Welcome to Our Community

2006 Annual Report

Community CPS Australia

Introduction

We are pleased to present the Annual Report for Community CPS Australia Ltd, outlining our performance during 2005/2006. It has been a highly successful year for your credit union.

This Annual Report represents a year of consolidation for our two merged credit unions, CPS Credit Union (SA) Ltd and CPS Credit Union Co-operative (ACT) Ltd, to form Community CPS Australia Ltd.

The union has proved very successful, with many commercial advantages resulting in improved products and services being delivered to members. An alliance of like-minded credit unions is the foundation of our continued vision to service our community.

The staff of Community CPS have continued to display the utmost dedication in delivering our extensive range of products and services to all members.

In this report you will find information about your Board of Directors, a Corporate Governance Statement, a review of our operations over the year, as well as detailed financial statements and corporate information.

On behalf of the Board of Directors, we present this first Annual Report for Community CPS Australia to members and other stakeholders.

Alan Hewitt, Chairman and Gary Green, Deputy Chairman
October 2006

Front cover: Joyce Burgess, Community CPS member and Matthew Hughes, Member Service Officer at Rymill Park, SA

This page: Peter Cursley, Community CPS member and Rachel Markwart, Marketing Coordinator at Canberra Hospital, ACT

Community CPS Australia

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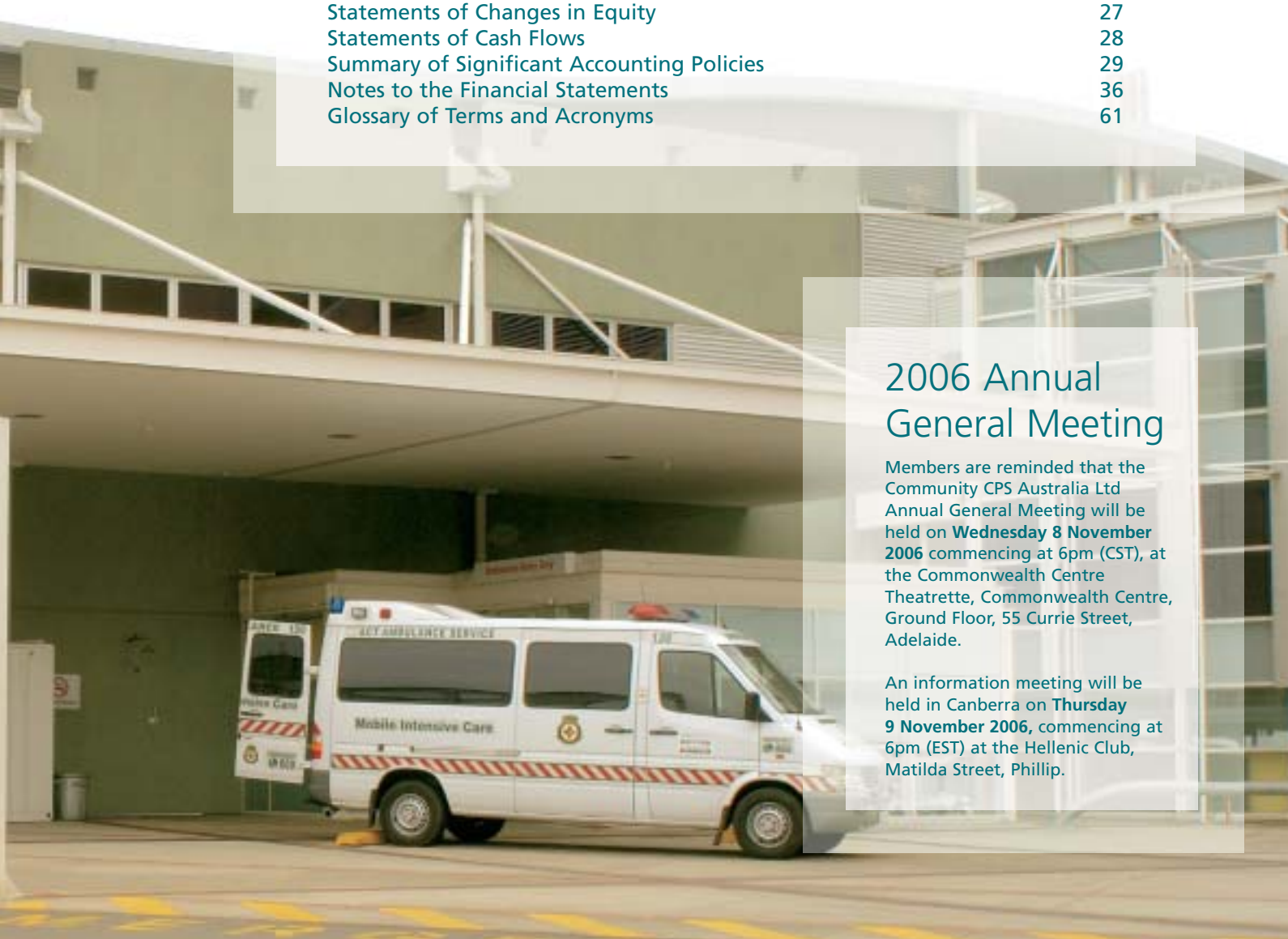

2006 Annual General Meeting

Members are reminded that the Community CPS Australia Ltd Annual General Meeting will be held on **Wednesday 8 November 2006** commencing at 6pm (CST), at the Commonwealth Centre Theatrette, Commonwealth Centre, Ground Floor, 55 Currie Street, Adelaide.

An information meeting will be held in Canberra on **Thursday 9 November 2006,** commencing at 6pm (EST) at the Hellenic Club, Matilda Street, Phillip.

Vision

A community credit union that values and cares for its members, that understands and guides them by building relationships and enduring financial partnerships to assist members achieve their individual lifestyle goals and financial success, and contributes to members' wellbeing by participating in the economic, social and environmental improvement of their communities.

Purpose

Creating and returning value to members through financial and community partnerships.

Values

- Members First
- Mutuality
- Integrity

Chris Blight, Regional Manager ACT and Maureen Kidd, Regional Manager SA at the Bicentennial Conservatory, SA

Community CPS Australia

About Community CPS

This year we present a combined history to our members, as we mark our recent merger and the creation of Community CPS Australia Ltd.

With the benefit of 94 years of credit union history between us, CPS Credit Union (SA) Ltd (CPS SA) and CPS Credit Union Co-operative (ACT) Ltd (CPS ACT) became one entity on March 4, 2006.

The merger has established one of Australia's largest and most influential credit unions and an exciting new approach to the well-used term of "community".

With our united strength and commitment to mutuality, more than 150,000 members, 439 employees and $1.4 billion in assets, Community CPS has now commenced a new chapter in our history.

Our Past

CPS ACT was established in 1960, to serve Commonwealth Public Servants and their families. In 1990, Canberra United Credit Union transferred its operations to CPS ACT, followed by Sosecure Credit Union in 2001, making the credit union Canberra's largest home-grown financial institution. The credit union has contributed significantly to the local community for more than 40 years through a range of activities, the most notable being the Newborn Intensive Care Unit at the Canberra Hospital.

CPS SA was established in 1958 by the Administrative and Clerical Officers Association, one of the main Commonwealth Public Service Unions. CPS SA was the second credit union to be established in South Australia. In 1986, CPS SA merged with Railroad Savings and Loans Society, significantly increasing its size and assets. In 2003, IOOF Credit Union transferred its business to CPS SA to become a single consolidated credit union.

CPS SA's commitment to socially responsible activities includes the annual Credit Union Christmas Pageant.

The Future

The Australian financial services industry is in a state of constant flux. Remaining competitive at a time of rapid change is crucial to the survival of all credit unions.

At the same time, cynicism about the sincerity and trustworthiness of the corporate world is now a part of life - in fact, almost a daily discussion. Customers are now actively seeking relationships with companies that have the right approach to business, customer service, and the community in which they operate - companies they feel they can trust.

As industry leaders, CPS SA and CPS ACT recognised that joining together to become Community CPS was an excellent opportunity to create a credit union with a dynamic future.

Our similar heritage, approach to member service and community activities, innovative products and services, along with our dedication to the principles of mutuality means that we are stronger together, and well positioned to succeed in the current environment.

At your service

Community CPS offers a diverse range of financial services to suit the needs of our members including face to face advice and transactions, financial planning, telephone and internet banking, Bank@Post (previously giroPost) and BPAY® services.

We have 21 Personal Financial Centres across Australia consisting of 11 in South Australia (Adelaide, Gawler, Marion, Mawson Lakes, Modbury (TTP), Port Augusta, Salisbury, Seaford, Sefton, Victor Harbor and West Lakes); eight in the Australian Capital Territory (Belconnen, Civic, Dickson, Gungahlin, Manuka, Mawson, Tuggeranong and Woden) and two in regional New South Wales (Batemans Bay and Queanbeyan).

Beyond the merger

Our core values and shared sense of history was an integral part of our decision to merge. Community CPS Australia carries forward the crucial values of meeting members' needs and continued innovation and improvement of products and services.

We are confident that the enviable range of services and benefits offered by Community CPS Australia will continue to help members make their financial dreams and aspirations a reality.

Another Year of Highlights

July 2005 – We opened a **brand new Personal Financial Centre** in **Port Augusta (SA)** and installed another **city based ATM** in Adelaide's City Cross shopping mall. We also introduced our innovative, convenient SMS Banking service **TEXT ME!** with more than 1500 members taking up the service.

September 2005 – We commenced the allocation of sponsorship funds to the following organisations for important community activities: **Rotary Club**, **Lions Club**, **The Exodus Foundation**, **Centennary of Canberra Prizewinners, Chief Ministers Dept**, **Batemans Bay Indoor Aquatic Centre**, **Cody Sheppard Fundraising Appeal, Triathlon ACT** and **Vikings Tuggeranong**.

October 2005 - Community CPS makes the most of an opportunity, adding yet **another new ATM** to our growing network, located in the long awaited Adelaide Airport redevelopment.

November 2005 - At a history making Special General Meeting, members of CPS Credit Union (SA) and CPS Credit Union Co-operative (ACT) **approved the merger** of our two credit unions. A new Personal Financial Centre in **Batemans Bay, NSW** was also opened. Community CPS staff in SA participated in the annual **Credit Union Christmas Pageant** with record crowds lining the streets of Adelaide. A convenient **new ATM** was also installed in the **Gungahlin Marketplace**.

December 2005 - A new Personal Financial Centre for **Gungahlin in the ACT** opened. The introduction of **Redicard PLUS**, enabling members to access their funds overseas using their Redicard, was established. Over the Christmas period we supported **The Smith Family's Christmas Appeal** and then encouraged members to recycle Christmas Cards for **Cards 4 Planet Ark**. A **new ATM** was also installed at **Kippax Fair Shopping Centre, ACT**.

January 2006 - A new calendar year and further improvements to member services. We introduced our **Advocacy Program** and continued our commitment to the highest levels of member security with the introduction of **'Factor 2 Icon Authentication'** within Internet Banking. We also renovated our **Marion (SA)** Personal Financial Centre adding **Deaf Friendly** facilities, and awarded five Community CPS **Transition Grants** to University of SA students who were in need of support.

February 2006 – We introduced our new **Lock Down Home Loan**, perfect for those looking to borrow less than $200,000 at a competitive one year fixed loan interest rate.

March 2006 - 4 March saw the beginning of a new era, with the creation of **Community CPS Australia**. All ACT members were converted to our **new core banking system**, 'Phoenix'. Several new products and services were introduced, including our **Bonus Saver Account**, the **Community CPS MasterCard (SA)** and merchant facilities for business members. Our **Sefton Park (SA)** Personal Financial Centre underwent a makeover, offering extended access options including over-the-counter transactions and Telephone and Internet Banking.

Baden Stephenson, Manager Vikings Rugby Club and Brad Markwart, Management Accountant at Viking Park, Erindale, ACT

Strategic Direction

Community CPS Australia

Community CPS will have six main strategic initiatives in place over the next three years in order to create and return value to members through financial and community partnerships.

Strategic Initiative	Goal
Member Focus	Community CPS will strive to "Make Membership Meaningful" for both new and existing members. This approach will preserve our traditional credit union philosophy, while at the same time repositioning mutuality in a modern context to stimulate organisational growth. Our goal is that members will feel a greater sense of commitment to Community CPS, valuing the unique benefits they gain and the stronger relationships they enjoy; they will demonstrate their commitment by retaining and doing more business with us, and by advocating Community CPS to others.
Community Membership	The success of Community CPS is dependent on its ability to develop strong financial relationships with members and to work in partnership with the communities in which it operates. Community CPS sees itself as part of the community and the community as part of us. This concept is complementary to the principles of mutuality, which underpin our strategy. Our goal is that Community CPS will become and be recognised publicly as an integral part of the communities in which it operates, and be distinguished by the way it contributes to and participates in those communities' social, economic and environmental improvement.
Financial Performance	Financial viability is essential to ensure that the Community CPS Group can continue to deliver benefits to members and their communities and provide meaningful employment to its people. The Community CPS Group's growth initiatives will diversify income sources and be as profitable as, or better than, the business we already conduct. Any growth, in market share or economies of scale, will be implemented to ensure we improve overall operating efficiency and are thus able to provide a more cost-competitive service to members and clients. Our goal is that Community CPS' financial position and performance will provide us with the flexibility to choose how best to return value to stakeholders.
Process and Technology	Process and Technology activities provide the framework for our people to deliver our strategies. Our processes and technology will be constantly enhanced through a culture of continuous learning and improvement to deliver an optimal combination of cost efficiency, productivity and service and process quality. Our goal is to create a national network of collaborating enterprises aligned to the Community CPS purpose and values that will deliver our lines of business, supported by member/client/community relationship building systems, to optimal standards of quality, efficiency, productivity and risk management.
People	Community CPS is distinguished from our competitors in the finance industry by our unique Member Value Proposition, based on the ability of our people to build enduring member and client relationships. The quality of our people is integral to the achievement of our corporate vision. Our goal is to develop a corporate culture and strategic competence amongst our people that distinguishes us from our competitors and within the community.
Leadership and Corporate Governance	The dynamic environment in which we operate is defined in part by developments in the Credit Union Movement, the finance industry, the labour market and through the continuously evolving expectations of regulators, members and society. Our goal is that our leadership provides the direction and environment to sustain our member focus, our people and financial performance and our community contributions.

Report from the Chairman and Deputy Chairman

2005/06 signalled a year of change for your credit union with members from CPS Credit Union (SA) Ltd (CPS SA) and CPS Credit Union Co-operative (ACT) Ltd (CPS ACT) becoming members of Community CPS Australia.

The amalgamation of CPS SA and CPS ACT to form Community CPS Australia has secured an exciting future, one that our members, staff and the community benefit from by combining the considerable strengths of two highly respected and successful credit unions.

In November 2005, CPS members in SA and ACT voted overwhelmingly to proceed with the merger, with an average of 85 per cent of the votes cast in both SA and ACT favouring the merger.

The preparation in the lead up to the merger and the subsequent integration created a significant challenge for everyone involved; a challenge that we are pleased to say was met with an extraordinary level of commitment from staff and directors across both credit unions.

As a result, on 4 March 2006, one of the strongest credit unions in Australia was born, with the size necessary to ensure that you continue to enjoy competitive pricing across all products and services, as well as the personalised service which has been a core feature of Community CPS.

With $1.4 billion in assets and more than 150,000 members, we are proud to report that your credit union has again performed very well during the past financial year and is in a strong financial position to continue to expand into new markets and deliver improved products and services to members.

Our membership philosophy

We are fortunate that our members are our owners. We remain focused on the necessity to satisfy the needs of our members and are not distracted by outside shareholders.

As we are a mutual organisation, the support of members is an essential element in our continued success.

You can be assured that your Board and management will continue to strive to maintain service standards.

The recent merger included a comprehensive review of all aspects of our business and required adjustments to interest rates and fees to ensure all our members were treated equally. There will be ongoing reviews to further adjust interest rates and fees where required.

Strategic initiatives are in place to ensure that the range of products offered are meeting members' needs, as well as continuing future growth, thus providing members with a strong, well managed credit union.

Corporate Governance

Corporate Governance remains a high priority. Over recent years, the Credit Union has invested heavily in ensuring governance standards are at the highest levels. Our regulators continue to place heavy reliance on the Board's ability to deliver strong Corporate Governance and it is these standards which define their expectations in the composition and conduct of Boards. Your Board is committed to the highest levels of governance and maintaining a constructive relationship with regulators in keeping with the credit union tradition.

Supporting our community

We believe our support of the community reflects one of the cornerstones of our organisation's success.

Our sense of community is based on the simple principle of looking after the people who look after us, which is why over the years, we have supported a wide variety of individuals, organisations and causes.

We will continue to assist our community in areas that are consistent with the interests and needs of our members. Whether it be direct support for loyal members in need or causes that engage members, it's just another way we can support the community that supports us.

Recognising our people

Once again management and staff have, over the past year, delivered an excellent result. They continue to be faced with legislative change, market challenges, and changing market trends and they continue to meet these challenges well. Our membership continues to benefit from their untiring efforts, and on behalf of the Board and members, we sincerely thank them.

Future outlook

Whilst maintaining focus on member service, community, family and business banking, it is the Board's aim to ensure Community CPS remains the superior alternative to the major banks.

To achieve this in today's market is a huge challenge, particularly in light of economic forecasts, increasing reliance on technology, cost of legal compliance and increasing competition. The importance of retaining money locally to support the local economy and communities will be critical. The ongoing and increased support of members in utilising our products and services will be paramount.

Our success in the past is a result of our ability to maintain a community focus, deliver personal service, provide members with value, plus offer a comprehensive range of products and services. Community CPS will maintain this focus in the future

Alan Hewitt, Chairman, and Gary Green, Deputy Chairman at the State Library, SA

and will continue to invest in Personal Financial Centres, employing local staff committed to member service.

In conclusion

Having established a strong foundation, we can be very confident of the days and years ahead, whilst commemorating the great heritage that has been built by past generations who believed in the principles and values that underpinned their organisation. We will continue to uphold those traditions.

Our sincere thanks go to the Credit Union's staff for their remarkable commitment as does our appreciation to current and former directors for their contribution to CPS SA and CPS ACT and the formation of Community CPS Australia.

In closing, we would like to acknowledge the contribution of retiring directors Warren Thomas, Hal Hickey and Sashi Maharaj and offer particular thanks to the two retiring Deputy Chairmen Alan Toohey and Annette Chooi.

Alan Hewitt
Chairman

Gary Green
Deputy Chairman

Community CPS Australia

Report from the Chief Executive Officer and Deputy Chief Executive Officer

This year is the first report as Community CPS Australia following the merger in March 2006, and includes the operations of CPS Credit Union (SA) Ltd (CPS SA) and CPS Credit Union Co-operative (ACT) Ltd (CPS ACT) for eight months and the merged entity for four months. It provides an opportunity to reflect on the achievements of the two credit unions and the merged entity.

Following the decision of the two Boards to merge and the approval of members, we have worked extremely hard to bring together the only two remaining members of the CPS family. We have observed with some regret the loss in each State of credit unions built on similar bonds, philosophies and values and we are determined to preserve the special attributes that made the brand so well recognised and respected.

As you read through the financial information provided in this report you will note the strong financial position which we have inherited. We have returned a profit after tax of $9.8 million to members and continued to grow with assets under management of $1.4 billion. The wealth management arm of our business also has grown with $249 million funds under management. We are a substantial mutual, proud of our history, with a plan for our future.

Prior to the merger both credit unions committed to investing for the future benefit of the members. New branches were opened in regional South Australia at Port Augusta, Batemans Bay in the coastal region of New South Wales and Gungahlin in suburban ACT. Additional ATM's were installed in City Cross (Rundle Mall shopping precinct, Adelaide) and at the new Adelaide Airport terminal. In the ACT, ATM's were installed at Kippax, Gungahlin and Batemans Bay. We will continue to expand access for our members in a planned and responsible manner.

New services were also introduced to members including the SMS Banking service, "TEXT ME!", Redicard PLUS and merchant facilities for small business. Since the merger, members have been able to access additional products and services including a Community CPS credit card.

Our commitment to providing members with a competitive range of products was verified by the independent rate-monitoring agency, Cannex, which verified that on average, every Community CPS member is $103 per year better off banking with Community CPS compared against major banks. This equates to an annual dividend of some $15.7 million returned to Community CPS members in the form of competitive interest rates and fees.

Both organisations were and continue to be involved in community events and causes. Last November, the Credit Union Christmas Pageant attracted record crowds to the streets of Adelaide and along with other credit unions, we have committed to another five years. The Young Citizen of the Year Award was supported in Canberra and we have been active in the community in a number of other ways as highlighted in this report.

During the year our people have faced many challenges and their response has been outstanding. A merger alone is a significant task. However, there was also a system conversion undertaken at merger date to bring us all onto the same banking system. To complement the banking system, we installed a number of software packages including; member relationship management, lending, collections, accounting, management information systems, treasury, risk management and project management.

Training was extensive with many hours committed to ensuring that we were able to deliver our usual high standard of service. Disruptions were minimal but given the magnitude of the task, some members experienced some difficulties. We appreciated their understanding during this massive undertaking.

We have been fortunate to work with directors who have been dedicated to the well being of members. Community CPS now has the financial strength, skills and capacity to bring our strategies to life for the benefit of our members.

Kevin Benger
Chief Executive Officer

Robert Keogh
Deputy Chief Executive Officer

Kevin Benger, CEO and Robert Keogh,
Deputy CEO at the National Museum, ACT.

Community CPS Board of Directors

Thomas Alan Hewitt - Chairman

Alan Hewitt was Chairman of CPS Credit Union (SA) Ltd since February 2003 after joining the Board in 1987, and has continued as Chairman of Community CPS. He was a consultant and Managing Director of HH Advisory Pty Ltd, following 10 years as State Manager of the Australian Property Group of the Department of Administrative Services. He is Vice-President (SA and NT) of the Australian Institute of Company Directors, a fellow of the Australian Property Institute and a Senior Associate of the Financial Services Institute of Australasia. Alan is also joint Chairman of the Australasian Credit Union Institute (SA and NT), Chairman of Eastwoods Group Pty Ltd, Chairman of CPS Wealth Management Pty Ltd, Chairman of CPS Financial Services (Taxation) Pty Ltd and the Director of CPS Waymouth Pty Ltd. Alan is a member of all three Board Committees and Chairman of the Board Executive Committee.

Gary Johannes Green - Deputy Chairman

Gary became Chairman of the CPS Credit Union Co-operative (ACT) Ltd Board in November 2001 after joining the Board in 1990, and has assumed the role of Deputy Chairman since the merger. Gary is a marketing and IT specialist with extensive practical business experience. This experience includes over 18 years in radio and television industries in Australia and England. He established Green Advertising in 1980, which grew to be one of the largest advertising agencies in the ACT. He is now the Executive Director of the Mac 1 Group, which is the third largest Apple Computer reseller in Australia, with stores in Canberra, Brisbane, Newcastle and Wollongong. Gary is a Fellow of the Australasian Institute of Credit Union Directors and a Fellow of the Australian Institute of Company Directors. Gary is a member of both the Board Governance and Executive Committees.

Stephanie Ann Chapman - Director

Stephanie joined the CPS Credit Union Co-operative (ACT) Ltd Board in 1998. She has had more than 11 years experience as a Company Director. Stephanie has held senior management positions in ACT Government Service as Dean of the Faculty of Management and Business Studies at Canberra Institute of Technology (CIT) and Managing Director of CIT Solutions. She has an Economics Degree from the University of Sydney, a Graduate Diploma of Education from Sydney Teachers College and is a Fellow of the ACT Branch of the Australian Institute of Management. Stephanie is a member of the Board Risk Committee.

Christopher Matthew Doogan, AM - Director

Chris joined the CPS Credit Union Co-operative (ACT) Ltd Board in 1993. He is Chief Executive and Principal Registrar of the High Court of Australia and a Director of Law Courts Limited. He holds Degrees in Administration and Law (Honours), is a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors. In the 2006 Queen's Birthday Honours he was made a Member of the Order of Australia for service to the law and to public administration, and to professional and community organisations. Chris is Chairman of the Governance Committee.

Barry George Hanna - Director

Barry Hanna joined the CPS Credit Union (SA) Ltd Board in 2001. His current occupation is a Company Director and he was formerly Chief Executive Officer for CPS Credit Union (SA) Ltd. He is a Past State President of CPA Australia, a Fellow of CPA Australia, a Fellow of the Australian Institute of Company Directors, a Member of the Australasian Institute of Credit Union Directors and a Justice of the Peace. He is a Director of CPS Wealth Management Pty Ltd and CPS Financial Services (Taxation) Pty Ltd. Barry is a member of the Board Audit and Finance Committee.

Barry Francis Hayball - Director

Barry Hayball joined the CPS Credit Union (SA) Ltd Board in 1984. His current occupation is a Business Manager and Consultant, while his previous position was as Regional Manager for the Department of Social Security. He is an Associate of CPA Australia, a Member of the Australian Institute of Company Directors, a Member of the Australasian Institute of Credit Union Directors, and a Director of CPS Wealth Management Pty Ltd and CPS Financial Services (Taxation) Pty Ltd. Barry is a member of the Board Audit and Finance Committee.

Anne Maree O'Donnell - Director

Anne joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. Anne has 24 years experience working in the financial sector. She is currently the CEO of Australian Ethical Investments Ltd (AEIL), a position she has held since 2000. Prior to her appointment to AEIL she was employed by the ANZ Banking Group. Anne has a Masters in Business Administration and BA Banking and Finance. She is a Fellow of the Financial Services Institute of Australasia (formerly the Australian Institute of Bankers), the Australian Institute of Company Directors, and a Member of the Australasian Credit Union Institute. Anne is also a Director of the Centre for Australian Ethical Research Pty Ltd. Anne is a member of the Board Risk Committee.

Frances Helen Raymond - Director

Fran joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. She is a member of the Australian Institute of Chartered Accountants, Australian Institute of Company Directors and the Australasian Institute of Credit Union Directors, and has worked within the Public and Private sectors in Australia and internationally. Fran is currently Manager for Costing and Performance at the Australian Trade Commission. Previously Fran has held the roles of CFO for the Department of Prime Minister and Cabinet, CrimTrac and IP Australia and as an analyst with Bank of America in London and the Australian Prudential Regulatory Authority. She is currently Vice President of the ACT Board of Pegasus Riding for the Disabled and a member of both the ACT and the National Fundraising and Promotions Committee for Riding for the Disabled Australia. Fran is Chairman of the Board Audit and Finance Committee.

Richard Vincent Ryan, AO - Director

Richard Ryan joined the CPS Credit Union (SA) Ltd Board in 2003 and is a Fellow of the Institute of Chartered Accountants in Australia, and a Companion of the Institution of Engineers, Australia. He is Chairman of the Adelaide Festival Centre Trust, and Chairman of both Camberwell Coal Pty Ltd and CSM Group Ltd. Richard is Chancellor of Charles Darwin University. Richard is also a Member of the Australasian Institute of Credit Union Directors and a Director of Eastwoods Group Pty Ltd. Richard is Chairman of the Board Risk Committee.

Heather Louise Webster - Director

Heather Webster joined the CPS Credit Union (SA) Ltd Board in 2003 and has a Masters in Business Administration, a Bachelor of Science and a Graduate Diploma in Librarianship. She has built a successful career in transport and science and is currently Executive Director, Passenger Transport Division, Department of Transport Energy and Infrastructure for the South Australian Government. She brings broad experience in public service and business development to her role. Heather is Deputy Chair of the Union Internationale des Transport Board Publics (Aust & NZ). She is also a Member of the Australasian Institute of Credit Union Directors. Heather is a member of the Board Governance Committee.

Community CPS Executive Team

Kevin Benger

Chief Executive Officer, Kevin Benger, joined CPS Credit Union (SA) Ltd in 1998. He also served as a CPS Director from 1986 to 1995. Kevin is an experienced chief executive who has held senior positions in accounting and finance. He is responsible for Leadership and Corporate Governance - Executive Team; Strategic Development; Corporate Governance and Internal Audit. Kevin holds a Bachelor of Arts in Accounting, Master of Business Administration and is an Associate Certified Practising Accountant and a Fellow of the Australasian Credit Union Institute.

Robert Keogh

Deputy Chief Executive Officer, Robert Keogh, joined CPS Credit Union Co-operative (ACT) Ltd (CPS ACT) in 1979. Prior to the merger, Robert was Chief Executive Officer of CPS ACT. Robert has extensive experience in business, financial services auditing and accounting and finance. He is responsible for implementing key parts of strategy and operations of the Credit Union, marketing, insurance and market research. Robert holds a Bachelor of Business (Banking and Finance) and a Certificate in Accounting. He is also Member of the National Institute of Accountants, Institute of Company Directors and Fellow of the Institute of Management.

Daryl Bateman

General Manager Member Services, Daryl Bateman, joined CPS Credit Union (SA) Ltd in 1996. Daryl has extensive retail banking experience and he leads our member service and distribution functions, including our Personal Financial Centres and Member Contact Centres. He is also responsible for our member relationship and business banking divisions. Daryl holds an Advanced Master of Business Administration.

Peter Ipkendanz

General Manager Risk and Compliance, Peter Ipkendanz, joined CPS Credit Union Co-operative (ACT) Limited in 1985. Peter has previous experience in insolvency administration, tax and accounting. He is responsible for Group risk management and compliance policy and processes and fraud related matters and investigations. Peter is a Fellow Certified Practising Accountant, Chartered Accountant, Fellow of the Financial Services Institute of Australasia, member of the Risk Management Institution of Australasia and member of the Australian Institute of Credit Management.

Wayne Matters

Chief Financial Officer, Wayne Matters, joined CPS Credit Union (SA) Ltd in 2001 and leads a number of our corporate support functions, being Finance; Information Technology; Treasury; Remote Access; Process Team and the Project Office. He has 21 years experience in finance, treasury, risk management and administration. Wayne holds a Bachelor of Arts in Accounting and a Graduate Certificate in Business Administration. He is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Australian Institute of Company Directors and a Member of the Australasian Credit Union Institute.

Chris Miller

General Manager Human Resources, Chris Miller, joined CPS Credit Union Co-operative (ACT) Limited in 1983. Chris has over 20 years experience in credit unions including 15 years in human resources. Her responsibilities include; recruitment, personnel administration, learning and development, performance management and industrial relations. Chris is a Member of the Australian Institute of Management.

Ross Norgate

General Manager Operations, Ross Norgate, joined CPS Credit Union Co-operative (ACT) Limited in 1993. Ross has 30 years experience in financial institutions, public administration and teaching. He is responsible for Credit Assessment, Lending Administration, Credit Control, Membership Services and Property and Facilities. Ross is a Fellow Certified Practising Accountant and holds a First Class Honours Degree in Accounting, Finance and Systems from the University of NSW.

Tim White

General Manager Eastwoods Group, Tim White joined CPS Credit Union (SA) Ltd in 1992. Eastwoods is the 'professional services' arm of Community CPS, providing taxation, accounting, personal and business risk insurance and financial planning services to our members, business clients and private investors. Tim has over 34 years experience in all areas of banking, finance, financial planning, accounting and administration. Tim is a Fellow of the Professional National Accountants, Financial Services Institute of Australasia and the Australian Institute of Company Directors and a Certified Financial Planner.

Our People

Our people are essential to the success of the organisation. Over the past year, while preparing for and implementing the merger, the staff of Community CPS have continued to display the utmost dedication and commitment in delivering our extensive range of products and services to members.

Community CPS is an equal opportunity employer and employs 439 staff, 283 of whom are full time, with 156 employed on either a part time or casual basis. We continue to support our staff with a range of activities and initiatives such as contact and grievance officers, external study benefits, personal development options, a staff suggestion scheme and a free confidential counselling service for staff in need. Our objective is to create a safe and enjoyable working environment.

Our organisation is made up of seven main departments spread across two states including:

- Chief Executive's Office
- Member Services
- Operations
- Finance and IT
- Human Resources
- Risk and Compliance
- Marketing and Insurance

Our staff have adapted to working in teams based in two states with various functions being achieved collaboratively. We continue to maintain Member Contact Centres in both ACT and SA and have extended opening hours to provide members with greater flexibility in accessing services.

Community CPS also includes the Eastwoods Group, a subsidiary which provides financial planning and tax and accounting services.

More than 75 per cent of Community CPS staff are female, so it's not surprising that Community CPS is committed to providing flexible working arrangements and maintaining close contact with staff on maternity leave. As well as continuing to send our weekly Staff Bulletin via email, a regular morning tea for maternity leave staff and their children is also held to keep our staff updated on new systems, processes, products and services so that when they return to work they are familiar with changes made during their absence.

Staff at Community CPS are committed and motivated people who continuously upgrade their skills through self improvement and development. In July 2005, CPS Credit Union (SA) selected a young leader, Lee Kilsby, to represent CPS at the World Council of Credit Unions Conference in Italy and in October 2005, Lisa Twyford from CPS SA was named winner of the Bridges Emerging Leader Award at the National Credit Union Conference held in Queensland.

Our goal for the future is to develop a corporate culture and strategic competence amongst our people that reflects our commitment to our members and the community and distinguishes us from our competitors.

Donna Burgess, Member Contact Centre Consultant and Di Soutter, Member Contact Centre Consultant at the Mawson Personal Financial Centre, ACT

Community CPS Australia

Returning Value

Returning value to members is core to what we do every day. Committed to the principles of mutuality, we are continually developing unique ways to reward members for their loyalty and ownership of our credit union.

For Community CPS, returning value means lower fees and charges, competitive interest rates on lending and deposit accounts, and the delivery of unique packages such as *life* membership and pinnacle +plus. It also means reviewing and tailoring our services, so that we can respond to the specific needs of members.

Rewards and savings

Members in South Australia have been reaping considerable benefits from our efforts to return value over the past three years through a range of innovative packages.

In 2005/06, more than $2.4 million was returned to eligible members. This means over the past three years, a total of more than $6 million has been provided to members who have a relationship with us.

Now members in ACT and NSW are also able to take advantage of these packages and the associated savings they offer. We are delighted to be able to pass on the considerable benefits of *life* membership and pinnacle +plus to more Community CPS members, further establishing a closer financial relationship.

Tangible benefits

Over the past few years, both CPS Credit Union (SA) and CPS Credit Union Co-operative (ACT) have calculated the value of benefits provided to members, with the assistance of Cannex, Australia's largest independent financial services research house.

This year Cannex has verified that on average, every Community CPS member is $103 per year better off banking with Community CPS compared to major banks. This equates to an annual dividend of some $15.7 million returned to Community CPS members in the form of competitive interest rates and lower fees.

We have also continued to add value to our face-to-face services in our Personal Financial Centres (PFCs). We know that members have specific needs in a Personal Financial Centre, including better transaction options and a family friendly environment.

As a result, we have undertaken a gradual 'makeover' of our PFCs in SA and also relocated some PFCs to more convenient locations. This process has also commenced in ACT. In SA, eight PFCs now have our new look, including a more comprehensive range of transaction options and the innovative Member's Lounge, an area where children can be happily entertained while adults get on with discussing financial matters. We have received an outstanding response to these innovations.

These are just a few of the ways we return value to members, every day. As we enter a new era of credit union history as Community CPS Australia, our commitment to returning value is stronger than ever.

Our Community

Community CPS Australia's traditional credit union philosophy is founded in communities coming together to support community. In practice, this philosophy is evident in a number of different ways for Community CPS.

Foremost is our traditional purpose of providing quality products and services to our member community through a system of electronic channels and a network of Personal Financial Centres which delivers to our members at a grass roots level. Beyond the realm of financial products and services, we support groups that provide other services within those communities in which our members live, work and play.

Community CPS has developed strong relationships with many community groups, sporting organisations and charities. We remain committed to supporting the communities in which we live and work through sponsorships and community partnerships.

As a result of our dedication to giving back to the community, a Community Membership Committee was formed to create opportunities to become more deeply involved with our members and the community.

The Community Membership Committee seeks to add value to the community in ways and areas that are consistent with the interests and needs of our members. Whether support is given directly to loyal members in need or to causes that engage members, it's just another way we can support the community that supports us.

Community CPS supports a range of groups and causes including:

SA

- Credit Union Christmas Pageant
- Cards 4 Planet Ark
- Clean Up Australia Day
- The Cancer Council Australia's Biggest Morning Tea
- SIDS and Kids Red Nose Day
- Breast Cancer Research Association's Pink Ribbon Appeal
- The Smith Family's Christmas Appeal
- Victim Support Services

ACT and NSW

- ACT Council of Social Services Inc
- Newborn Intensive Care Foundation
- Sport and Recreation ACT
- Triathlon ACT
- Tuggeranong Vikings Rugby Union Club
- Variety Club Bush Bash
- Young Canberra Citizen of the Year Awards

The success of Community CPS is dependent on its ability to develop strong financial relationships with members and to work in partnership with the communities in which it operates. Community CPS sees itself as part of the community and the community as part of us. This concept is complementary to the principles of mutuality, which underpin our strategy.

Our goal for the future is that Community CPS will become and be recognised publicly as an integral part of the communities in which it operates, and be distinguished by the way it contributes to and participates in the social, economic and environmental improvement of those communities.

Christine DeAraugo, Pinnacle Consultant and Alan Peucker, Principal at Mawson Lakes Primary School, SA

Corporate Governance

The primary role of the Community CPS Australia Limited ('Community CPS') Board is good corporate governance - guiding and monitoring the Community CPS Group in strategy definition and implementation, financial performance and controls, legal and ethical obligations, risk management and human resource practices, while ensuring adherence to Community CPS' core Purpose and Values.

To enable effective execution of these responsibilities, each director must maintain a clear understanding of opportunities and threats in the operating environment and an appreciation of the organisation's business strategies and activities. Ensuring strategic and operational objectives are met requires the Board and senior management to maintain effective communication, with a healthy exchange of ideas and opinions. The Board also ensures that Community CPS adheres to good corporate practice, which is essential for the Group to carry out its business activities and meet the objectives of all members, employees and regulators.

Composition of the Board

To enable the Board to undertake all of its functions, it is necessary to have a well-structured Board. All directors are non-executives and elected directors are required to be members of Community CPS. Currently there are ten directors who meet at least monthly. In addition to Board duties, directors serve on other Board committees and on Boards of related entities. Refer to page 18-19 for committee details and page 22 for meeting attendance.

Community CPS is diligent in ensuring that directors are fit and proper people to govern Community CPS Group companies: all Community CPS directors meet the standards required to act as a director. In respect of director elections, the Community CPS Constitution enables the Board to establish a Nominations Panel which provides a review of candidates. In this way, Community CPS members are able to ensure they are fully informed on all candidates' capabilities to act on their behalf as a director of their credit union.

Board Responsibilities

The Board also ensures that the Chief Executive Officer and Executive Team are appropriately qualified and experienced to discharge their responsibilities and has procedures in place to assess their performance.

In consultation with senior management, the Board is responsible for the development of the Credit Union's strategic direction and for ensuring that the Credit Union's operations are aligned with that direction, with member expectations and are within the risk parameters approved by the Board.

In addition to the various committees, the Board:

- Is actively involved in the formation of the strategic direction which includes the Vision and strategic goals designed to meet members' needs;
- Monitors the ongoing viability of Community CPS and the progress of strategic plans;
- Approves operating plans and budgets and monitors these and key performance indicators of both financial and non-financial nature and seeks reason for variation; and
- Where necessary, seeks independent professional advice to support the furtherance of its duties.

To ensure high standards are maintained, the Board's conduct and processes are guided by the Community CPS *Governance Charter*, which sets out Community CPS' principles, policies and procedures for good governance.

New Prudential Standards

In May 2006 the Australian Prudential Regulation Authority (APRA) released Prudential Standard APS 510: Governance. This Prudential Standard sets out the minimum governance requirements that Authorised Deposit-taking Institutions must adhere to as part of their overall governance arrangements. Community CPS will need to be fully compliant with these requirements. Community CPS has conducted a review of its current 'practices' against the requirements of the standard which revealed it already complies with the majority of the standard's requirements. An action plan has been developed to ensure full compliance with the standard.

In March 2006 APRA released Prudential Standard APS 520: Fit and Proper. This Prudential Standard sets out the minimum requirements that Authorised Deposit-taking Institutions must apply in determining the fitness and propriety of individuals to serve in responsible person positions. To ensure that Community CPS meets the requirement of this standard, the Board maintains the Credit Union's Fit and Proper Policy. To ensure that Community CPS is compliant with APS 520 a number of amendments are proposed to the Community CPS Constitution. These amendments will be subject to approval by members at the 2006 Community CPS AGM.

Board Committees

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of four Board committees. Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. With the exception of the Board Executive Committee, membership of each committee comprises appropriate directors plus, by invitation, the Chief Executive Officer and the Deputy Chief Executive Officer. The Chief Executive Officer and the Deputy Chief Executive Officer are members of the Board Executive Committee. Other senior managers may attend Board and Board committee meetings by invitation. Senior management attendance promotes effective communications and governance, and provides contemporary finance industry experience to complement directors' broader perspectives.

Corporate Governance (continued)

Board Audit and Finance Committee

This committee considers any matters relating to the financial affairs of the Credit Union and its subsidiary companies. It also considers issues and matters concerning the Group's Internal and External Audit. The primary objective of the committee is to assist the Board of Directors in discharging its responsibilities in relation to finance and audit and enhancing the credibility and objectivity of the Credit Union's financial reporting. These responsibilities call for knowledge of:

- The statutory responsibilities of external auditors
- Evaluating the effectiveness of internal and external auditors
- Accounting and financial controls
- The efficiency and effectiveness of the Credit Union's business systems and procedures
- Management processes and controls to achieve business goals
- Statutory responsibilities relating to financial disclosure
- Accounting and financial reporting standards
- Australian Prudential Regulation Authority policies on finance and audit matters.

Members of the Committee contribute over 40 years experience as company directors. Three members are qualified accountants. Committee members' experience includes the banking industry, public service administration, public accounting and credit union administration. All members of this committee maintain the currency of their knowledge through membership of professional bodies.

The committee comprises:

Chairman	F H Raymond
Members	T A Hewitt B G Hanna B F Hayball
Secretary	E Turin

Board Governance Committee

This committee is responsible for two key aspects of governance:

- Corporate Governance – overseeing processes for the formulation, implementation and control of strategy; approaches to policy making; alignment with the philosophy and principles of the Credit Union Movement; compliance with statutory and voluntary obligations.

  Corporate governance is concerned with the way that the directors control the Credit Union's activities and ensure that the managers to whom they delegate many functions are accountable.
- Board Governance – review and development of Board performance; development and education of directors; directors' remuneration.

Board governance refers to the systems, processes and practices adopted by the Board relating to its structure, composition, performance and continuing development.

The focus of this committee is on assuring good corporate and Board governance practice.

Effective execution of these responsibilities requires knowledge of:

- Principles and standards for governance practice and ethical conduct
- Policies and processes for strategy formulation, implementation and control
- Legal and voluntary obligations
- Professional liability and indemnity
- Appropriate characteristics and competencies of effective Boards and directors
- Processes for the nomination and election of directors
- Systems for review and development of Board performance.

Members of this committee bring experience in fields as diverse as commercial and corporate law, transport, banking, public sector administration and human resource development. Two committee members hold undergraduate and one holds postgraduate qualifications, while there is almost 40 years of experience in company directorship.

The committee comprises:

Chairman	C M Doogan
Members	T A Hewitt H L Webster G J Green
Secretary	G Milani

Board Risk Committee

The purpose of this committee is to consider any matters where there is exposure of the Community CPS Group to possible economic or financial loss, damage, injury or delay as a consequence of pursuing its business. Risk management means systematically identifying, analysing, assessing, treating, monitoring, and communicating the risks associated with a business activity, function or process, in a way that enables the Credit Union to minimise losses and maximise opportunities.

To effectively discharge these duties, the Committee members must be aware of and understand:

- The Credit Union's policies, strategy, operations, structure, including its risk management policies and plan plus the business continuity plan
- The assumptions utilised in the development of risk management models and policies
- Developments and trends in the Group's operating environment
- The requirements of the Prudential Standards that regulate the Credit Union's operations.

Corporate Governance (continued)

This committee is well qualified to perform these duties. In addition to graduate qualifications in a range of disciplines, two members hold post-graduate business qualifications. There is also more than three decades of combined experience in company directorship and private and public sector executive backgrounds in diverse industries.

The committee comprises:

Chairman	R V Ryan
Members	T A Hewitt S A Chapman A M O'Donnell
Secretary	P Ipkendanz

Board Executive Committee

The primary objective of the Committee is to assist the Board of Directors to ensure smooth and continuous operations of the Group and to support management in strategy and structural matters.

Effective execution of these responsibilities requires knowledge of:

- Relevant legislation, regulations and codes
- The Credit Union's products and services
- The environment that the Group operates in
- The requirements of APRA's Harmonised Prudential Standards
- The format and content of management contracts
- The Credit Union's policies, strategy, operations, structure, including its risk management policies.

This committee is well qualified to perform these duties as there is more than three decades of combined experience in company directorship and extensive knowledge of the credit union industry.

The committee comprises:

Chairman	T A Hewitt
Members	
– Directors	G J Green
– Management	K A Benger R O Keogh
Secretary	G Milani

Other Board Duties

The following directors and officers of the Credit Union are also directors of the named controlled entities:

Eastwoods Group Pty Ltd	T A Hewitt R V Ryan K A Benger R O Keogh G J Green
CPS Wealth Management Pty Ltd	B G Hanna B F Hayball T A Hewitt
CPS Financial Services (Taxation) Pty Ltd	B G Hanna B F Hayball T A Hewitt
Community CPS Foundation Limited	K A Benger C M Doogan R O Keogh R V Ryan H L Webster
CPS Waymouth Pty Ltd	T A Hewitt

Group Risk Management Policy

Community CPS is committed to risk management.

Community CPS' Group Risk Management Policy recognises that Community CPS has a number of subsidiaries. For the purposes of risk management, all entities within the Community CPS Group are covered by and must adhere to Community CPS' risk management policies. The management of risk on a whole-of-Group basis mitigates contagion risk.

Common directorships amongst Group companies and the management structure of the Group ensure that the risks associated with the existing operations and any new developments of the individual entities are evaluated and managed with a view to minimising the risk exposure of the Group and the Credit Union.

On an annual basis the Chief Executive Officer provides APRA with a 'declaration' endorsed by the Board, attesting that for the financial year past:

- The key risks facing the Credit Union and the Group have been identified
- Systems have been established to monitor and manage those risks including the Credit Union's business continuity risks
- These risk management systems are operating effectively
- The risk management systems descriptions provided to APRA are accurate and current.

Conflicts of Interest

Community CPS maintains a Conflicts of Interest and Competing Interests Policy, and the purpose of this policy is to ensure that:

- An Executive Officer who has a material personal interest in the subject matter of a Board submission declares that interest via an appropriate notation in the submission so that the Board is fully aware of the interest; and
- Directors comply with their legal obligations to disclose any material personal interests that they have in a matter that relates to the affairs of the Credit Union and its subsidiaries.

Corporate Governance (continued)

Director Independence

All directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. To reinforce that independence, Community CPS policy permits any director to seek independent professional or legal advice to assist with matters before the Board and may receive financial support from the Credit Union to do so.

Elected directors are appointed by members for a term of three years and there is no limit on the number of terms a director may serve. To ensure Board continuity throughout the post merger transition period, all ten Community CPS directors will remain on the Board until the end of the 2007 AGM. This approach was adopted to ensure stability of the merged entity and fulfilment of the strategic objectives of the Board. As from the 2007 AGM, directors will continue to be elected on an annual rotation basis. The total period that each director has held in office is stated in the biographical information on pages 10 and 11.

Ethical Standards

The Board plays a key role in upholding the core values of credit unions and promoting high standards of corporate and business ethics. Our policy is that our directors and staff maintain the highest ethical standards in line with the Community CPS Code of Conduct. We also adhere to the Credit Union Code of Practice.

Remuneration of Directors and Executives

It is the Credit Union's policy that each director and Executive Officer position be remunerated at a level that is appropriate to the role and its responsibilities, with the objective of attracting and retaining good quality people who will sustain the organisation's viability and development. All remuneration is provided by way of salary or salary-sacrifice package components, with no equity-based benefits.

Remuneration for directors is assessed annually following reference to industry benchmarking information and to external consultants. No component of any director's remuneration is related to the performance of the Credit Union and, other than statutory superannuation contributions, there are no schemes for directors' retirement benefits.

Executive remuneration is based on:

- The work value of the role, comprising requirements for expertise and judgement plus the degree of accountability
- Fair market levels, based on information provided by professional remuneration consultants.

Directors' Development and Education

The Board is conscious of its obligations to regulators and members and is committed to ongoing training and attendance at relevant conferences and seminars. Only by continuing to keep abreast of issues that have an impact on the business can the Board fulfil its responsibilities.

Performance Development

The Board undertakes periodic reviews and analysis of its conduct and performance and each director also partakes in a cycle of reviewing and analysing their personal contributions. Plans are developed and agreed so that directors will continue to meet the high expectations of members and regulators.

Communication to Members

The Board aims to keep members informed so they can assess the performance of directors, management and the Credit Union and provides:

- An Annual Report which is available to members upon request
- A Concise Annual Report, available to members upon request
- Detailed information at Annual General Meetings or any other members' meeting.

Directors' Report

The directors submit their report together with the financial statements of Community CPS Australia Limited (the Credit Union) and the Consolidated Entity for the financial year ended 30 June 2006, the Independent Audit Report thereon and the Auditor's Independence Declaration. The financial statements have been prepared in accordance with the requirements of the Corporations Act 2001.

Directors

Individual director's details are set out on pages 10 and 11.

Company Secretary

Gianni Milani has worked in the finance industry for 17 years. He held the position of Internal Audit Manager for CPS Credit Union (SA) Limited for 12 years prior to his appointment to the position of Compliance and Risk Manager in 2004. In addition to his other duties, he was appointed Company Secretary of CPS Credit Union (SA) Limited in 2000. Upon the merger of CPS Credit Union (SA) Limited with CPS Credit Union Co-operative (ACT) Limited, Gianni relinquished his other duties to concentrate on the company secretarial responsibilities for the Community CPS Group.

Gianni has a Bachelor of Arts in Accounting, a Master of Business Administration, and is currently undertaking Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance. He is a Fellow of CPA Australia.

Principal activities

The principal activities of the Credit Union and the activities within the Consolidated Entity in the course of the financial year were to provide financial services to members and this remained unchanged.

Significant changes in the state of affairs

On 4 March 2006, CPS Credit Union Co-operative (ACT) Limited transferred its entire business to CPS Credit Union (SA) Limited which then changed its name to Community CPS Australia Limited. This merger brought together two successful credit unions with common origins, a strong focus on their members and a long history of cooperation.

At the date of the merger, the assets and liabilities (including accumulated earnings to 3 March 2006) of CPS Credit Union Co-operative (ACT) Limited became assets and liabilities of Community CPS and were reflected as such on its Balance Sheet. The Income Statement of Community CPS for the year ended 30 June 2006 reflects the operations of CPS Credit Union (SA) Limited up to merger date, plus the operations of the merged entity from that date to financial year end.

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in the financial statements of the Consolidated Entity.

Review of operations

The Consolidated Entity had a successful year of operations in providing financial services to members. Loans under management grew by 5% and deposits from members grew 4.5% and provided the majority of the funding for loan growth.

Profit after tax was $9.796 million, an increase of over 34% when compared with last year's profit after tax.

Dividends

No provision has been made for dividends. During the year no dividend was paid. In the statutory report of the directors for the previous financial year, no amount was provided or recommended.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Consolidated Entity in the financial year ending after 30 June 2006.

Indemnification and insurance of officers

During the year, the Credit Union paid an insurance premium to insure officers of the Credit Union and its controlled entities against liability. The liabilities insured are for losses arising from any claim against an officer for any civil or criminal proceeding in their capacity as an officer of the entities. The contract also covers officers of the wholly owned controlled entities.

Disclosure of the amount of insurance premium payable under, and a summary of the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

The Credit Union has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Credit Union or of any related body corporate against a liability incurred as such as an officer or auditor.

Directors' Report (continued)

Directors' meetings

The names of directors holding office as at the date of this report and during the year, and attendance at Board and Board Committee meetings held are as follows. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted.

Directors	Board Meetings		Board Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Stephanie Ann Chapman (appointed 4 March 2006)	4	4	3	3
Annette Fay Chooi (retired 4 March 2006)	9	7	2	2
Christopher Matthew Doogan (appointed 4 March 2006)	4	4	2	2
Gary Johannes Green (appointed 4 March 2006)	4	4	5	5
Barry George Hanna	13	13	5	5
Barry Francis Hayball	13	13	4	4
Thomas Alan Hewitt	13	13	16	15
Sashi Maharaj (term ended 20 December 2005)	7	4	1	1
Anne Maree O'Donnell (appointed 4 March 2006)	4	4	3	3
Frances Helen Raymond (appointed 4 March 2006)	4	4	1	1
Richard Vincent Ryan	13	10	5	5
Heather Louise Webster	13	11	4	4

Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Class Order 98/100 issued by Australian Securities and Investment Commission as the Credit Union has total assets greater than $10 million.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 24.

Board committees

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of four Board sub-committees.

Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. Membership of each committee comprises the Chairman of the Board and three other directors (except for the Executive Committee). The Chief Executive Officer and the Deputy Chief Executive Officer attend all Board committee meetings.

Details of Board Committees are contained in the Corporate Governance Statement on pages 18 -19.

Signed in Canberra this 26th day of August 2006, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Thomas A Hewitt
Chairman

Gary J Green
Deputy Chairman

Community CPS Australia

Financial Reports

Contents

2006 Annual General Meeting

Members are reminded that the Community CPS Australia Ltd Annual General Meeting will be held on Wednesday 8 November 2006 commencing at 6pm (CST), at the Commonwealth Centre Theatrette, Commonwealth Centre, Ground Floor, 55 Currie Street, Adelaide.

An information meeting will be held in Canberra on Thursday 9 November 2006, commencing at 6pm (EST) at the Hellenic Club, Matilda Street, Phillip.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Community CPS Australia Limited.

As lead audit partner for the audit of the financial statements of Community CPS Australia Limited for the financial year ended 30 June 2006, 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.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

S T Harvey
Partner
Chartered Accountants
Adelaide, 26 August 2006

Directors' Declaration

The directors declare that:

a) In the directors' opinion, there are reasonable grounds to believe that Community CPS Australia Limited will be able to pay its debts as and when they become due and payable; and

b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Community CPS Australia Limited and the Consolidated Entity.

Signed in Canberra this 26th day of August 2006, in accordance with a resolution of the directors, made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors.

Thomas A Hewitt
Chairman

Gary J Green
Deputy Chairman

Deloitte Touche Tohmatsu
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Independent audit report to the members of Community CPS Australia Limited

Scope

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes (pages 26 to 60) and the directors' declaration (page 24) for both Community CPS Australia Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion
In our opinion, the financial report of Community CPS Australia Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
(b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

ST Harvey
Partner
Chartered Accountants
Adelaide, 26 August 2006

Member of
Deloitte Touche Tohmatsu

Income Statements

For the year ended 30 June 2006		Consolidated		Credit Union	
		2006	2005	**2006**	2005
	Note*	**$'000**	$'000	**$'000**	$'000
Interest revenue	2,3	**77,946**	60,662	**77,982**	60,790
Interest expense	2,4	**43,293**	32,716	**43,314**	32,703
Net interest revenue		**34,653**	27,946	**34,668**	28,087
Other income	3	**20,300**	17,644	**15,613**	14,051
Total operating income		**54,953**	45,590	**50,281**	42,138
Impairment losses	4	**862**	834	**813**	858
Other operating expenses	4	**40,801**	34,527	**36,666**	31,261
Profit before income tax expense		**13,290**	10,229	**12,802**	10,019
Income tax expense	5	**3,494**	2,941	**3,302**	2,877
Net profit for the period	20	**9,796**	7,288	**9,500**	7,142

* The income statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

As at 30 June 2006		Consolidated		Credit Union	
		2006	2005	**2006**	2005
	Note*	**$'000**	$'000	**$'000**	$'000
Assets					
Cash and cash equivalents	6	**10,771**	4,902	**10,770**	4,901
Prepayments		**494**	221	**458**	212
Other receivables	7	**8,203**	2,104	**8,601**	1,935
Placements with other financial institutions	8	**180,730**	81,073	**180,651**	81,000
Loans and advances to members	9,10	**1,179,971**	864,804	**1,179,971**	864,804
Other financial assets	11	**971**	-	**971**	-
Investment securities	12	**5,400**	4,858	**7,600**	7,058
Property, plant and equipment	13	**8,861**	2,631	**8,555**	2,222
Intangible assets	14	**429**	397	**400**	361
Goodwill	15	**2,579**	1,749	**-**	-
Deferred tax assets	5	**1,354**	1,484	**1,170**	1,343
Total assets		**1,399,763**	964,223	**1,399,147**	963,836
Liabilities					
Deposits from other financial institutions	16	**22,336**	30,181	**22,336**	30,181
Deposits from members	17	**1,168,084**	786,255	**1,168,799**	786,735
Other payables	18	**9,954**	11,073	**9,653**	10,891
Borrowings	19	**80,001**	68,211	**80,001**	68,211
Employee benefits	24	**3,355**	2,143	**3,082**	1,881
Current tax liabilities	5	**444**	1,099	**370**	1,063
Total liabilities		**1,284,174**	898,962	**1,284,241**	898,962
Net assets		**115,589**	65,261	**114,906**	64,874
Equity					
Reserves	21	**44,291**	1,761	**44,291**	1,761
Retained earnings	20	**71,298**	63,500	**70,615**	63,113
Total equity		**115,589**	65,261	**114,906**	64,874

* The balance sheets are to be read in conjunction with the notes to the financial statements.

Statements of Changes in Equity

For the year ended 30 June 2006	Note*	Consolidated **2006 $'000**	Consolidated 2005 $'000	Credit Union **2006 $'000**	Credit Union 2005 $'000
Total Equity at the beginning of the period		**65,261**	57,973	**64,874**	57,732
Net income recognised for the period:					
Net income recognised directly in equity		**-**	-	**-**	-
Net profit for the period		**9,796**	7,288	**9,500**	7,142
Total net equity recognised for the period		**9,796**	7,288	**9,500**	7,142
Other movements in equity for the period					
Retained earnings	20	**(271)**	-	**(271)**	-
Reserves:					
Redeemed member share reserve	21	**10**	8	**10**	8
General reserve for credit losses	21	**3,208**	-	**3,208**	-
Transfer of business reserve	21	**39,312**	-	**39,312**	-
General reserve	21	**(1,727)**	(8)	**(1,727)**	(8)
Total other movements in equity for the period		**40,532**	-	**40,532**	-
Total equity		**115,589**	65,261	**114,906**	64,874

* The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

For the year ended 30 June 2006		Consolidated		Credit Union	
		2006	2005	**2006**	2005
	Note*	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Interest received		**77,294**	60,812	**77,731**	60,940
Other non interest income received		**14,472**	16,885	**10,017**	13,323
Interest and other costs of finance paid		**(43,585)**	(32,305)	**(43,607)**	(32,292)
Payments to suppliers and employees		**(38,273)**	(34,799)	**(34,378)**	(31,741)
Income tax paid		**(3,875)**	(3,194)	**(3,690)**	(3,136)
Net cash from operating activities	22 (a)	**6,033**	7,399	**5,673**	7,094
Cash flows from investing activities					
Net decrease / (increase) in placements with other financial institutions		**10,508**	(5,002)	**10,510**	(5,000)
Net increase in loans, advances and other receivables		**(60,993)**	(71,437)	**(60,993)**	(71,461)
(Increase) in / Repayment of amounts loaned to controlled entities		**-**	-	**(746)**	1,695
Payment for other investments		**-**	(1,401)	**-**	(3,601)
Proceeds from return of capital on other investments		**673**	1,121	**673**	1,121
Payment for property, plant and equipment		**(2,102)**	(2,048)	**(2,082)**	(1,988)
Proceeds from sale of property, plant and equipment		**16**	210	**16**	169
Payment for intangible assets		**(273)**	(245)	**(272)**	(216)
Payment for expenses directly attributable to business combination and recognised directly in equity		**(1,712)**	-	**(1,712)**	-
Increase in cash balances via business combination	22 (e)	**5,022**	-	**5,022**	-
Payment for businesses	22 (e)	**(847)**	(407)	**-**	-
Net cash used in investing activities		**(49,708)**	(79,209)	**(49,584)**	(79,281)
Cash flows from financing activities					
Proceeds from securitisation of loans		**39,400**	55,273	**39,400**	55,273
Net increase in deposits from members		**45,599**	50,524	**45,835**	50,900
Net decrease in other borrowings		**(28,150)**	(23,307)	**(28,150)**	(23,306)
Net decrease in deposits from other financial institutions		**(7,844)**	(10,149)	**(7,844)**	(10,149)
Net cash from financing activities		**49,005**	72,341	**49,241**	72,718
Net increase in cash and cash equivalents		**5,330**	531	**5,330**	531
Cash and cash equivalents at the beginning of the financial year		**4,902**	4,371	**4,901**	4,370
Cash and cash equivalents at the end of the financial year	22 (b)	**10,232**	4,902	**10,231**	4,901

* The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Summary of Significant Accounting Policies

Community CPS Australia Limited ("the Credit Union") is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2006 comprises the Credit Union and its controlled entities (together referred to as the "Consolidated Entity").

The financial report was authorised for issue by the directors on 26 August 2006.

(a) Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Consensus Interpretations.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian Generally Accepted Accounting Policies (AGAAP). Compliance with the AIFRS ensures that the financial statements and notes to the accounts comply with IFRS. The Credit Union financial statements and notes also comply with IFRS except for the disclosure requirements of IAS 32 *Financial Instruments: Disclosure and Presentation* as the Australian equivalent accounting standard, AASB 132 *Financial Instruments: Disclosure and Presentation* does not require such disclosures to be presented by the Credit Union where its financial statements are presented together with the consolidated financial statements.

This is the Consolidated Entity's first financial report prepared in accordance with AIFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Credit Union and the Consolidated Entity is provided in Note 33.

The accounting policies which have changed as a result of the adoption of AIFRS, have been applied retrospectively and consistently by the Consolidated Entity to all periods presented in these financial statements and in preparing an opening AIFRS balance sheet at 1 July 2004, except for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, which were adopted and applied from 1 July 2005 onwards in line with the exemption provided by AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

The Consolidated Entity has applied its previous AGAAP accounting policies in the comparative information to financial instruments within the scope of the above standards.

(b) Basis of Preparation

The financial report has been prepared in accordance with the accruals basis of accounting using historical costs except for the valuation of certain derivative financial instruments. Except where stated, the financial report does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Consolidated Entity and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of transition to AIFRS.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if necessary.

The entity has elected to early adopt the following revised accounting standards:

- AASB 119 *Employee Benefits* (December 2004);
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures*.
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*.
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004).
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004).
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*.

Summary of Significant Accounting Policies

(b) Basis of Preparation (continued)

- AASB 2005-8 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004).
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-11 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 101 *Presentation of Financial Statements*, AASB 112 *Income Taxes*, AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

(c) Accounting Standards Not Yet Effective and Not Early Adopted

The Australian Accounting Standards Board issued AASB 7 *Financial Instruments: Disclosure* in August 2005 for application in financial years beginning on or after 1 January 2007. AASB 7 effectively consolidates, replaces and enhances many of the disclosures already required by AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation*. AASB 2005-10: *Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]* was issued in September 2005 and contains amendments arising from the release of AASB 7. The Consolidated Entity has elected not to early adopt AASB 7 and consequently not to adopt AASB 2005-10. The standards are not expected to have any material impact on the Consolidated Entity's financial report upon initial application.

(d) Business Combinations - Mutual Entity Mergers

Mergers with other mutual entities are accounted for by recognising the assets and liabilities of the transferring entity on the balance sheet at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed, less external costs directly attributable to the merger, is taken directly to equity as a Capital Reserve (Transfer of Business Reserve).

(e) Accounts Payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the procurement of goods and services. These liabilities are carried at amortised cost.

(f) Acquisition of Assets

Assets acquired are initially recorded at the cost of acquisition, being the fair value of the consideration provided plus costs incidental and directly attributable to the acquisition.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Consolidated Entity in future years, otherwise the costs are expensed as incurred.

(g) Borrowings

Interest on wholesale borrowings and other interest-bearing liabilities is brought to account on an effective yield basis. The amount of the accrual is measured on a nominal basis and recognised as a liability in the accounts of the Consolidated Entity. These liabilities are carried at amortised cost. The quantitative effect of the change in accounting policy is set out in Note 33.

(h) Cash and Cash equivalents

Cash and cash equivalents comprise cash at branches and in automatic teller machines plus deposits at call with banks and CUSCAL Ltd. Interest income on Cash and cash equivalents is recognised using the effective interest rate method in the Income Statement. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

(i) Classification of Financial Information

The Income Statements, Balance Sheets and notes to the financial statements, have been prepared in accordance with AASB 130 *Disclosure in the Financial Statements of Banks and Similar Institutions*. Where there is a conflict between a requirement of AASB 130 and the Accounting Standard AASB 101 *Presentation of Financial Statements*, the requirement of AASB 130 prevails.

AASB 130 requires assets and liabilities to be classified by their nature and in an order that reflects their relative liquidity. Accordingly, assets and liabilities are not classified into current and non-current.

(j) Depreciation and Amortisation

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold

Summary of Significant Accounting Policies

(j) Depreciation and Amortisation (continued)

improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Assets are depreciated from the date of acquisition or from the time the asset is held ready for use. The following estimated useful lives are used in the calculation of depreciation:

	2006	2005
Building	40 years	-
Leasehold improvements	4 to 5 years	4 to 5 years
Plant and equipment	3 to 7 years	3 to 7 years

(k) Deposits

Interest on deposits is credited in accordance with the terms of each deposit and brought to account on an effective yield basis. Interest is accrued as part of the deposit balances which are carried at amortised cost.

(l) Derivative Financial Instruments

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the balance sheet and not for speculative purposes. Derivative financial instruments are recognised at fair value. Gains and losses on interest rate swaps are recognised immediately in the Income Statement via inclusion in the determination of interest expense.

The Consolidated Entity enters into fixed for floating interest rate swap transactions that are designated as an effective hedging instrument against a specified dollar value of fixed rate loan exposures which will reprice in the same specified month and year. For fair value hedges, the change in fair value of the hedging derivative, and the hedged risk of the hedged item, are recognised in the Income Statement. Hedge accounting is discontinued when the hedge instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss from that date.

Interest rate swaps that do not qualify for hedge accounting are accounted for as trading instruments and any changes in fair value are recognised immediately in profit or loss. Further details of derivative financial instruments are disclosed in Note 31 and in relation to transition to AIFRS and the comparative period are quantified under Note 33 - Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes.

(m) Employee Benefits

Provisions are made in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Where these provisions are expected to be settled within 12 months, these liabilities are measured at their nominal values using the remuneration rate expected to apply at the time of settlement including on-costs.

Provisions made in respect of long service leave not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date. Provision is made for all employees from the date of employment.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of the GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of other receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Impairment

The carrying amounts of the Consolidated Entity's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash-generating unit) exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal of that previous revaluation with any excess recognised through the Income Statement.

Goodwill is tested for impairment annually. Whenever there is any indication that the goodwill may be impaired any impairment is recognised immediately in profit and loss and is not subsequently reversed.

Summary of Significant Accounting Policies

(p) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not recognised if the temporary differences affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

During the financial year ended 30 June 2006, the directors of the Consolidated Entity assessed the financial effect of the taxation consolidation legislation and elected that all the controlled entities would not join a tax consolidation group and be taxed as a single entity. As a result, the individual entities continue to recognise current and deferred tax amounts in their own right which is then consolidated into the accounts of the company.

q) Intangible Assets

Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and under AIFRS not amortised, but tested for impairment annually. Refer to note 1(o) in relation to impairment.

Computer Software
Software acquired by the Consolidated Entity is stated at cost less accumulated amortisation. Amortisation is charged from the date the asset is available for use on a straight line basis over a period of 2-3 years.

(r) Investment Securities

Investment Securities are classified as available for sale assets. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. These assets are subject to annual testing as to whether there is objective evidence of impairment (refer note 1(o)). Investments in controlled entities are carried at cost.

(s) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

(t) Loans and Advances

Loans and advances are recognised at amortised cost using the effective interest rate method, after assessing required provisions for impairment. Loan and credit limit interest is calculated on the daily balance outstanding and is charged to members' accounts on the last day of each month. Overdraft interest is calculated on the daily balance outstanding and is charged in arrears to members' accounts at the beginning of the following month. All housing loans are secured by registered mortgages. The security taken on remaining loans is assessed on an individual basis.

Impairment
The collectability of loans is assessed on a regular basis and provisions for impaired loans are made in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, Board policy and APRA Prudential Standards. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Under AIFRS, impairment provisions against Loans and Receivables can only be raised for "incurred losses" (once objective evidence is obtained that a loss event has occurred), not anticipated future losses as per previous AGAAP. Further, loan impairment is calculated as the difference between the carrying amount and the present value of future cash flows discounted at the loan's original effective interest rate. Significant loans are assessed individually for impairment. Smaller loans are impairment tested in portfolios based upon similar risk profiles using objective evidence, which may be historical experience adjusted to accommodate the effects of current conditions at each balance date.

Summary of Significant Accounting Policies

(t) Loans and Advances (continued)

Bad debts are written off when identified. Bad loans are written off against the Provision for Impaired Loans. Adjustments to the Provision are taken to the Income Statement. Recovery of loans previously written off is recognised only when the amount has been received from the debtor.

Statutory reporting requirements for Impaired Loans

All loans and advances are reviewed and graded according to the anticipated level of credit risk. Accounting Standard AASB 130 *Disclosure in the Financial Statements of Banks and Similar Financial Institutions* prescribes specific reporting requirements of impaired loans, acquired assets and past-due loans.

The following classifications have been adopted:

Non-accrual loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised where underlying security is insufficient or loans which do not meet the definition of a restructured loan only because they yield less than the Credit Union's average cost of funds. Provisions for impairment are provided for all non-accrual loans in accordance with statutory and policy requirements for provisioning.

Restructured loans are those where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member and the revised terms are not comparable to new facilities.

Past-due loans are loans where payments of principal and/or interest are at least 90 days in arrears. Provision for these loans is made according to the period of arrears and with regard to the underlying security.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Loans and Advances - Provision for Impairment

Specific Provision
The provision against impaired loans exists to provide for loans that are delinquent (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows. The provision set out in these accounts is the higher of the statutory provision (calculated in accordance with Prudential Standard APS 220 and the prescribed provisioning requirements set down in AGN 220.3) and a dynamic arrears-based loss calculation.

The statutory specific component of the provision is contingent upon the length of time loan repayments are in arrears and the security held. The provision varies according to the type of security attached to the loan and the number of days each loan is in arrears.

The dynamic arrears-based loss provision is calculated based on current credit delinquency, historical default probabilities and loss in the event of default rates.

Reversals of Impairment
An impairment loss in respect of Loans and Advances carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss is recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

General Reserve for Credit Losses
In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults. The general reserve for credit losses is raised to recognise that loans that are not currently in arrears have a probability of future loss, and that loans that are provided for may result in a higher loss due to changed circumstances.

Under AGAAP a general provision for doubtful debts was included as a reduction in the carrying amount of loans and advances, however this is now included as a reserve in the equity section of the balance sheet. The reserve is calculated based on current non-delinquent credit balances, historical default probabilities and loss in the event of default rates plus a calculated stress scenario loss for mortgage secured exposures and adjusted for expected changes in economic default drivers and internal credit risk appetite.

(u) Member Share Capital

Withdrawable member share capital (redeemable preference shares) is classed as a liability (at amortised cost) and is therefore reported under the classification of deposits and borrowings (Note 17). Each member holds one redeemable preference share.

The Redeemed Member Share Reserve (Note 21) represents the amount of Redeemable Preference Shares redeemed by the Credit Union during the period 1 July 1999 to 30 June 2006. The Corporations Act 2001 requires that redemption of

Summary of Significant Accounting Policies

(u) Member Share Capital (continued)

these shares is to be made out of profit or through a new issue of shares for the purpose of the redemption. Since the value of the shares redeemed have been paid to the members in accordance with the terms and conditions of the share issue, the account balance represents the amount of profits appropriated to the account for the period stated above.

(v) Other Receivables

Receivables are recorded at amounts due less any allowance for doubtful debts and are classified as loans and receivables.

(w) Placements with Other Financial Institutions

Placements with other financial institutions are classified as held to maturity financial instruments and are reported exclusive of accrued interest. Income is recognised when earned. Term deposits with financial institutions are not tradeable on the open market and are therefore recorded at amortised cost.

Investments in Bank Bills and Bank Bonds are recorded at cost plus or minus any amount taken into account for discounts or premiums arising at acquisition. Discounts or premiums are amortised over the period of investment through the Income Statement so that the investments attain their redemption values by maturity date. Any profits or losses arising from the sale of investment securities prior to maturity are taken to the Income Statement in the period in which they are realised.

(x) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Credit Union (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. A list of controlled entities appears in Note 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(y) Provisions

Provisions are recognised when the Consolidated Entity has a present, legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the source amount of the provision can be measured reliably.

The amount recognised as a provision is the expected consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation, and those cash flows are discounted to the present value where appropriate.

(z) Revenue Recognition

Dividend income
Dividend income is recognised when the dividend has been declared.

Rendering of services
Wealth Management trail commissions are recognised when received. Other fee and commission income is recognised when services have been rendered and, in respect of accounting and taxation services, invoices raised.

Interest revenue
Interest revenue on loans (other than loans designated as "non-accrual") is recognised using the effective interest method on an accrual basis taking into consideration the interest rate applicable to the financial assets. Loan establishment fees are also included in the effective interest rate method and are amortised over the life of the loan. Other transaction related loan fees are recognised at the point of rendering the service to the member.

Due to the short term nature and reviewability of Revolving Credit facilities, all associated fees, including establishment fees, are recognised at the time the service is performed.

Sale of non-current assets
Revenue from the disposal of assets is recognised when control of the asset passes from the Consolidated Entity to the buyer.

(aa) Comparative Information

Wherever possible, comparative information has been provided in the financial report for the previous financial year. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

Summary of Significant Accounting Policies

(aa) Comparative Information (continued)

The Consolidated Entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, as permitted on the first-time adoption of AIFRS.

The following accounting policies were applied to accounting for financial instruments in the comparative year;

Accounts Payable
Trade payables and other accounts payable were recognised when the Consolidated Entity became obliged to make future payments resulting from the purchase of goods and services

Borrowings
Interest on wholesale borrowings and other interest-bearing liabilities was brought to account on an accrual basis. The amount of the accrual was measured on a nominal basis and recognised as a liability in the accounts of the Consolidated Entity.

Deposits
Interest on wholesale borrowings and other interest-bearing liabilities was brought to account on an accrual basis. The amount of the accrual was measured on a nominal basis and recognised as a liability in the accounts of the Consolidated Entity.

Derivative Financial Instruments
The Consolidated Entity entered into interest rate swap agreements for the sole purpose of managing interest rate exposures in the balance sheet and not for speculative purposes. Realised gains and losses on interest rate swaps were included in the determination of interest expense.

Interest-Bearing Liabilities
Interest on member deposits was credited in accordance with the terms of each deposit and brought to account on an accrual basis. The amount of the accrual was shown as part of member deposits. Interest on wholesale borrowings and other interest-bearing liabilities was brought to account on an accrual basis. The amount of the accrual was measured on a nominal basis and recognised as a liability in the accounts of the Consolidated Entity.

Investment Securities
Investments in controlled entities and other investments were recorded at cost.

Loans and Advances
Loans and advances were recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan was recognised when there was reasonable doubt that not all the principal and interest could be collected in accordance with the terms of the loan agreement. Impairment was assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to the overall loan portfolio.

Loan and credit limit interest was calculated on the daily balance outstanding and was charged to members' accounts on the last day of each month. Overdraft interest was calculated on the daily balance outstanding and was charged in arrears to members' accounts at the beginning of the following month. All housing loans were secured by registered mortgages. The security taken on remaining loans was assessed on an individual basis.

Bad debts were written off when identified. If a provision for impairment had been recognised in relation to a loan, write-offs for bad debts were made against the provision. If no provision for impairment was previously recognised, write-offs for bad debts were recognised as expenses in the statement of financial performance. All loans and advances were reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans were loans and advances where the recovery of all interest and principal was considered to be reasonably doubtful, and hence provisions for impairment were recognised where underlying security was insufficient.

Restructured loans arise when the borrower was granted a concession due to continuing difficulties in meeting the original terms, and the revised terms were not comparable to new facilities.

Past-due loans were loans where payments of principal and/or interest were at least 90 days in arrears. Provision for these loans were made according to the period of arrears and with regard to the underlying security.

Assets acquired through the enforcement of security were assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Receivables
Receivables were recorded at amounts due less any allowance for doubtful debts.

Notes to the Financial Statements

	Consolidated		
	Average Balance $'000	Interest $'000	Average Interest Rate %
2 Interest Revenue and Interest Expense			
The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are daily averages. Month-end averages are also used where they are representative of the operation for the period			
Interest revenue 2006			
Cash, liquid assets and receivables	**120,334**	**6,670**	**5.54%**
Loans and advances (other than commercial loans)	**961,145**	**69,616**	**7.24%**
Commercial loans	**23,404**	**1,660**	**7.09%**
	1,104,883	**77,946**	**7.05%**
Interest expense 2006			
Deposits from members - at call	**526,152**	**14,953**	**2.84%**
Deposits from members - term	**401,072**	**22,639**	**5.64%**
Payables due to other financial institutions	**25,083**	**1,508**	**6.01%**
Borrowings	**70,792**	**4,440**	**6.27%**
	1,023,099	**43,540**	**4.26%**
Change in fair value of interest rate swaps		**(247)**	
		43,293	
Net interest income - 2006		**34,653**	
Interest revenue 2005			
Cash, liquid assets and receivables	82,833	4,465	5.39%
Loans and advances (other than commercial loans)	746,408	54,493	7.30%
Commercial loans	22,432	1,704	7.60%
	851,673	60,662	7.12%
Interest expense 2005			
Deposits from members - at call	402,539	11,053	2.75%
Deposits from members - term	361,626	20,073	5.55%
Payables due to other financial institutions	24,727	1,461	5.91%
Borrowings	1,644	129	7.85%
	790,536	32,716	4.14%
Change in fair value of interest rate swaps		-	
		32,716	
Net interest income - 2005		27,946	

Notes to the Financial Statements

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	Credit Union 2006 $'000	Credit Union 2005 $'000
3 Revenue					
Revenue from operations consisted of the following items:					
Interest revenue	2	**77,946**	60,662	**77,982**	60,790
Other income					
Fees and commissions					
- Loan fee income		**1,712**	1,586	**1,712**	1,586
- Securitised loan management fees		**86**	360	**86**	360
- Other fee income		**11,111**	9,549	**8,080**	7,094
- Insurance commissions		**3,062**	2,822	**2,797**	2,580
- Other commissions		**3,242**	2,487	**1,856**	1,598
Income from property		**67**	54	**66**	54
Net gain on disposal of property, plant and equipment		**(2)**	17	**(2)**	11
Recovery of loans and advances previously written off		**503**	453	**503**	453
Other		**519**	316	**515**	315
Total Other income		**20,300**	17,644	**15,613**	14,051
Total revenue		**98,246**	78,306	**93,595**	74,841
4 Expenses					
Profit before income tax expense has been arrived at after charging the following expenses:					
Interest Expense	2	**43,293**	32,716	**43,314**	32,703
Bad debts written off		**945**	712	**945**	712
(Decrease) / Increase in doubtful debts provision		**(83)**	122	**(132)**	146
Impairment losses		**862**	834	**813**	858
Other expenses from ordinary activities					
Depreciation					
- Plant and equipment		**586**	383	**529**	319
- Building		**32**	-	**32**	-
- Leasehold improvements		**579**	337	**488**	250
		1,197	720	**1,049**	569
Amortisation					
- Software		**255**	201	**233**	190
		255	201	**233**	190
Staff costs		**17,971**	14,456	**14,986**	12,227
Provision for employee entitlements		**69**	297	**39**	228
General administrative expenses					
- Fee and commission expense		**7,304**	6,370	**7,304**	6,370
- Information technology		**3,925**	4,344	**3,829**	4,269
- Occupancy		**1,088**	699	**1,002**	623
- Marketing		**1,192**	1,223	**1,112**	1,143
- Printing and Stationery		**559**	462	**496**	407
- Communication		**1,664**	1,358	**1,568**	1,279
Other operating expenses		**2,698**	2,077	**2,437**	1,862
Operating lease rentals		**2,873**	2,303	**2,605**	2,077
Provision for losses associated with HIH Insurance		**6**	17	**6**	17
Total Other expenses from ordinary activities		**40,801**	34,527	**36,666**	31,261
Total Non interest expense		**41,663**	35,361	**37,479**	32,119
Operating expense		**84,956**	68,077	**80,793**	64,822

Notes to the Financial Statements

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
5 Income Taxes				
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense				
Current year	**3,456**	2,966	**3,302**	2,903
Adjustments recognised in the current year in relation to prior years	**38**	-	**-**	-
	3,494	2,966	**3,302**	2,903
Deferred tax expense				
Origination and reversal of temporary differences	**-**	(25)	**-**	(26)
	-	(25)	**-**	(26)
Total tax expense	**3,494**	2,941	**3,302**	2,877
Attributable to:				
Continuing operations	**3,494**	2,941	**3,302**	2,877
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows:				
Profit from operations	**13,290**	10,229	**12,802**	10,019
Income tax expense calculated at 30% (2005: 30%)	**3,987**	3,069	**3,841**	3,006
Non deductible expenses	**45**	12	**43**	12
Non-assessable income	**(123)**	(74)	**(122)**	(74)
Other deductible expenditure	**(460)**	-	**(460)**	-
Unused tax losses not recognised as deffered tax assets	**8**	-	**-**	-
	(530)	(62)	**(539)**	(62)
Under / (Over) provision of income tax in previous year	**37**	(66)	**-**	(67)
Income tax expense	**3,494**	2,941	**3,302**	2,877
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:				
Tax Liabilities				
Business combinations	**(452)**	-	**(452)**	-
Tax Assets				
Business combinations	**594**	-	**594**	-
	142	-	**142**	-
(c) Current Tax Balances				
Current Tax Liabilities comprise:				
Income tax payable	**444**	1,099	**370**	1,063
	444	1,099	**370**	1,063
(d) Deferred Tax Balances				
Gross deferred tax assets comprise:				
Temporary differences	**2,070**	1,484	**1,886**	1,343
	2,070	1,484	**1,886**	1,343
Gross deferred tax liabilities comprise:				
Temporary differences	**716**	-	**716**	-
	716	-	**716**	-
Deferred tax assets	**1,354**	1,484	**1,170**	1,343
Franking Credits				
Adjusted franking account balance (tax paid basis)			**22,646**	18,780
Since the Credit Union's Constitution prevents a dividend being declared these credits are not presently available to members.				

Notes to the Financial Statements

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
6 Cash and Cash Equivalents				
Cash on hand	**8,155**	4,182	**8,154**	4,181
Deposits at call	**2,616**	720	**2,616**	720
	10,771	4,902	**10,770**	4,901
7 Other Receivables				
Other receivables	**8,234**	1,560	**7,655**	1,209
Allowance for doubtful debts	**(56)**	(7)	**-**	-
	8,178	1,553	**7,655**	1,209
Interest receivable	**25**	551	**25**	551
Amount receivable from controlled entities	**-**	-	**921**	175
	8,203	2,104	**8,601**	1,935
Maturity analysis				
Not longer than 3 months	**8,203**	2,104	**7,680**	1,760
No maturity specified	**-**	-	**921**	175
	8,203	2,104	**8,601**	1,935
8 Placements with other financial institutions				
Bank term deposits	**11,897**	7,040	**11,854**	7,000
Bank accepted bills of exchange	**1,994**	-	**1,994**	-
Bank negotiated certificates of deposit and bonds	**18,175**	-	**18,175**	-
Other deposits	**36**	33	**-**	-
CUSCAL Ltd deposits	**148,628**	74,000	**148,628**	74,000
	180,730	81,073	**180,651**	81,000
Maturity analysis				
Not longer than 3 months	**97,124**	50,040	**97,081**	50,000
Longer than 3 months and not longer than 12 months	**65,741**	29,000	**65,741**	29,000
Longer than 1 year and not longer than 5 years	**17,829**	2,000	**17,829**	2,000
No maturity specified	**36**	33	**-**	-
	180,730	81,073	**180,651**	81,000
9 Loans and Advances to Members				
Revolving credit loans	**159,850**	141,412	**159,850**	141,412
Term loans	**1,020,996**	724,979	**1,020,996**	724,979
Gross loans and advances	**1,180,846**	866,391	**1,180,846**	866,391
Provision for impairment	**(875)**	(1,587)	**(875)**	(1,587)
Net loans and advances	**1,179,971**	864,804	**1,179,971**	864,804
(a) Maturity analysis				
Revolving credit loans	**159,850**	141,412	**159,850**	141,412
Not longer than 3 months	**1,102**	1,008	**1,102**	1,008
Longer than 3 months and not longer than 12 months	**5,454**	4,248	**5,454**	4,248
Longer than 1 year and not longer than 5 years	**118,405**	76,645	**118,405**	76,645
Longer than 5 years	**896,035**	643,078	**896,035**	643,078
	1,180,846	866,391	**1,180,846**	866,391

Actual maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

(b) Concentration of risk

The loan portfolio of the Consolidated Entity includes no loans, or groups of loans that represent greater than 10% of capital.

Notes to the Financial Statements

9 Loans and Advances to Members (continued)

(c) Securitised loans

The Credit Union uses Waratah Receivables Corporation ("Waratah") as a vehicle to securitise loans and provide funding for future lending. The Credit Union sells the rights to future cashflows of eligible residential home loans to Waratah and receives funds equal to the aggregated outstanding balances on all loans which Waratah has purchased. Whilst the cashflows have been transferred, the Credit Union has been appointed to service the loans. In broad terms the Credit Union's obligation is to continue to manage the loans as if it were the lender.

The transfer of a financial asset is dependent upon the extent to which the risks and rewards of ownership are transferred. In the case of loans securitised with Waratah it has been determined that the Credit Union substantially retains the risks and rewards of ownership and hence continues to recognise the assets. The balance at year end is separately disclosed below with a liability to Waratah for the same amount being recognised under Note 19 – Borrowings.

The risks associated with the Waratah securitised loans relate to the potentially variable nature of the cashflows received by the Credit Union for servicing the loans. This risk is managed by the Credit Union.

In addition to the Waratah program, the Credit Union has used Integris Securitisation Services Pty Ltd ("Integris") to provide funding for future lending. The sale of loans to Integris is considered to be a clean sale of loan receivables that effectively transfers the risks and rewards of ownership and hence these loans are treated as off-balance sheet.

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
On-Balance sheet securitised loans (Waratah)	**79,462**	68,211	**79,462**	68,211
Off-Balance sheet securitised loans (Integris)	**30,987**	4,231	**30,987**	4,231

10 Impairment of Loans and Advances

The policy covering impaired loans and advances is set out in Note 1.

General Provision for impairment				
Balance at beginning of financial year	**760**	866	**760**	866
Allowance during the year	**-**	(105)	**-**	(105)
Transfer from General Provision for impairment on adoption of accounting policies specified by AASB132 and AASB139 (note 33(e))	**(760)**	-	**(760)**	-
Closing general provision for impairment	**-**	760	**-**	760
Specific provision for impairment				
Balance at beginning of financial year	**827**	575	**827**	575
Bad debts written off	**(945)**	(712)	**(945)**	(712)
Impaired loan expense	**993**	964	**993**	964
Closing specific provision for impairment	**875**	827	**875**	827
Total provision for impairment	**875**	1,587	**875**	1,587
Non-accrual loan balances				
With provision for impairment	**682**	681	**682**	681
Specific provision for impairment	**(551)**	(545)	**(551)**	(545)
Without provision for impairment	**-**	74	**-**	74
Net non-accrual loans	**131**	210	**131**	210
Restructured loan balances				
With provision for impairment	**-**	-	**-**	-
Specific provision for impairment	**-**	-	**-**	-
Net restructured loans	**-**	-	**-**	-
Past-due loan balances				
With provision for impairment	**-**	304	**-**	304
Specific provision for impairment	**-**	(6)	**-**	(6)
Without provision for impairment	**-**	-	**-**	-
Net past-due loans	**-**	298	**-**	298

Notes to the Financial Statements

10 Impairment of Loans and Advances (continued)

	Consolidated		Credit Union	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Past-due loans with no provision are mortgage loans that are fully secured by real property and no loss will be incurred even in the event of enforcement and subsequent repossession and sale.				
(a) Interest revenue on non-accrual and restructured loans	**-**	-	**-**	-
(b) Interest foregone on non-accrual and restructured loans	**26**	21	**26**	21
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**18**	35	**18**	35
11 Other Financial Assets				
At fair value:				
Interest rate swaps	**971**	-	**971**	-
12 Investment Securities				
Unlisted shares at cost				
- CUSCAL Ltd	**3,906**	3,364	**3,906**	3,364
- Controlled entities	**-**	-	**2,200**	2,200
- Data Action Pty Ltd	**1,494**	1,494	**1,494**	1,494
- The Pageant Company Pty Ltd ($1)	**-**	-	**-**	-
	5,400	4,858	**7,600**	7,058
The Consolidated Entity's investment in CUSCAL Ltd, Data Action Pty Ltd and The Pageant Company Pty Ltd, are investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be currently reliably measured, and are therefore carried at cost.				
Maturity analysis				
No maturity specified	**5,400**	4,858	**7,600**	7,058

Investment in controlled entities

All controlled entities are incorporated in Australia.

Investment in controlled entities comprises :

	Consolidated Entity Interest		Credit Union	
Name	**2006 %**	2005 %	**2006 $**	2005 $
CPS Wealth Management Pty Ltd				
- ordinary shares	**100**	100	**-**	-
CPS Financial Services (Taxation) Pty Ltd				
- ordinary shares	**100**	100	**-**	-
Eastwoods Group Pty Ltd				
- ordinary shares	**100**	100	**2,200,005**	2,200,005
CPS Waymouth Pty Ltd	**100**	100	**1**	1
Community CPS Foundation Ltd	**100**	-	**-**	-

CPS Financial Services (Taxation) Pty Ltd and CPS Wealth Management Pty Ltd are wholly owned by Eastwoods Group Pty Ltd.

	Note	Leasehold Land buildings at deemed cost $'000	Fit out and Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Total $'000
13 Property, Plant and Equipment					
Consolidated					
Gross Carrying Amount					
Balance at 1 July 2005		-	3,023	5,269	8,292
Acquisitions through business combinations		3,825	1,895	4,501	10,221
Additions		-	1,256	846	2,102
Disposals		-	(231)	(1,832)	(2,063)
Balance at 30 June 2006		**3,825**	**5,943**	**8,784**	**18,552**
Accumulated Depreciation / Amortisation					
Balance at 1 July 2005		-	1,672	3,989	5,661
Acquisitions through business combinations		-	1,211	3,667	4,878
Disposals		-	(230)	(1,815)	(2,045)
Depreciation Expense	4	32	579	586	1,197
Balance at 30 June 2006		**32**	**3,232**	**6,427**	**9,691**
Net Book Value					
As at 30 June 2005		-	1,351	1,280	2,631
As at 30 June 2006		**3,793**	**2,711**	**2,357**	**8,861**
Credit Union					
Gross Carrying Amount					
Balance at 1 July 2005		-	2,590	4,979	7,569
Acquisitions through business combinations		3,825	1,895	4,476	10,196
Additions		-	1,249	833	2,082
Disposals		-	(230)	(1,832)	(2,062)
Balance at 30 June 2006		**3,825**	**5,504**	**8,456**	**17,785**
Accumulated Depreciation					
Balance at 1 July 2005		-	1,540	3,807	5,347
Acquisitions through business combinations		-	1,211	3,667	4,878
Disposals		-	(230)	(1,814)	(2,044)
Depreciation Expense	4	32	488	529	1,049
Balance at 30 June 2006		**32**	**3,009**	**6,189**	**9,230**
Net Book Value					
As at 30 June 2005		**-**	**1,050**	**1,172**	**2,222**
As at 30 June 2006		**3,793**	**2,495**	**2,267**	**8,555**

The merger between CPS Credit Union (SA) Ltd and CPS Credit Union Co-operative (ACT) Ltd was accounted for by recognising the assets of the transferring entity, CPS Credit Union Co-operative (ACT) Ltd, at their fair value.

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 3 March 2006 by Mr F.P. Brodrick F.A.P.I. to determine the fair value of the land and buildings as at merger date. The valuation was performed on the basis of the Credit Union occupying the majority of the building and a sub-lease being in place.

For all other property, plant and equipment and fitout and leasehold improvements aquired through the business combination, the written down value of the assets in the books of CPS Credit Union Co-operative (ACT) Ltd as at merger date was determined to be an appropriate approximation of their fair value.

Notes to the Financial Statements

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000	Credit Union 2006 $'000	Credit Union 2005 $'000
14 Intangible assets					
Gross Carrying Amount - Capitalised Software					
Balance at beginning of the financial year		**1,271**	1,036	**1,224**	1,018
Acquisitions through business combinations		**445**	-	**431**	-
Additions		**272**	245	**272**	216
Disposals		**(191)**	(10)	**(191)**	(10)
Balance at end of financial year		**1,798**	1,271	**1,736**	1,224
Accumulated Amortisation					
Balance at beginning of the financial year		**874**	675	**863**	674
Acquisitions through business combinations		**431**	-	**431**	-
Disposals		**(191)**	(2)	**(191)**	(1)
Amortisation Expense	4	**255**	201	**233**	190
Balance at end of financial year		**1,369**	874	**1336**	863
Net Book Value					
Balance at beginning of the financial year		**397**	361	**361**	344
Balance at end of financial year		**429**	397	**400**	361
15 Goodwill					
Balance at beginning of the financial year		**1,749**	1,884	**-**	-
Reduction upon final setlement of a prior year acquisition		**-**	(135)	**-**	-
Additional amounts recognised from business combinations occurring during the year		**830**	-	**-**	-
Balance at end of financial year		**2,579**	1,749	**-**	-
16 Deposits from other Financial Institutions					
Interest bearing deposits		**22,336**	30,181	**22,336**	30,181
Maturity analysis					
Not longer than 3 months		**14,334**	26,806	**14,334**	26,806
Longer than 3 months and not longer than 12 months		**8,002**	3,375	**8,002**	3,375
		22,336	30,181	**22,336**	30,181
17 Deposits from members					
Withdrawable member shares		**645**	185	**645**	185
Deposits from controlled entities at call		**-**	-	**715**	480
Call deposits		**713,385**	417,147	**713,385**	417,147
Term deposits		**454,054**	368,923	**454,054**	368,923
		1,168,084	786,255	**1,168,799**	786,735

Each member share entitles the holder to vote at a meeting of members (except if the member is a minor), to participate equally in any surplus upon winding up and to request its redemption at any time. The shares are not transferable and have no dividend entitlement.
The number of member shares at 30 June 2006 is 140,058 (2005: 92,604)

(a) Maturity analysis				
At call	**714,030**	417,332	**714,745**	417,812
Not longer than 3 months	**258,743**	169,753	**258,743**	169,753
Longer than 3 months and not longer than 12 months	**186,039**	193,183	**186,039**	193,183
Longer than 1 year and not longer than 5 years	**9,272**	5,987	**9,272**	5,987
	1,168,084	786,255	**1,168,799**	786,735

(b) Concentration of deposits
The deposit portfolio of the Credit Union does not include any deposits or groups of deposits that represents a material concentration in terms of the source of liability.

Notes to the Financial Statements

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
18 Other Payables				
Accrued interest payable	**-**	4,133	**-**	4,133
Unearned loan fee obligation	**642**	667	**642**	667
Trade and other creditors	**9,312**	6,273	**9,011**	6,091
	9,954	11,073	**9,653**	10,891
Maturity analysis				
Not longer than 3 months	**9,430**	10,533	**9,129**	10,351
Longer than 3 months and not longer than 12 months	**269**	289	**269**	289
Longer than 1 year and not longer than 5 years	**255**	251	**255**	251
	9,954	11,073	**9,653**	10,891
19 Borrowings				
Overdraft facility	**539**	-	**539**	-
Securitised Loan Funding	**79,462**	68,211	**79,462**	68,211
	80,001	68,211	**80,001**	68,211
Maturity analysis				
On call	**539**	-	**539**	-
No longer than 3 months	**79,462**	68,211	**79,462**	68,211
	80,001	68,211	**80,001**	68,211

The overdraft borrowing facility from CUSCAL Ltd is secured by a fixed and floating charge over the assets and undertakings of the Credit Union.

The securitisation funding line with Waratah Receivables Corporation Pty Ltd is secured against the Convertible notes issued in the name of Waratah which is ultimately backed by the cashflows from the loans assigned under securitisation. The facility is reviewed annually.

20 Retained Earnings				
Balance at beginning of financial year	**63,500**	56,220	**63,113**	55,979
Adjustments on adoption of accounting policies specified by AASB132 and AASB139 (refer Note 33)	**(271)**	-	**(271)**	-
Restated balance at beginning of financial year	**63,229**	56,220	**62,842**	55,979
Transfer to general reserve for credit losses	**(1,717)**	-	**(1,717)**	-
Transfer to redeemed member share reserve	**(10)**	(8)	**(10)**	(8)
Net Profit attributable to members	**9,796**	7,288	**9,500**	7,142
Balance at end of financial year	**71,298**	63,500	**70,615**	63,113
21 Reserves				
Asset realisation reserve				
Balance at beginning of financial year	**1,703**	1,703	**1,703**	1,703
Balance at end of financial year	**1,703**	1,703	**1,703**	1,703
Redeemed member share reserve				
Balance at beginning of financial year	**58**	50	**58**	50
- transfer from retained profits on share redemption	**10**	8	**10**	8
Balance at end of financial year	**68**	58	**68**	58
General reserve for credit losses				
Balance at beginning of financial year	**-**	-	**-**	-
- transfer from General Provision for Impairment on adoption of accounting policies specified by AASB132 and AASB139 (refer note 33(e))	**760**	-	**760**	-
- appropriation attributable to business combination from mutual entity merger	**731**	-	**731**	-
- transfer from retained profits	**1,717**	-	**1,717**	-
Balance at end of financial year	**3,208**	-	**3,208**	-

Notes to the Financial Statements

21 Reserves (continued)

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Transfer of business reserve				
Balance at beginning of financial year	**-**	-	**-**	-
- appropriation attributable to business combination from mutual entity merger	**40,882**	-	**40,882**	-
- deferred tax balances recognised on business combination	**142**	-	**142**	-
- costs directly attributable to business combination	**(1,712)**	-	**(1,712)**	-
Balance at end of financial year	**39,312**	-	**39,312**	-
Total Reserves	**44,291**	1,761	**44,291**	1,761

Asset realisation reserve
When a revalued asset is sold, the portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to the asset realisation reserve.

Redeemed member share reserve
The redeemed member share reserve is used to redeem redeemable preference shares out of profit upon a member ceasing membership with the Credit Union.

General reserve for credit losses
In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Transfer of business reserve
Mergers with other mutual entities are accounted for by recognising the assets and liabilities of the transferring entity on the balance sheet at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed, less external costs directly attributable to the merger, is taken directly to equity as a reserve.

22 Notes to the Statements of Cash Flows

(a) Reconciliation of profit to net cash flows from operating activities:

Profit for the period	**9,796**	7,288	**9,500**	7,142
Impairment losses	**862**	834	**813**	858
Depreciation and amortisation of non current assets	**1,452**	921	**1,282**	759
Net Loss / (Gain) on sale of plant and equipment	**2**	(17)	**2**	11
Changes in assets and liabilities				
(Increase) in value of investment deposits	**(3)**	-	**-**	-
(Increase) / Decrease in interest receivable	**(652)**	149	**(652)**	149
(Increase) in other receivables	**(5,798)**	(626)	**(5,571)**	(595)
(Increase) in prepayments	**(103)**	(38)	**(76)**	(30)
(Increase) in other financial assets	**(247)**	-	**(247)**	-
Decrease / (Increase) in deferred tax assets	**8**	(140)	**41**	(103)
(Decrease) / Increase in interest payable	**(46)**	412	**(46)**	411
(Decrease) / Increase in employee entitlements	**(69)**	164	**(48)**	123
(Decrease) in current tax liability	**(390)**	(99)	**(428)**	(144)
(Decrease) in deferred tax liability	**-**	(13)	**-**	(13)
(Decrease) / Increase in other creditors	**1,221**	(1,436)	**1,103**	(1,474)
Net cash from operating activities	**6,033**	7,399	**5,673**	7,094

Notes to the Financial Statements

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

22 Notes to the Statements of Cash Flows (continued)

(b) Reconciliation of cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments readily convertible to cash within one working day, net of outstanding overdrafts.

Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows;

Cash and cash equivalents (Note 6)	**10,771**	4,902	**10,770**	4,901
Overdraft (Note 19)	**(539)**	-	**(539)**	-
Closing cash balance	**10,232**	4,902	**10,231**	4,901

(c) Cashflows presented on a net basis

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

i) member deposits to and withdrawals from deposit accounts ;
ii) borrowings and repayments on loans, advances and other receivables ;
iii) membership shares purchased and redeemed ;
iv) dealings with other financial institutions.

(d) Financing facilities

The Credit Union has access to the following financing facilities with CUSCAL Ltd, Westpac Banking Corporation and Waratah Receivables Corporation Pty Ltd.

Overdraft facility				
Approved limit	**10,000**	10,000	**10,000**	10,000
Balance at end of financial year	**539**	-	**539**	-
Unused credit at end of financial year	**9,461**	10,000	**9,461**	10,000
Loan securitisation funding lines				
Approved limit	**100,000**	100,000	**100,000**	100,000
Balance at end of financial year	**79,462**	68,211	**79,462**	68,211
Unused credit at end of financial year	**20,538**	31,789	**20,538**	31,789
Standby facility				
Approved limit	**10,500**	500	**10,500**	500
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**10,500**	500	**10,500**	500
Wholesale funding facility				
Approved limit	**18,000**	18,000	**18,000**	18,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial	**18,000**	18,000	**18,000**	18,000

The Credit Union has two standby facilities in place:

The CUSCAL standby facility has an approved limit of $500,000 and is a commited facility that can be drawn within 24 hours. Repayments are required at the maturity of the agreed term and the standby facility is secured by a floating charge over the Credit Union's assets.

The Westpac facility has an approved limit of $10,000,000 and is a commited facility that can be drawn within 24 hours. Repayments are required at the maturity of the agreed term (maximum 30 days) and the facility is unsecured.

Each wholesale funding drawdown is taken for a fixed term at a fixed rate and secured by a charge over the Credit Union's assets. Repayments are required at the maturity of the agreed term.

Notes to the Financial Statements

22 Notes to the Statements of Cash Flows (continued)

(e) Business Combinations

Mergers with other mutual entities are accounted for by recognising the assets and liabilities of the transferring entity on the balance sheet at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed, less external costs directly attributable to the merger, was taken directly to equity as a Transfer of Business Reserve (Note 21).

It is not practical to disclose the amount of the transferring entity's profit or loss since the merger date, since this is indistinguishable in the Credit Union's accounts. Had this business combination been effected at 1 July 2005, the revenue of the Consolidated Entity would have been approximately $69.570 million, and net profit after tax approximately $10.980 million.

On 1 July 2005 CPS Financial Services (Taxation) Pty Ltd acquired JK McLachlan & Co., a tax and accounting business, for consideration of $847,048. The Consolidated Entity paid a premium for the acquiree which it believes represents the value of future cashflows from its client base.

It is not practical to disclose the amount of the acquiree's profit or loss since acquisition date, since this is indistinguishable in the CPS Financial Services (Taxation) Pty Ltd accounts.

Consolidated			Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Details of business combinations are as follows:				
Consideration				
Cash	**847**	-	**-**	-
Deferred Purchase Consideration	**-**	407	**-**	-
	847	407	**-**	-
Fair Value of Net Assets Acquired				
Assets				
Cash and cash equivalents	**5,022**	-	**5,022**	-
Prepayments	**172**	-	**172**	-
Receivables	**4,650**	-	**4,650**	-
Placements with other financial institutions	**105,209**	-	**105,209**	-
Loans and advances	**255,221**	-	**255,221**	-
Investment Securities	**1,215**	-	**1,215**	-
Property, plant and equipment	**5,343**	-	**5,318**	-
Intangible assets	**14**	-	**-**	-
Deferred tax assets	**594**	-	**584**	-
Liabilities				
Call deposits	**264,866**	-	**264,866**	-
Term deposits	**64,609**	-	**64,609**	-
Member shares	**469**	-	**469**	-
Other payables	**3,991**	-	**3,991**	-
Employee benefits	**1,281**	-	**1,250**	-
Current tax liabilities	**(265)**	-	**(265)**	-
Deferred tax liabilities	**716**	-	**716**	-
Net Assets Acquired	**41,773**	-	**41,755**	-
Equity				
General reserve for credit losses	**731**	-	**731**	-
Retained earnings	**41,024**	-	**41,024**	-
Net Assets less Equity Acquired	**18**	-	**-**	-
Goodwill on Acquisition	**829**	-	**-**	-
Net Cash Outflow on Acquisition				
Cash consideration	**847**	407	**-**	-
Cash balances acquired	**(5,022)**	-	**(5,022)**	-
	(4,175)	407	**(5,022)**	-

23 Operating Leases

Non-cancellable operating lease payments				
Less than 1 year	**3,506**	2,546	**3,202**	2,247
Between 1 and 5 years	**9,296**	7,901	**8,847**	7,136
Beyond 5 years	**2,274**	2,893	**2,274**	2,893
	15,076	13,340	**14,323**	12,276

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
23 Operating Leases (continued)				
Non-cancellable operating lease commitments receivable				
Less than 1 year	**54**	49	**54**	49
Between 1 and 5 years	**62**	114	**62**	114
	116	163	**116**	163

Operating Leases - as Lessee

Occupancy - The Consolidated Entity has entered into lease arrangements for periods up to 10 years, for the occupancy of business premises. The total amount of rental expense recognised in the financial year, in relation to occupying these premises was $2,873,373 (2005 $2,303,326). This represents the minimum lease payments. There are no contingent rental clauses.

The occupancy leases have varying option clauses to extend up to 5 years and contain market review clauses in the event that the Consolidated Entity exercises its option to renew. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Motor Vehicles - The Consolidated Entity has entered into lease arrangements for periods up to 5 years, for the operation of these assets. The total amount of rental expense recognised in the financial year, in relation to using the assets was $125,910 (2005 $126,267). This represents the minimum lease payments. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases - as Lessor

The Consolidated Entity has entered into an arrangement for occupancy of floor space in the buildings at Mawson, ACT along with a sub-lease arrangement for occupancy of leased space for periods of up to 3 years. Rental Income recognised in the financial year was $66,569 (2005 $53,630).

24 Employee Benefits

(a) Employee entitlements

Provision for employee benefits - current				
- Annual leave	**1,278**	803	**1,132**	685
- Long service leave - current	**244**	158	**233**	145
	1,522	961	**1,365**	830
Provision for employee benefits - non current				
- Long service leave - non current	**1,833**	1,182	**1,717**	1,051
Total provision for employee benefits	**3,355**	2,143	**3,082**	1,881
Accrued Staff costs included in other payables (note 18)	**468**	198	**387**	168
Aggregate employee benefit and related on-cost liabilities	**3,823**	2,341	**3,469**	2,049
	No.	No.	**No.**	No.
(b) Number of Full Time Equivalent Employees at year end	**377**	267	**335**	233

25 Commitments to extend credit

Binding commitments to extend credit are agreements to lend to the member as long as there is no violation of any condition established in the contract. The total commitment amounts do not necessarily represent future cash requirements. The balance of undrawn credit limits are commitments which can be unconditionally revoked at any time without notice and are subject to review at least annually.

	$'000	$'000	**$'000**	$'000
Approved but undrawn loans	**14,455**	7,677	**14,455**	7,677
Approved but undrawn credit limits	**121,042**	97,257	**121,042**	97,257
	135,497	104,934	**135,497**	104,934

26 Significant Alliances

The Credit Union has significant alliances with the following suppliers of services :

CUSCAL Ltd (Previously Credit Union Services Corporation (Australia) Ltd)

This entity supplies the Credit Union with rights to member cheques, Redicard and Visa card in Australia and provides services in the form of settlement with bankers for member cheques, electronic funds deposit and Visa card transactions. The Credit Union is a shareholder in CUSCAL Ltd, and is required to invest at least 90% of high quality liquid assets with this entity.

First Data Resources Australia Ltd

This company provides the link for all member electronic funds transactions to the computer bureau which services the Credit Union.

Data Action Pty Ltd

This company is the computer bureau which provides the Credit Union with a range of computing services. The Credit Union is a shareholder in the company.

Notes to the Financial Statements

26 Significant Alliances (continued)

Allianz Insurance Ltd

The Credit Union is an agent of Allianz Australia Insurance Limited for the purpose of offering their specialised range of insurance products for Credit Union members.

Sealcorp Group

CPS Wealth Management Pty Ltd has an agreement with members of the Sealcorp Group to provide administration services to financial planning clients and support to CPS Wealth Management Pty Ltd.

27 Segment Information

The Consolidated Entity operates in the retail financial services industry primarily within the one geographic segment, Australia. The Consolidated Entity comprises the following main business segments, based on the Credit Union's internal reporting system:

Finance and Banking - the segment comprises the acceptance of deposits, the provision of loans and other banking and insurance services.

Wealth Management - the segment comprises providing financial planning advice and wealth management services.

Tax and Accounting - the segment comprises taxation advice and accounting services.

Any Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar services.

Primary Reporting Business Segments	Finance and Banking 2006 $'000	Wealth Management 2006 $'000	Tax & Accounting 2006 $'000	Eliminations 2006 $'000	Consolidated 2006 $'000
Segment revenues					
Interest revenue	77,916	30	-	-	77,946
Other income	15,640	2,145	2,515	-	20,300
External segment revenue	93,556	2,175	2,515	-	98,246
Inter-segment revenue	40	21	-	(61)	-
Total segment revenue	93,596	2,196	2,515	(61)	98,246
Total revenue					98,246
Segment result	12,803	582	(95)	-	13,290
Profit before income tax expense					13,290
Income tax expense					3,494
Net profit for the period					9,796
Segment Assets	1,399,325	1,996	2,452	(4,010)	1,399,763
Segment Liabilities	1,284,242	288	1,105	(1,461)	1,284,174
Other segment information					
Non-cash expenses					
Depreciation and amortisation	1,282	102	68	-	1,452
Other significant non-cash expenses	858	-	79	-	938
Impairment losses	813	-	49	-	862
Acquisition of non-current assets	12,981	3	57	-	13,041

Primary Reporting Business Segments	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000
Segment revenues					
Interest revenue	60,648	14	-	-	60,662
Other income	14,058	1,804	1,782	-	17,644
External segment revenue	74,706	1,818	1,782	-	78,306
Inter-segment revenue	130	11	-	(141)	-
Total segment revenue	74,836	1,829	1,782	(141)	78,306
Total revenue					78,306
Segment Result	10,019	370	(160)	-	10,229
Profit before income tax expense					10,229
Income tax expense					2,941
Net profit for the period					7,288

	Finance and Banking 2005 $'000	Wealth Management 2005 $'000	Tax & Accounting 2005 $'000	Eliminations 2005 $'000	Consolidated 2005 $'000
27 Segment Information (continued)					
Segment Assets	963,798	1,579	1,701	(2,854)	964,223
Segment Liabilities	899,099	277	240	(654)	898,962
Other segment information					
Non-cash expenses					
Depreciation and amortisation	759	97	63	-	921
Other non-cash expenses	1,208	33	12	-	1,253
Impairment losses	858	-	-	-	858
Impairment losses reversed	-	-	(24)	-	(24)
Acquisition of non-current assets	2,201	71	22	-	2,294

	Consolidated		Credit Union	
	2006 $	2005 $	**2006** $	2005 $
28 Auditor's Remuneration				
Amounts received or due and receivable by the auditors of the consolidated entity :				
- auditing the financial report	**133,800**	120,869	**124,600**	108,939
- taxation and business services	**54,880**	58,785	**53,880**	57,385
	188,680	179,654	**178,480**	166,324

The auditor of Community CPS Australia Ltd is Deloitte Touche Tohmatsu.

The Board is satisfied that the provision of non-audit services has not compromised auditor independence.

No audit or other services were provided by practices related to the auditor of the economic entity.

29 Key Management Personnel Disclosures

The following were key management personnel of the Credit Union at any time during the reporting period, and unless otherwise indicated were Key Management Personnel for the entire period.

Non-Executive directors

T A Hewitt (Chairman)
B F Hayball
B G Hanna
G J Green (appointed 4 March 2006)
H L Webster
R V Ryan
C M Doogan (appointed 4 March 2006)
S A L Chapman (appointed 4 March 2006)
A M O'Donnell (appointed 4 March 2006)
F H Raymond (appointed 4 March 2006)
A F Chooi (cessation of office 4 March 2006 as a result of the merger)
S J Maharaj (retired 20 December 2005)

Executives

K Benger (Chief Executive Officer)
C M Miller (General Manager Human Resources, appointed 4 March 2006)
D Bateman (General Manager Member Services)
P R Ipkendanz (General Manager Risk & Compliance, appointed 4 March 2006)
R A Norgate (General Manager Operations, appointed 4 March 2006)
R O Keogh (Deputy Chief Executive Officer, appointed 4 March 2006)
T M Stockbridge (General Manager Marketing, 4 March - 27 June 2006)
T White (General Manager Eastwoods Group)
W J Matters (Chief Financial Officer)

The key management personnel compensation detailed in the following table is included in staff costs (see Note 4) with the exception of the termination benefits which were included in the Transfer of Business Reserve (Note 21) as costs directly attributable to the business combination.

	Consolidated		Credit Union	
	2006	2005	**2006**	2005
	$	$	**$**	$
29 Key Management Personnel Disclosures (continued)				
Key management personnel compensation				
Short term employee benefits	**1,305,568**	983,128	**1,305,568**	983,128
Post employment benefits	**106,185**	79,526	**106,185**	79,526
Termination benefits	**132,297**	-	**132,297**	-
	1,544,050	1,062,654	**1,544,050**	1,062,654
Other transactions with key management personnel - financial instruments				
Loans to key management personnel				
Loans and overdrafts outstanding	**2,721,324**	2,181,228	**2,721,324**	2,181,228

Loans totalling $1,223,591 (2005:$128,500) were made to key management personnel during the year. During the year key management personnel repaid $834,472 of the balance outstanding on their loan. Interest received on the loans totalled $150,577.

Deposits from key management personnel				
Deposit balances	**2,314,152**	526,276	**2,314,152**	526,276

Financial instrument transactions between key management personnel and the Credit Union during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions materially no more favourable than those given to other employees or members generally.

Other transactions with key management personnel - equity instruments
Each key management member holds one Member share in the Credit Union.
B G Hanna holds one B class share in CPS Financial Services (Taxation) Pty Ltd.
No other directors hold shares in any controlled entity of the Credit Union.

Other transactions with key management personnel
As a result of the Credit Union being a shareholder in Data Action Pty Ltd (Note 12) an officer of the Credit Union holds a position as Director of this company, which results in them having the capcity to exert some influence over the financial or operating policies of this company. Data Action Pty Ltd provided a range of computing services to the Credit Union.

For the financial year the officers concerned were:
W J Matters (appointed December 2004)
R A Norgate - Alternate Director (appointed May 2006)

30 Other Related Party Disclosures

Other related party transactions - ultimate parent entity
Community CPS Australia Ltd is the parent entity in the Consolidated Entity and the ultimate parent entity in the wholly owned group.

Other related party transactions - equity interests in controlled entities
Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 12 to the financial statements.

Other related party transactions - transactions within the wholly-owned group
The wholly-owned group includes:
- the ultimate parent entity in the wholly-owned group; and
- controlled entities, listed in Note 12.

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Notes 7 and 17 to the financial statements.

30 Other Related Party Disclosures (continued)

Other transactions that occurred during the financial year between entities in the wholly-owned group were;
- advancement of loans at commercial interest rates; and
- a management fee of $26,132 (2005: $nil) was charged by Eastwoods Group Pty Ltd to its wholly owned subsidiaries CPS Financial Services (Taxation) Pty Ltd and CPS Wealth Management Pty Ltd for management services provided.

31 Financial Instruments

(a) Financial risk management objectives

The Credit Union and Consolidated Entity as part of its daily operations is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Credit Union and Consolidated Entity has in place an enterprise wide risk management process. The process is managed through its Board Risk Committee, the Board Audit and Finance Committee, and the Management Operational Risk and Fraud Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures, and a Business Risk and Continuity Plan.

The risk management process involves establishing the context and the identification, analysis, evaluation, treatment, communication and ongoing monitoring of risks. A risk database has been established as part of the risk management process that utilises internationally recognised software enabling a structured and logical assessment and reporting of identified risks including their consequences and likelihood, and the assessment of established risk mitigation controls.

(b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The Credit Union does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Credit Union's policies approved by the Board. Compliance with policies is reviewed by the risk management structure in place, and discussed under Note 31(a) above, on a continuous basis.

(c) Liquidity risk management

The Consolidated Entity has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on credit unions in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Credit Union of a minimum liquidity holdings basis whereby the Credit Union is required to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times.

	Consolidated	
	2006	2005
	%	%
Liquidity holdings	**15.36**	10.18

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial loss from defaults.

The Consolidated Entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instrument in question.

The Consolidated Entity minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified categories. The majority of members are concentrated in South Australia and the Australian Capital Territory.

Notes to the Financial Statements

31 Financial Instruments (continued)

Credit risk in loans receivable is managed through a risk assessment process used for all members, and credit insurance is obtained for high risk loans. Loan provisions are calculated as disclosed under Note 1 - Summary of Significant Accounting Policies.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating of at least investment grade.

(e) Capital adequacy
The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses. Note 32 provides an outline of the Capital Adequacy of the Credit Union.

(f) Interest rate risk management
The Credit Union's activities primarily expose it to the financial risks of changes in interest rates.The Credit Union utilises extensive modelling techniques to identify the value at risk to net interest income and the market value of equity, given a number of assumed changes in market interest rates. The Board has in place a market risk policy which sets risk limits above which the Credit Union is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Variable interest rate	Fixed interest rate maturing in: 1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Non-interest bearing	Total	Weighted av. effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets - 2006										
Cash	-	-	-	-	-	-	-	8,155	8,155	n/a
Deposits at call	2,616	-	-	-	-	-	-	-	2,616	5.65%
Other receivables	-	-	-	-	-	-	-	8,203	8,203	n/a
Placements with other financial institutions	-	161,208	12,840	500	1,000	-	-	5,182	180,730	5.69%
Loans and advances to members	449,667	377,758	141,554	149,489	37,942	24,224	212	-	1,180,846	7.37%
Other financial assets	-	-	-	-	-	-	-	971	971	n/a
Investment securities	-	-	-	-	-	-	-	5,400	5,400	n/a
Total financial assets	452,283	538,966	154,394	149,989	38,942	24,224	212	27,911	1,386,921	
ii) Financial liabilities - 2006										
Deposits from other financial institutions	-	21,915	-	-	-	-	-	421	22,336	6.08%
Deposits from members	443,692	527,932	97,807	91,853	290	-	-	6,510	1,168,084	3.95%
Other payables	-	-	-	-	-	-	-	9,954	9,954	n/a
Borrowings	539	79,462	-	-	-	-	-	-	80,001	6.38%
Total financial liabilities	444,231	629,309	97,807	91,853	290	-	-	16,885	1,280,375	
i) Financial assets - 2005										
Cash	-	-	-	-	-	-	-	4,182	4,182	n/a
Deposits at call	720	-	-	-	-	-	-	-	720	5.10%
Other receivables	-	-	-	-	-	-	-	2,104	2,104	n/a
Placements with other financial institutions	-	81,040	-	-	-	-	-	33	81,073	5.51%
Loans and advances to members	427,299	145,783	129,561	95,196	43,647	24,485	420	-	866,391	7.31%
Investment securities	-	-	-	-	-	-	-	4,858	4,858	n/a
Total financial assets	428,019	226,823	129,561	95,196	43,647	24,485	420	11,177	959,328	
ii) Financial liabilities - 2005										
Deposits from other financial institutions	-	30,181	-	-	-	-	-	-	30,181	5.91%
Deposits from members	272,828	412,531	100,711	-	-	-	-	185	786,255	4.28%
Other payables	-	-	-	-	-	-	-	11,073	11,073	n/a
Borrowings	-	68,211	-	-	-	-	-	-	68,211	5.48%
Total financial liabilities	272,828	510,923	100,711	-	-	-	-	11,258	895,720	

The Consolidated Entity has disclosed the above information in relation to financial assets and liabilities based on the expected repricing dates. Those dates may differ significantly from the contractual dates however this basis provides a more accurate measure for evaluating the interest rate risk to which the entity is exposed.

31 Financial Instruments (continued)

(g) Interest rate swap contracts
The Consolidated Entity may use various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts.

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates.

The Consolidated Entity enters into interest rate swap agreeements for the sole purpose of managing interest rate exposures in the balance sheet and not for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

Outstanding fixed for floating contracts	Average interest rate		Fair Value		Notional principal amount	
	2006	2005	**2006**	2005	**2006**	2005
	%	%	**$'000**	$'000	**$'000**	$'000
Less than 1 year	**5.87%**	5.79%	**60**	(62)	**44,178**	6,000
1 to 2 years	**5.80%**	5.85%	**211**	(209)	**47,282**	33,000
2 to 5 years	**5.80%**	5.83%	**946**	(897)	**101,307**	88,000
			1,217	(1,168)	**192,767**	127,000

(h) Fair value of financial instruments
The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the Statement of Significant Accounting Policies (Note 1):

Cash and cash equivalents
As the assets are at call the carrying amount equates to fair value.

Other receivables
The carrying amount of trade debtors and other receivables is estimated to approximate fair value.

Placements with other financial institutions
The fair values of other deposits are estimated using discounted cash flow analysis, based on current market rates for investments having substantially the same terms and conditions.

Bank accepted bills of exchange and bank negotiable certificates of deposit held are not intended to be traded but held until maturity. The fair value of these assets is based on the quoted market price at balance date.

Loans and advances to members
The fair values of loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Other financial assets
The fair value of Interest rate swaps are determined as the net present value of the future cash flows.

Investment Securities
The fair value of unlisted shares is their carrying value.

Deposits from other financial institutions
The fair values of deposits from other financial institutions are estimated using discounted cash flow analysis, based on current market rates for deposits having substantially the same terms and conditions.

Deposits from members
The carrying amount approximates fair value for savings account balances as they are at call.

The fair value of members' term deposits are estimated using discounted cash flow analysis, based on current market rates for term deposits having substantially the same terms and conditions.

Other Payables
This includes interest payable and accrued expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Notes to the Financial Statements

31 Financial Instruments (continued)

Borrowings
The fair values of borrowings are estimated using discounted cash flow analysis, based on current market rates for borrowings having substantially the same terms and conditions.

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

	Total carrying amount as per Balance Sheets		Aggregate net fair value	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
i) Financial assets				
Cash and liquid assets	**10,771**	4,902	**10,771**	4,901
Other receivables	**8,203**	2,104	**8,203**	2,104
Placements with other financial institutions	**180,730**	81,073	**175,040**	80,889
Loans and advances to members	**1,180,846**	866,391	**1,180,846**	866,391
Other financial assets (interest rate swaps)	**971**	-	**971**	-
Investment securities	**5,400**	4,858	**5,400**	4,858
ii) Financial liabilities				
Deposits from other financial institutions	**22,336**	30,181	**21,868**	30,128
Deposits from members	**1,168,084**	786,255	**1,168,084**	786,255
Other payables	**9,954**	11,073	**9,954**	11,074
Borrowings	**80,001**	68,211	**80,001**	67,893
Other financial liabilities (interest rate swaps)	-	-	-	1,168

32 Capital Adequacy

	Consolidated	
	2006 %	2005 %
APRA calculation (minimum 8%)	**15.51**	12.23

APRA Prudential Standards require credit unions to maintain at all times a minimum ratio of capital to risk-weighted assets of 8%.

As part of its risk management process, the Credit Union has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the 8% minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market and credit risk.

33 Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes

The Consolidated Entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 *First time Adoption of Australian equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

An explanation of how the transition from previous AGAAP to AIFRS has affected the Credit Unions' financial position, financial performance and cash flows is set out in the following tables and the accompaning notes.

The Consolidated Entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, as permitted on the first-time adoption of AIFRS. The accounting policies applied to accounting for financial instruments in the current year are detailed in Note 1. The accounting policies applied in accounting for financial instruments in the comparative period are detailed in Note 1(aa).

As a result of this election, any adjustments between the Balance Sheets as at 30 June 2005 and the start of the first AIFRS reporting period, 1 July 2005, are treated as arising from a change in accounting policy. These changes are detailed in the following table and the accompanying notes.

33 Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes (continued)

Effect of AIFRS on the Balance Sheets as at 1 July 2004

		Consolidated			Credit Union		
		AGAAP	Effect of Transition to AIFRS	AIFRS	AGAAP	Effect of Transition to AIFRS	AIFRS
	Note 33	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents		5,601	-	5,601	5,600	-	5,600
Prepayments		183	-	183	181	-	181
Other receivables		1,755	-	1,755	3,312	-	3,312
Placements with other financial institutions		76,072	-	76,072	76,000	-	76,000
Loans and advances to members		757,829	-	757,829	757,829	-	757,829
Investment securities		4,579	-	4,579	4,579	-	4,579
Property, plant and equipment		1,487	-	1,487	975	-	975
Intangible assets		361	-	361	343	-	343
Goodwill		1,885	-	1,885	-	-	-
Deferred tax assets	a	1,307	37	1,344	1,203	37	1,240
Total assets		851,059	37	851,096	850,022	37	850,059
Liabilities							
Deposits from other financial institutions		40,330	-	40,330	40,330	-	40,330
Deposits from members		735,732	-	735,732	735,834	-	735,834
Other payables	b	11,841	800	12,641	11,155	800	11,955
Borrowings		1,979	-	1,979	1,757	-	1,757
Employee benefits		1,230	-	1,230	1,230	-	1,230
Current tax liabilities		1,198	-	1,198	1,208	-	1,208
Deferred tax liabilities	a	-	13	13	-	13	13
Total liabilities		792,310	813	793,123	791,514	813	792,327
Net assets		58,749	(776)	57,973	58,508	(776)	57,732
Equity							
Reserves		1,753	-	1,753	1,753	-	1,753
Retained earnings	a,b	56,996	(776)	56,220	56,755	(776)	55,979
Total equity		58,749	(776)	57,973	58,508	(776)	57,732

Notes to the Financial Statements

33 Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes (continued)

Effect of AIFRS and accounting policy changes on the Balance Sheets as at 1 July 2005

		Consolidated				Credit Union			
	Note 33	AGAAP $'000	Effect of Transition to AIFRS $'000	Change in Accounting Policy $'000	AIFRS $'000	AGAAP $'000	Effect of Transition to AIFRS $'000	Change in Accounting Policy $'000	AIFRS $'000
Assets									
Cash and cash equivalents		4,902	-	-	4,902	4,901	-	-	4,901
Prepayments		221	-	-	221	212	-	-	212
Other receivables	h	2,104	-	(551)	1,553	1,935	-	(551)	1,384
Placements with other financial institutions	h	81,073	-	551	81,624	81,000	-	551	81,551
Loans and advances to members	e,f,g	796,593	-	69,868	866,461	796,593	-	69,868	866,461
Investment securities		4,858	-	-	4,858	7,058	-	-	7,058
Property, plant and equipment		2,631	-	-	2,631	2,222	-	-	2,222
Intangible assets		397	-	-	397	361	-	-	361
Goodwill	c,d	1,249	500	-	1,749	-	-	-	-
Deferred tax assets	a,d	1,435	49	-	1,484	1,293	51	-	1,344
Total assets		895,463	549	69,868	965,880	895,575	51	69,868	965,494
Liabilities									
Deposits from other financial institutions	i	30,181	-	599	30,780	30,181	-	599	30,780
Deposits from members	i	786,255	-	3,534	786,789	786,735	-	3,534	790,269
Other payables	b,d,i	10,406	667	(4,133)	6,940	10,224	667	(4,133)	6,758
Borrowings	c,g	-	-	68,211	68,211	-	-	68,211	68,211
Other financial liabilities	f	-	-	1,168	1,168	-	-	1,168	1,168
Employee benefits		2,143	-	-	2,143	1,881	-	-	1,881
Current tax liabilities		1,099	-	-	1,099	1,063	-	-	1,063
Deferred tax liabilities		-	-	-	-	-	-	-	-
Total liabilities		830,084	667	69,379	900,130	830,084	667	69,379	900,130
Net assets		65,379	(118)	489	65,750	65,491	(616)	489	65,364
Equity									
Reserves	e	1,761	-	760	2,521	1,761	-	760	2,521
Retained earnings	a,b,c,d,f	63,618	(118)	(271)	63,229	63,730	(616)	(271)	62,843
Total equity		65,379	(118)	489	65,750	65,491	(616)	489	65,364

Effect of AIFRS on the Income Statements for the year ended 30 June 2005

		Consolidated			Credit Union		
	Note 33	AGAAP $'000	Effect of Transition to AIFRS $'000	AIFRS $'000	AGAAP $'000	Effect of Transition to AIFRS $'000	AIFRS $'000
Interest revenue		60,662	-	60,662	60,790	-	60,790
Interest expense		32,716	-	32,716	32,703	-	32,703
Net interest revenue		27,946	-	27,946	28,087	-	28,087
Other income	b	17,511	133	17,644	13,918	133	14,051
Total operating income		45,457	133	45,590	42,005	133	42,138
Impairment losses		834	-	834	858	-	858
Other operating expenses	c	35,027	(500)	34,527	31,261	-	31,261
Profit before income tax expense		9,596	633	10,229	9,886	133	10,019
Income tax expense	a	2,966	(25)	2,941	2,903	(26)	2,877
Net profit for the period		**6,630**	**658**	**7,288**	**6,983**	**159**	**7,142**

33 Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes (continued)

Effect of AIFRS and accounting policy changes on the cash flow statements for the financial year ended 30 June 2005

There are no material differences between the cashflow statements presented under AIFRS and the cashflow statement presented under superseded policies.

Impact of adoption of AIFRS

(a) Income tax
Under AIFRS, tax balances are determined using the balance sheet approach, in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases. Under AGAAP the Consolidated Entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profit after adjustment for permanent differences. Changes in deferred tax assets and deferred tax liabilities have arisen as a consequence of the different method of measurement.

(b) Other Payables
Loan and advances are measured at the amortised cost of the loans using the effective interest rate method. The calculation of amortised cost requires loan establishment fees to be capitalised and amortised over the expected life of the loan. Under AGAAP this income was recognised in the statement of financial performance when services were rendered. The effect of this change is a reduction in retained earnings for past recognised income and the creation of a liability for the unearned loan fee obligation.

(c) Business Combinations / Goodwill
The adoption of AIFRS did not significantly impact the carrying amount of goodwill as the directors decided not to restate past business combinations. Under AIFRS, goodwill, which in relation to the Consolidated Entity is associated with the purchases of accounting and financial planning practices, is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. Goodwill was not impaired as at 30 June 2006 and has not previously been impaired when tested.

Upon transition to AIFRS amortisation expense for the period 1 July 2004 to 30 June 2005 of $500,113 was written back, increasing Goodwill and Retained Earnings.

(d) Retained Earnings
Adjustments required on first-time adoption of AIFRS are recognised directly in retained earnings at the date of transition to AIFRS.

Impact of accounting policy changes

(e) Provisions
Under AIFRS Impairment provisions against loans and receivables can only be raised for a present obligation, not anticipated future losses. As a result, the general provision for doubtful debts recognised by the Credit Union under AGAAP was transferred to a reserve (General reserve for credit losses) within equity which APRA requires the Credit Union to maintain.

(f) Financial Instruments
The Credit Union enters in to derivative financial instruments to manage exposure to interest rate risk, undertaking interest rate swaps to;
i) manage the interest rate risk inherent in a portfolio of interest related assets and liabilities, and
ii) to manage exposure to interest rate risk in relation to fixed rate loans sold into the Waratah securitisation programme.

Under AIFRS, all derivative financial instruments are required to be recognised at fair value on the date of transition and this resulted in an increase in the hedged loans (under Loans and advances) along with recognition of the Interest rate swaps as a financial liability.

Under AIFRS the Credit Union has designated effective hedges and applied hedge accounting which has resulted in the ineffective portion of the hedge relationship being taken to profit and loss.

33 Impact of adoption of Australian equivalents to International Financial Reporting Standards and related accounting policy changes (continued)

The following financial assets and financial liabilities were designated as fair value through profit or loss from 1 July 2005. These financial assets and financial liabilities were previously measured at cost:

	Consolidated		Credit Union	
	Fair Value at 1 July 2005 $'000	Carrying Value at 30 June 2005 $'000	Fair Value at 1 July 2005 $'000	Carrying Value at 30 June 2005 $'000
Financial Assets				
Loans and advances – loans at fair value adjustment	895	-	895	-
Financial Liabilities				
Interest rate swaps	1,168	-	1,168	-

For the Balance Sheet swaps, hedge accounting was possible and procedures for hedge effectiveness put in place.

At 1 July 2005 Loans at Fair Value of $895,477 and interest rate swaps of $897,802 (credit) were recognised with the difference of $2,325 being adjusted against Retained Earnings.

The Waratah swaps are restructured each quarter to align with movements in the underlying loan portfolio and do not meet hedge accounting requirements, and as a consequence, the movement in the fair value of the Waratah swap is taken to the Income Statement on an ongoing basis. At 1 July 2005 the fair value of the Waratah swap of $268,238 was debited against Retained Earnings.

Under the scope of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* there is no requirement to recognise swaps in the comparative period.

The adjustments necessary to make the comparative financial statements comply with AASB 132 and AASB 139 therefore include;
(i) the recognition and measurement of all derivative financial instruments at fair value,
(ii) the recognition in profit or loss of the movement in the fair value of derivatives which did not qualify for hedge accounting, and
(iii) the recognition of any current or deferred taxes in relation to these adjustments.

It is not practicable for the Consolidated Entity to detail the amounts of the adjustments to profit or loss and to opening retained earnings for the comparative period had the new accounting policies been applied from the beginning of the comparative period.

(g) Loans and Advances and Borrowings
Under AASB 139 *Financial Instruments: Recognition and Measurement* the asset derecognition rules have changed such that for specific securitised loans and receivables where the Consolidated Entity substantially retains the risks and rewards of ownership of these assets, then those assets have been brought back onto the balance sheet.

This change has not resulted in any impact on net assets, since an equivalent liability for securitised loan funding is also recognised to reflect the proceeds received for sold loans. These loans continue to be excluded from the capital adequacy calculation under APRA's advice.

The balance of securitised loans at 30 June 2004 which would have been brought back on balance sheet had this accounting policy been applied at that date was $36,245,491.

(h) Placements with other Financial Institutions and Other Receivables (Interest receivable)
Placements with other financial institutions are recorded at amortised cost using the effective interest rate method. The effect of this change is to include interest receivable of $550,596 as part of the Placements with other financial institutions balance.

(i) Deposits and Other Payables (Interest payable)
Interest on deposits is credited in accordance with the terms of each deposit and brought to account on an effective yield basis. Interest is accrued as part of the deposit balances which are carried at amortised cost. The effect of this change is to include interest payable of $4,133,009 as part of the Deposit balances.

34 Contingent Liabilities

Credit Union Financial Support System (CUFSS):

The Credit Union is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all Credit Unions who are affiliated with CUSCAL Limited have agreed to participate in. CUFSS is a company limited by guarantee, each Credit Union's guaranteee being $100.

As a member of CUFSS, the Credit Union:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another credit union requiring financial support.
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

No such direction has, at balance date, been given to the Credit Union.

Letter of financial support - CPS Wealth Management Pty Ltd:

The Credit Union has provided a letter of limited financial support to its controlled entity, CPS Wealth Management Pty Ltd, in connection with that entity's Financial Services Licensing obligations. The fair value of this letter of financial support is $Nil as the Credit Union does not envisage CPS Wealth Management Pty Ltd needing to call on it, due to the financial position and projections for the company.

Financial guarantees provided on behalf of members

At balance date, the Credit Union had three financial guarantees in place that it had provided on behalf of members, totalling $49,500. The Credit Union has not received any directions in relation to these guarantees to balance date. The fair value of these guarantees is $Nil as they are secured by either mortgage or term deposit and no loss, even in the event of directions, is anticipated.

GST Ruling on securitisation charges:

The Credit Union uses Waratah Receivables Corporation as a vehicle to securitise loans and provide funding for future lending.

The Australian Taxation Office (ATO) provided a draft GST ruling in 1999 that indicated securitisation arrangements would qualify for reduced input tax credits. GSTR 2004/4 has been released by the ATO that rules reduced input tax credits do not apply. This ruling has been challenged by many financial institutions in Australia, including Waratah. As a result of these challenges, the ATO is currently reviewing the ruling. Waratah have not provided an indication of the dollar value of the expenses that may be passed through to the Credit Union should the ruling be confirmed.

Glossary of Terms & Acronyms

ACOA
Administrative and Clerical Officers Association

AGAAP
Australian Generally Accepted Accounting Principles

AIFRS
Australian equivalents to International Financial Reporting Standards

APRA
Australian Prudential Regulation Authority

ASIC
Australian Securities and Investments Commission

BBSW
Bank Bill Swap Reference Rate is used in financial markets as a benchmark for interest rate related transactions.

Capital Adequacy Ratio
A ratio used to measure the prudential strength of a financial institution. Prudential strength is calculated as total retained earnings and other 'capital' divided by total assets, weighted to reflect the relative credit risk associated with each asset class.

Consolidated
The combined accounts of Community CPS Australia ("Community CPS") and its controlled entities.

Contingent Liability
A possible liability that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within Community CPS' control.

Controlled Entity
An entity for which Community CPS influences its decision making, to ensure it operates for the benefit of Community CPS achieving its overall goals and objectives.

Deferred Tax Amounts
Deferred Tax Assets and Deferred Tax Liabilities reflect the tax effect of timing differences, being items which are brought to account in different periods for income tax and accounting purposes.

Derivative Financial Instrument
Derivative Financial Instruments create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument, but without the transfer of the underlying primary instrument.

Equity
The excess of Community CPS' assets over its liabilities, which is the amount owned by members. Also referred to as Member's Funds.

Fair Value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Franking Credit
Tax credits arising largely from the payment of tax by Community CPS that are available for attachment to eligible distributions by Community CPS to its members.

Interest Rate Swap
A type of derivative Financial Instrument under which Community CPS agrees to exchange interest cash flows (usually calculated on differing bases) with another party for an agreed period of time.

Liability
A debt or obligation to another party, e.g. a savings account held on behalf of a Community CPS member.

Liquid Assets
A monetary asset that can be readily converted to cash at Community CPS' option and is subject to an insignificant change in value.

Provisions
An amount set aside out of profits in the accounts of Community CPS for an expense which has been incurred, but the amount and timing of payment can only be estimated (e.g. long service leave or bad debts).

Receivables
Amounts owed by members and other external parties for which payment is expected soon.

Reserves
The net change in value of revalued assets still held (Asset Revaluation Reserve), the net change in value of revalued assets subsequently sold (Asset Realisation Reserve) and the value of member's shares redeemed out of retained profits (Redeemed Member Share Reserve).

Securitisation
A financing technique whereby one party can convert an illiquid asset (such as a member's loan) into a liquid asset (such as cash) through the equitable assignment of its ownership interest (essentially the sale of the liquid asset).

Unrecognised Financial Asset
A financial asset that is not carried in the Statements of Financial Position, such as Derivative Financial Instruments.

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Community CPS Australia Ltd

We ensure our members have many choices on how they interact with us – either face to face, by telephone or internet, or by taking advantage of our mobile relationship service.

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Community CPS Personal Financial Centres

Australian Capital Territory

Belconnen	Westfield Shopping Centre
Civic	Petrie Plaza
Dickson	Dickson Shopping Complex
Gungahlin	Gungahlin Marketplace
Manuka	Manuka Plaza
Mawson	105 Mawson Drive
Tuggeranong	Tuggeranong Hyperdome
Woden	Ground Floor, Lovett Tower

New South Wales

Batemans Bay	2 Orient Street
Queanbeyan	Riverside Plaza

South Australia

Adelaide	44 Waymouth Street
Gawler	1 Commercial Lane
Marion	Westfield Shopping Centre
Mawson Lakes	The Promenade, 1 Main Street
Modbury	Westfield Shopping Centre Tea Tree Plaza
Port Augusta	Wharflands Plaza
Salisbury	Parabanks Shopping Centre
Seaford	Seaford Shopping Centre
Sefton Park	Sefton Plaza Shopping Centre
Victor Harbor	Cnr Coral and McKinlay Streets
West Lakes	West Lakes Mall

CPS Wealth Management

Eastwoods	62 The Parade, Norwood SA

CPS Taxation & Accounting

Eastwoods	62 The Parade, Norwood SA

Bankers
CUSCAL Limited
National Australia Bank Limited

Auditors
Deloitte Touche Tohmatsu

Solicitors
Norman Waterhouse
Kelly & Co
Williams Love & Nicol

Affiliations
Association of Building Societies and Credit Unions
World Council of Credit Unions
Credit Union Financial Support System
Credit Union Foundation Australia