mortgage insured		2,940,635	3,899,667
- loan to valuation ratio of more than 80% and not mortgage insured		7,639,083	6,071,636
Total		117,487,519	119,694,027

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

NOTES TO THE ACCOUNTS

7. LOANS TO MEMBERS (CONTINUED)

c. Concentration of loans

The values discussed below include on balance sheet values and off balance sheet undrawn facilities as described in Note 25.

	Note	2011 \$	2010 \$
(i) Loans to Individual or related groups of members which exceed 10% of reserves in aggregate		-	-
Total		-	-

	Housing \$	Personal \$	Total \$
2011			
(ii) Geographical concentrations in Australia			
NSW	88,932,244	9,131,941	98,064,185
Victoria	20,365,735	2,500,836	22,866,571
Queensland	5,890,098	682,523	6,572,621
South Australia	1,051,748	108,798	1,160,546
Western Australia	2,633,358	302,683	2,936,041
Tasmania	128,864	340,303	469,167
Northern Territory	438,842	61,580	500,422
ACT	2,539,241	1,237,467	3,776,708
Total per Statement of Financial Position	121,980,130	14,366,131	136,346,261
2010			
NSW	92,358,224	10,301,529	102,659,753
Victoria	18,592,788	2,784,646	21,377,434
Queensland	6,219,206	850,521	7,069,727
South Australia	1,469,976	104,653	1,574,629
Western Australia	2,621,792	266,381	2,888,173
Tasmania	124,632	146,705	271,337
Northern Territory	244,604	49,006	293,610
ACT	3,260,618	509,539	3,770,157
Total per Statement of Financial Position	124,891,840	15,012,980	139,904,820

	Note	2011 \$	2010 \$
LOANS TO NATURAL PERSONS			
Mortgage loans and facilities		119,341,410	121,610,762
Personal loans and facilities		17,004,851	18,294,058
Business loans and facilities		-	-
		136,346,261	139,904,820

NOTES TO THE ACCOUNTS

8. PROVISION ON IMPAIRED LOANS

a. Total provision comprises

	Note	2011 \$	2010 \$
Collective provisions		47,349	59,265
Individual specific provisions		-	-
Total Provision		47,349	59,265

b. Movement in the provision for impairment

Balance at the beginning of year		59,265	226,800
Add (deduct):			
Transfers from (to) income statement		(11,916)	(167,535)
Bad debts written off provision		-	-
Balance at end of year		47,349	59,265

Details of Credit Risk Management are set out in Note 20.

c. Impaired loans written off

Amounts written off against the provision for impaired loans		-	-
Amounts written off directly to expense		105,229	156,963
Total bad debts		105,229	156,963
Bad debts recovered in the period		111,509	64,404

NOTES TO THE ACCOUNTS

8. PROVISION ON IMPAIRED LOANS (CONTINUED)

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

In the Note below –

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

	2011 Carrying value	2011 Value of Impaired Loans	2011 Provision for impairment	2010 Carrying value	2010 Value of Impaired Loans	2010 Provision for impairment
	\$	\$	\$	\$	\$	\$
Loans to members						
Mortgages	119,341,410	524,557	-	121,610,762	522,547	-
Personal	11,986,499	43,610	26,322	13,057,218	49,523	29,180
Credit cards	2,405,149	2,019	808	2,522,981	12,826	5,313
Overdrafts	2,613,203	38,071	20,219	2,713,859	54,461	24,772
Total	136,346,261	608,257	47,349	139,904,820	639,357	59,265

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

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

	2011 Carrying value	2011 Provision	2010 Carrying value	2010 Provision
	\$	\$	\$	\$
Non impaired up to 30 days	135,431,038	-	138,717,282	-
30 to 90 days in arrears	306,966	-	548,181	-
90 to 180 days in arrears	21,047	8,419	536,088	5,416
180 to 270 days in arrears	268,115	441	28,191	16,915
270 to 365 days in arrears	279,005	17,462	4,711	3,769
Over 365 days in arrears	-	-	3,080	3,080
Over limit facilities over 14 days	40,090	21,027	67,287	30,085
Total	136,346,261	47,349	139,904,820	59,265

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.

NOTES TO THE ACCOUNTS

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

There are loans with a value of \$766,349 (2010 \$966,427) past due which are not considered to be impaired as the value of related security over residential property is in excess of the loan due.

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

	1–3 Months	3–6 Months	6–12 Months	> 1 Year	Total
LOANS TO MEMBERS					
2011					
Mortgage secured	-	241,792	524,557	-	766,349
Personal loans	25,306	-	-	-	25,306
Credit cards	10,129	-	-	-	10,129
Overdrafts	29,739	-	-	-	29,739
Total	65,174	241,792	524,557	-	831,523
2010					
Mortgage secured	443,880	522,547	-	-	966,427
Personal loans	67,780	-	-	-	67,780
Credit cards	17,221	-	-	-	17,221
Overdrafts	21,766	-	-	-	21,766
Total	550,647	522,547	-	-	1,073,194

g. Key assumptions in determining the provision for impairment

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

Period of impairment	% of balance
Up to 90 days	0
90 days to 181 days	40
181 days to 270 days	60
270 days to 265 days	80
Over 365 days	100

NOTES TO THE ACCOUNTS

9. AVAILABLE FOR SALE INVESTMENTS

	Note	2011 \$	2010 \$
Shares in unlisted companies – at cost			
- Cuscal Limited	9 a	465,869	465,869
Total value of investments		465,869	465,869

a. 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, building societies and friendly societies. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 29.

The financial statements 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 to dispose of these shares.

10. PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

	Note	2011 \$	2010 \$
Plant and equipment – at cost		1,503,827	1,479,339
Less: provision for depreciation		(1,152,345)	(1,069,606)
		351,482	409,733
Capitalised leasehold improvements at cost		586,141	558,858
Less: provision for amortisation		(278,334)	(197,845)
		307,807	361,013
Total property, plant and equipment		659,289	770,746

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

	2011 Plant & equipment	2011 Leasehold improvements	2011 Total	2010 Plant & equipment	2010 Leasehold improvements	2010 Total
	\$	\$	\$	\$	\$	\$
Opening balance	410,687	360,059	770,746	450,690	438,873	889,563
Purchases	140,003	27,283	167,286	167,588	1,186	168,774
Less						
Assets disposed	42,334	-	42,334	34,832	-	34,832
Depreciation charge	155,623	80,786	236,409	172,759	80,000	252,759
Balance at the end of the year	352,733	306,556	659,289	410,687	360,059	770,746

NOTES TO THE ACCOUNTS

11. TAXATION ASSETS

	Note	2011 \$	2010 \$
Income tax instalments refundable		12,505	12,480
Deferred Tax Asset		242,850	377,421
Tax Assets		255,355	389,901
DEFERRED TAX ASSETS COMPRISE:			
Accrued expenses not deductible until incurred		30,923	44,860
Provisions for impairment on loans		14,205	17,780
Provisions for employee benefits		141,086	158,229
Depreciation on fixed assets		39,776	44,352
Deferred fees (less transaction costs) on loan origination		16,860	16,860
Deferred imputation rebate		-	95,340
		242,850	377,421

12. INTANGIBLE ASSETS

Computer software		1,010,214	1,008,033
Less provision for amortisation		(681,944)	(515,639)
		328,270	492,394
MOVEMENT IN THE ASSETS BALANCES DURING THE YEAR WERE:			
Opening balance		492,394	513,212
Purchases		2,180	123,769
Less			
Assets disposed		-	-
Depreciation charge		166,304	144,587
Balance at the end of the year		328,270	492,394

13. SHORT TERM BORROWINGS

Overdraft		-	584,160
Loan from Questor		-	-
Balance at the end of the year		-	584,160

NOTES TO THE ACCOUNTS

14. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	Note	2011 \$	2010 \$
Deposits from other Credit Unions		14,500,000	30,765,100
		14,500,000	30,765,100

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

15. DEPOSITS FROM MEMBERS

MEMBER DEPOSITS			
- at call		66,575,862	62,950,722
- term		63,799,059	64,996,437
Member withdrawable shares		84,390	86,420
Total Deposit & Shares		130,459,311	128,033,579

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

CONCENTRATION OF MEMBER DEPOSITS			
(i) Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:		-	-
(ii) Geographical concentrations in Australia & Overseas			
NSW		99,182,337	95,673,449
Victoria		13,689,787	12,944,983
Queensland		3,212,426	3,146,093
South Australia		631,038	573,084
Western Australia		990,461	1,142,549
Tasmania		184,252	424,457
Northern Territory		142,840	126,096
ACT		1,627,948	1,920,340
Other		10,798,222	12,082,528
Total per Statement of Financial Position		130,459,311	128,033,579

16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Creditors and accruals		220,967	275,397
Settlement accounts		1,404,743	2,859,743
Interest payable on deposits		1,461,352	1,577,443
Accrual for GST payable		-	-
Annual leave		134,376	171,037
Total Amounts Payable		3,221,438	4,883,620

NOTES TO THE ACCOUNTS

17. TAXATION LIABILITIES

	Note	2011 \$	2010 \$
Current income tax liability		-	-
Total Taxation Liabilities		-	-
CURRENT INCOME TAX LIABILITY COMPRISES:			
Balance – previous year		(12,480)	(30,495)
Less paid (received)		(12,480)	(30,495)
Over / under statement in prior year -		-	-
Carried forward		-	-
Liability for income tax in current year		-	-
Less Instalments paid in current year		(12,505)	(12,480)
Balance – current year Instalments to be repaid		(12,505)	(12,480)

The amount receivable is shown in the taxation assets – See Note 11

18. PROVISIONS

Long service leave		335,912	356,392
VISA fraud		48,751	48,796
Total Provision		384,663	405,188
PROVISION MOVEMENTS COMPRISES:			
VISA Fraud			
Opening Balance		48,796	48,884
Less paid		-	-
Liability increase in current year		-	-
Less amount written off		45	88
Transfer to profit and loss		-	-
Closing Balance		48,751	48,796

19. CAPITAL RESERVE ACCOUNT

Balance at the beginning of the year		69,633	62,042
Transfer from retained earnings on share redemptions		4,379	7,591
Balance at the end of year		74,012	69,633

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.

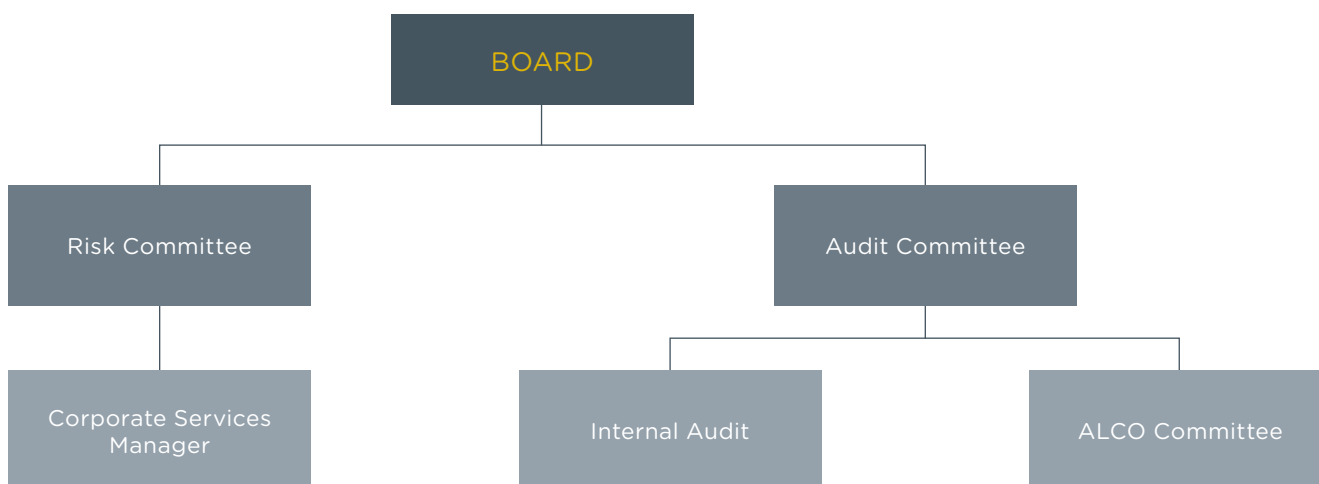
NOTES TO THE ACCOUNTS

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

The Credit Union's risk management processes focus on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Committee and Audit Committee which are integral to the management of risk. The following diagram gives an overview of the risk management structure.



The main elements of the risk management governance structure are:

Board:

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

Risk Committee:

The Risk Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Committee through monthly review of operational reports and control attestations to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Risk Committee monitors compliance with the framework laid out in the risk management policies on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Audit Committee:

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms the significant risks and controls are to be assessed within the internal audit plan. The audit committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the risk committee for their consideration. On a monthly basis the Audit Committee monitors management reports of financial results, metrics and ratios. In addition the committee also monitors loan arrears and delinquency monthly.

Asset & Liability Committee (ALCO) – Credit Risk:

This committee of senior management meets at least monthly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The ALCO also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determine controls that need to be in place regarding the authorisation of new loans.

The ALCO Committee has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

NOTES TO THE ACCOUNTS

All large credit exposure facilities above policy limits are approved by the ALCO prior to submission to the Board. All exposures are checked daily against approved limits, independently of each business unit, and are reported to the ALCO Committee.

ALCO - Market Risk:

This committee meets at least monthly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP. The ALCO meeting's scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the Risk Committee.

Corporate Services Manager:

This person has responsibility for both liaising with the operational function to ensure timely production of information for the risk committees and ensuring that instructions passed down from the Board via the Risk Committees are implemented.

Internal Audit:

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

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

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

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

a. Market risk 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 ALCO Committee, which reports directly to the Board via the Audit Committee.

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 ALCO at least monthly, and to the Board via the Audit Committee monthly.

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

The level of mismatch on the banking book is set out in Note 23 which 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 its interest rate risk through the use of interest rate sensitivity analysis, the detail and assumptions of which are set out below.

Interest rate sensitivity

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

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The measured Gap in each 3 months is measured monthly 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 23 which details the contractual interest change profile.

An independent review of the interest rate risk profile is conducted by Protecht Advisory Pty Ltd, an independent risk management consultancy. The Board monitors these risks through the reports from Protecht Advisory Pty Ltd and other management reports.

The Credit Union performs a sensitivity analysis to measure market risk exposures.

NOTES TO THE ACCOUNTS

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate sensitivity (Continued)

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

- the interest rate change will be applied equally over to the loan products and term deposits;
- the rate change will be as at the beginning of the 12 month period and no other rate changes will be effective during the period;
- the term deposits will all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits will not reprice in the event of a rate change;
- fixed rate loans will all reprice to the new interest rate at the contracted date;
- mortgage loans will all reprice to the new interest rate within 28 days;
- personal loans will reprice after a 3 month delay;
- all loans will 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.

The interest rate sensitivity is not representative of the risk inherent in the financial instruments during the financial year due to the changes in asset mix of fixed rate loans and longer term deposits / investments.

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:

- 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 scheme, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should this be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 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 26 reports the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and liabilities, based on the contractual repayment terms are set out in the specific Note 22. The ratio of liquid funds over the past year is set out below:

APRA	2011	2010
To total adjusted liabilities	169,948,849	184,323,898
Liquidity Ratio as at 30 June	16.29%	21.49%
Average for the year	19.50%	21.87%
Minimum during the year	15.41%	19.36%

Liquidity ratios are based on quarterly liquidity ratios supplied as part of the Quarterly Statutory APRA Reporting, throughout the year.

NOTES TO THE ACCOUNTS

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 as follows:

Loans to members	2011 Carrying value	2011 Off balance sheet	2011 Max exposure	2010 Carrying value	2010 Off balance sheet	2010 Max exposure
	\$	\$	\$	\$	\$	\$
Mortgage	119,341,410	15,327,157	134,668,567	121,610,762	13,161,603	134,772,365
Personal	11,986,499	-	11,986,499	13,057,218	-	13,057,218
Overdrafts & credit cards	5,018,352	24,300,199	29,318,551	5,236,840	24,893,932	30,130,772
Total to natural persons	136,346,261	39,627,356	175,973,617	139,904,820	38,055,535	177,960,355
Corporate borrowers	-	-	-	-	-	-
Total	136,346,261	39,627,356	175,973,617	139,904,820	38,055,535	177,960,355

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; credit cards limits). The details are shown in Note 25.

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 7c.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and the close monitoring of defaults in the repayment of loans thereafter on a daily 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.

NOTES TO THE ACCOUNTS

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 loans are 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 specific 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.

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 at least 90% of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7b 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 members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% 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% and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry and geography

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in different areas of employment.

The details of the geographical concentrations are set out in Note 7.

NOTES TO THE ACCOUNTS

(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 a maximum of 50% of capital 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 approved ADIs with appropriate authorisations to effect the terms and conditions of the scheme.

All other investment must be with financial institutions with a rating in excess of BBB.

External Credit Assessment for Institution Investments

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

The exposure values associated with each credit quality step are as follows:

Investments with	2011 Carrying value	2011 Past due value	2011 Provision	2010 Carrying value	2010 Past due value	2010 Provision
	\$	\$	\$	\$	\$	\$
Cuscal – rated A+	3,600,000	-	-	3,600,000	-	-
Banks – rated AA and above	6,200,000	-	-	11,000,000	-	-
Banks – rated below AA	15,956,194	-	-	17,000,000	-	-
Unrated institutions – Credit Unions	-	-	-	-	-	-
Total	25,756,194	-	-	31,600,000	-	-

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 policies and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistle blowing 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.

NOTES TO THE ACCOUNTS

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

D. Operational Risk (Continued)

Fraud

Fraud can arise from member card PINs, and internet passwords being compromised where not protected adequately by the member or being skimmed. 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 losses are potentially a real cost to the Credit Union. Fraud losses have arisen from card skimming and internet password theft.

IT systems

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 BPay 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:

- Retained profits
- Realised reserves.

Tier 2 Capital

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

Tier 2 capital generally comprises:

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

	2011 \$	2010 \$
TIER 1		
Capital reserve	74,012	69,633
General reserve	941,918	941,918
Retained earnings	17,381,692	16,900,279
Less prescribed deductions	(754,571)	(814,550)
Net tier 1 capital	17,643,051	17,097,280

NOTES TO THE ACCOUNTS

	2011 \$	2010 \$
TIER 2		
Subordinated debt	-	-
Reserve for credit losses	400,000	400,000
Asset revaluation reserves on property (discounted to 45%)	-	-
Asset revaluation reserves on equity (discounted to 45%)	-	-
Less prescribed deductions	(232,919)	(232,919)
Net tier 2 capital	167,081	167,081
Total Capital	17,810,132	17,264,361
Risk Weighted Assets	81,530,203	85,578,472
Capital %	21.84%	20.17%

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 2008 and prior reflects the previous methodology.

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

2011	2010	2009	2008	2007
21.84%	20.17%	22.48%	24.04%	20.63%

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 Union's 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 13%. 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 \$ 9,705,036

It is considered that the Standardised Approach accurately reflects the Credit Union's operational risk other than for the specific items set out below.

Internal capital adequacy management

The Credit Union manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Credit Union is reassessed.

NOTES TO THE ACCOUNTS

21. CATEGORIES OF FINANCIAL INSTRUMENTS

a. The following information classifies the financial instruments into measurement classes

Although most financial assets and liabilities agree to the statement of financial position, some statement of financial position items are not classed as a financial asset and therefore do not form part of this note.

	Note	2011 \$	2010 \$
FINANCIAL ASSETS – CARRIED AT AMORTISED COST			
Cash	4	1,928,433	8,017,836
Receivables from financial institutions	5	25,756,194	31,600,000
Receivables		1,601,029	1,316,805
Loans to members	7 & 8	136,249,175	139,789,433
Total loans and receivables		165,534,831	180,724,074
Available for sale investments – carried at cost	9a	465,869	465,869
Available for sale investments – carried at fair value		-	-
Total available for sale investments		465,869	465,869
TOTAL FINANCIAL ASSETS		166,000,700	181,189,943
FINANCIAL LIABILITIES			
Short term borrowings	13	-	584,160
Deposits from other institutions	14	14,500,000	30,765,100
Deposits from members	15	130,459,311	128,033,579
Creditors		3,083,751	4,710,137
Total carried at amortised cost		148,043,062	164,092,976
TOTAL FINANCIAL LIABILITIES		148,043,062	164,092,976

b. Assets measured at fair value

Fair value measurement at end of the reporting period using:	Balance \$	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss – hedge derivatives	-	-	-	-
Cash flow Hedge derivatives	-	-	-	-
Available-for-sale financial assets	465,869	-	-	465,869
Equity investments	-	-	-	-
Total	465,869	-	-	465,869

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE ACCOUNTS

22. 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 statement of financial position.

	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
2011	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	1,928,433	-	-	-	-	-	1,928,433
Available for sale investments	-	-	-	-	-	465,869	465,869
Advances to other financial institutions	4,288,122	12,383,010	6,630,977	4,492,786	-	-	27,794,895
Loans and advances	16,983,364	1,246,679	11,232,582	71,750,374	125,219,649	-	226,432,648
Total Financial Assets	23,199,919	13,629,689	17,863,559	76,243,160	125,219,649	465,869	256,621,845
LIABILITIES							
Borrowings	-	-	-	-	-	-	-
Deposits from other financial institutions	3,514,891	7,648,621	3,638,318	-	-	-	14,801,830
Creditors	3,087,062	-	-	-	-	-	3,087,062
Deposits from members – at call	68,009,467	-	-	-	-	84,390	68,093,857
Deposits from members – term	6,179,668	23,197,124	34,955,852	2,980,516	-	-	67,313,160
Total Financial Liabilities	80,791,088	30,845,745	38,594,170	2,980,516	-	84,390	153,295,909
2010							
ASSETS							
Cash	8,017,836	-	-	-	-	-	8,017,836
Available for sale investments	-	-	-	-	-	465,869	465,869
Advances to other financial institutions	-	526,314	24,116,860	10,257,286	-	-	34,900,460
Loans and advances	20,038,512	2,310,891	10,141,151	46,767,172	111,338,858	-	190,596,584
Total Financial Assets	28,056,348	2,837,205	34,258,011	57,024,458	111,338,858	465,869	233,980,749
LIABILITIES							
Borrowings	584,297	-	-	-	-	-	584,297
Deposits from other financial institutions	2,572,052	14,789,245	14,460,467	-	-	-	31,821,764
Creditors	3,132,694	-	-	-	-	-	3,132,694
Deposits from members – at call	63,966,824	-	-	-	-	86,420	64,053,244
Deposits from members – term	11,346,283	13,938,608	37,323,716	4,906,983	-	-	67,515,590
Total Financial Liabilities	81,602,150	28,727,853	51,784,183	4,906,983	-	86,420	167,107,589

NOTES TO THE ACCOUNTS

23. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
2011	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	850,000	-	-	-	-	1,078,433	1,928,433
Receivables	-	-	-	-	-	1,601,029	1,601,029
Advances to other financial Institutions	4,000,000	12,156,194	6,000,000	3,600,000	-	-	25,756,194
Loans & advances	127,237,099	539,111	1,964,557	6,508,408	-	-	136,249,175
Total Financial Assets	132,087,099	12,695,305	7,964,557	10,108,408	-	2,679,462	165,534,831
LIABILITIES							
Borrowings	-	-	-	-	-	-	-
Deposits from other financial institutions	3,500,000	7,500,000	3,500,000	-	-	-	14,500,000
Creditors	-	-	-	-	-	3,083,751	3,083,751
Deposits from members	72,572,530	22,347,778	32,910,904	2,543,709	-	84,390	130,459,311
On Balance sheet	76,072,530	29,847,778	36,410,904	2,543,709	-	3,168,141	148,043,062
Undrawn commitments	39,627,355	-	-	-	-	-	39,627,355
Total Financial Liabilities	115,699,885	29,847,778	36,410,904	2,543,709	-	3,168,141	187,670,417
2010							
ASSETS							
Cash	7,650,000	-	-	-	-	367,836	8,017,836
Receivables	-	-	-	-	-	1,316,805	1,316,805
Advances to other financial Institutions	-	500,000	22,500,000	8,600,000	-	-	31,600,000
Loans and advances	132,082,772	-	1,711,017	5,995,644	-	-	139,789,433
Total Financial Assets	139,732,772	500,000	24,211,017	14,595,644	-	1,684,641	180,724,074

NOTES TO THE ACCOUNTS

	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
2010	\$	\$	\$	\$	\$	\$	\$
LIABILITIES							
Borrowings	584,160	-	-	-	-	-	584,160
Deposits from other financial institutions	2,500,000	14,500,000	13,765,100	-	-	-	30,765,100
Creditors	-	-	-	-	-	4,710,137	4,710,137
Deposits from members	73,969,402	13,529,474	35,841,408	4,606,875	-	86,420	128,033,579
On Balance Sheet	77,053,562	28,029,474	49,606,508	4,606,875	-	4,796,557	164,092,976
Undrawn Commitments	38,055,535				-		38,055,535
Total Financial Liabilities	115,109,097	28,029,474	49,606,508	4,606,875	-	4,796,557	202,148,511

24. 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 held are 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.

Loans to members	2011 Fair value	2011 Carrying value	2011 Variance	2010 Fair Value	2010 Carrying value	2010 Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	1,928,433	1,928,433	-	8,017,836	8,017,836	-
Receivables from other financial institutions	25,712,543	25,756,194	(43,651)	32,252,813	31,600,000	652,813
Receivables	1,601,029	1,601,029	-	1,316,805	1,316,805	-
Loans and advances	136,170,890	136,249,175	(78,285)	139,651,237	139,789,433	(138,196)
Total Financial Assets	165,412,895	165,534,831	(121,936)	181,238,691	180,724,074	514,617

NOTES TO THE ACCOUNTS

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Loans to members	2011 Fair value	2011 Carrying value	2011 Variance	2010 Fair Value	2010 Carrying value	2010 Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL LIABILITIES						
Borrowings	-	-	-	584,160	584,160	-
Deposits from other financial institutions	14,499,891	14,500,000	(109)	30,800,098	30,765,100	34,998
Creditors	3,083,751	3,083,751	-	4,710,137	4,710,137	-
Deposits from members	130,486,798	130,459,311	27,487	128,962,590	128,033,579	929,011
Total Financial Liabilities	148,070,440	148,043,062	27,378	165,056,985	164,092,976	964,009

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 rates applied to give effect to the discount of cash flows were valued according to the terms of the loans as at balance date.

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.

The rates applied to give effect to the discount of cash flows were valued according to the terms of the deposits as at balance date.

Short term borrowings

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

The rates applied to give effect to the discount of cash flows were valued according to the terms of the borrowings as at balance date.

NOTES TO THE ACCOUNTS

25. FINANCIAL COMMITMENTS

	Note	2011 \$	2010 \$
A. Outstanding loan commitments			
The loans approved but not funded		4,184,632	1,638,163
B. Loan redraw facilities			
The loan redraw facilities available		11,142,524	11,523,440
C. Undrawn loan facilities			
Loan facilities available to members for overdrafts and line of credit loans are as follows:			
Total value of facilities approved		41,307,564	43,190,742
Less: Amount advanced		17,007,365	18,296,810
Net undrawn value		24,300,199	24,893,932
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
Total Financial Commitments		39,627,355	38,055,535

Expenditure commitments

D. Computer capital commitments			
As referred to in Note 29c the Credit Union converted to the Phoenix core banking systems in May 2007. The costs committed under contracts with Data Action are as follows:			
Not later than one year		372,000	366,277
Later than 1 year but not 2 years		372,000	366,277
Later than 2 years but not 5 years		-	366,277
Later than 5 years		-	-
		744,000	1,098,831
E. Lease expense commitments for operating leases on property occupied by the Credit Union			
Not later than one year		83,978	293,106
Later than one year but not later than five years		32,646	108,234
Over five years		-	-
		116,624	401,340

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.

NOTES TO THE ACCOUNTS

26. STANDBY BORROWING FACILITIES

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

	Gross	Current Borrowing	Net Available
2011	\$	\$	\$
Loan facility	-	-	-
Overdraft facility	3,000,000	-	3,000,000
TOTAL STANDBY BORROWING FACILITIES	3,000,000	-	3,000,000
2010			
Loan facility	-	-	-
Overdraft facility	3,000,000	584,160	2,415,840
TOTAL STANDBY BORROWING FACILITIES	3,000,000	584,160	2,415,840

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.

27. 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

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

28. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of Key Management Persons [KMP]

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

Key Management Persons (KMP) has been taken to comprise the Directors and the 4 members of the executive management team (3 in the previous year) 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:

		2011 Total	2010 Total
		\$	\$
(a)	short-term employee benefits	628,466	456,997
(b)	post-employment benefits – superannuation contributions	51,643	81,513
(c)	other long-term benefits – net increases in long service leave provision	11,779	19,348
(d)	termination benefits	-	-
(e)	share-based payment	-	-
	Total	691,888	557,858

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and superannuation 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.

NOTES TO THE ACCOUNTS

b. Loans to Directors and other Key Management Persons

	2011 Mortgage Secured	2011 Other term loans	2011 Revolving credit facilities	2010 Mortgage Secured	2010 Other term loans	2010 Revolving credit facilities
	\$	\$	\$	\$	\$	\$
Funds available to be drawn	-	-	181,655	-	-	323,245
Balance	80,848	11,233	99,345	819,955	13,732	603,755
Amounts disbursed or facilities increased in the year	-	-	-	-	15,675	-
Interest and other revenue earned	5,852	1,701	740	48,624	1,557	320

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 with the exception of loans to KMP who are not Directors.

There are no loans which are impaired in relation to the loan balances with Directors or other KMPs.

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits where subject to fringe benefits tax are included in the remuneration in Note 28a above

There are no benefits or concessional terms and conditions applicable to 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 –

	Note	2011 \$	2010 \$
Total value term and savings deposits from KMP		278,602	420,894
Total Interest paid on deposits to KMP		17,136	8,645

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

c. Transactions with Other Related Parties

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

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

There are no benefits paid or payable to the close family members of the KMP's.

There are no service contracts to which KMP's or their close family members are an interested party.

NOTES TO THE ACCOUNTS

29. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services:

a. Cuscal Limited

Cuscal is an Approved Deposit Taking Institution (ADI) registered under the Corporations Act 2001 and the Banking Act. This ADI:

- (i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and RediCARDS for use by members;
- (ii) provides treasury and money market facilities to the Credit Union. The Credit Union has invested some of its liquid assets with Cuscal to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. First Data International Limited (FDI)

This Credit Union operates the computer network used to link RediCARDS and Visa cards operated through RediTELLERS and other approved ATM suppliers to the Credit Union's EDP Systems.

c. Data Action Limited

Provides and maintains the application software utilised by the Credit Union.

30. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

33. NOTES TO CASH FLOW STATEMENT

a. Reconciliation of cash

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

		2011 \$	2010 \$
Cash on hand		1,078,433	367,836
Deposits at call		850,000	7,650,000
Bank overdraft		-	(584,160)
Total Cash		1,928,433	7,433,676

31. SUPERANNUATION LIABILITIES

The Credit Union contributes to the NGS 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 on-going administration of the processing of the loan repayments and the issue of statements to the members.

In addition the Credit Union is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria. During the year the Credit Union assigned \$5,950,965 in loans to Integris. The Credit Union receives a management fee to recover the costs of on-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 2011 is \$6,087,715 (2010: \$500,308).

NOTES TO THE ACCOUNTS

b. Reconciliation of cash from operations to accounting profit

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

	2011 \$	2010 \$
Profit/(Loss) after income tax	485,793	139,577
Add (Deduct):		
Increase (Decrease) in deferred fees on loans	(8,773)	(77)
Increase (Decrease) in provision for impairment	(11,916)	(167,535)
Bad debts written off	105,229	344,088
Depreciation expense	236,410	252,759
Amortisation of intangibles	166,304	144,587
Loss (Gain) on sale of assets	(25,166)	-
Increase (Decrease) in provisions for staff leave	(57,141)	2,326
Increase (Decrease) in provision for income tax	(25)	18,015
Increase (Decrease) in other provisions	(45)	(88)
Increase (Decrease) in accrued expenses	(54,429)	82,699
Increase (Decrease) in interest payable	(116,091)	382,929
Decrease (Increase) in prepayments	18,676	(23,723)
Decrease (Increase) in deferred tax assets	134,570	11,974
Decrease (Increase) in interest receivable	163,562	(354,211)
Net cash from revenue activities	1,036,958	833,320
Add (Deduct) non revenue operations:		
Decrease (increase) receivables from other financial institution (net movement)	5,852,579	1,900,000
Decrease (increase) in member loans (net movement)	3,446,945	(13,124,859)
Increase (decrease) in member deposits (net movement)	525,344	6,449,133
Net cash from operating activities	10,861,826	(3,942,406)

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 599 Pacific Highway, St Leonards NSW 2065.

The address of the principal place of business is 599 Pacific Highway, St Leonards NSW 2065.

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.

We believe that the pooled value of our 'community' empowers and enables people to realise their ambitions and secure their financial dreams.

Focusing on **You.**

CONTACT US

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