Community CPS Australia

Share the difference

ABN 15 087 651 143

ANNUAL REPORT **2008**

Celebrating 50 years & *Money* Magazine's 'Credit Union of the Year'

CONTENTS

Financial Reports

2008 ANNUAL GENERAL MEETING

Members are reminded that the Community CPS Australia Ltd Annual General Meeting will be held on Wednesday 26 November 2008 commencing at 6pm (Adelaide time) at the Victoria Room, Hilton Hotel Adelaide, 233 Victoria Square, Adelaide, SA.

An information meeting will be held in Canberra on Thursday 27 November 2008 commencing at 6pm (Canberra time), at the Auditorium, Vikings Club Erindale, Ricardo Street, Wanniassa, ACT.

ABOUT COMMUNITY CPS

Community CPS Australia Ltd (Community CPS) was formed in 2006 as a result of a merger between CPS Credit Union (SA) Ltd (CPS SA) and CPS Credit Union Co-operative (ACT) Ltd (CPS ACT).

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, our commitment 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.

Community CPS is one of Australia's largest and most influential credit unions with more than 140,000 members, 422 employees and $2.007 billion in assets under management.

Community CPS offers a diverse range of financial services to suit the needs of our members including savings and investments, loans, insurance, financial planning, tax and accounting, and telephone and internet banking.

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

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

Our 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.

Our Purpose

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

Our Values

Members First

Members' interests are paramount. We assist members to make the most of their opportunities and available financial resources. We design our products, services and business systems with members' interests in mind. Their interests are best served through:

- Practical financial advice supported by appropriate products and services;
- Encouraging and rewarding long term relationships, backed by superior service standards and efficient operations; and
- Prudent stewardship of a profitable business that endows a healthy credit union to future generations of members.

Community

We recognise our obligations as a corporate citizen to the communities in which our staff and members live and in which we operate. So an important expression of our mutual philosophy is how Community CPS supports the communities in which it operates.

We endeavour to assist them to develop and prosper, building economic success and a strong social fabric to enhance the quality of staff and members' lives. We endeavour to assist those communities toward better health and education, especially financial literacy. We are also conscious of the legacy we will leave to future generations and are committed to operating in a manner which is environmentally sustainable.

Integrity

Community CPS builds member and community partnerships on a foundation of trust and confidence. To build trust, we deal honestly and fairly with members and their communities, with other organisations and with regulators, adhering to accepted ethical behaviour standards. There are many aspects to how Community CPS expresses its corporate and social responsibilities:

- Doing business openly, in a transparent and socially responsible manner;
- Acting ethically and in good faith toward our employees, suppliers and others affected by what we do;
- Providing services that enhance members' ability to become financially responsible and independent and to access financial information to their advantage;
- Through philanthropic engagement with members' community interests; and
- By complying with the legal and regulatory requirements.

Mutuality

In our experience all members of organisations with a mutual philosophy can benefit by pooling their collective resources to the advantage of each individual member. Our Core Purpose is a central expression of our mutual beliefs. We value the shared benefits that accrue from the mutually beneficial relationships we have with our members and the communities we share.

Because our primary goal is not just to make a profit, we believe in returning value to members in equitable ways that recognise their association with Community CPS Australia. While those returns are most directly delivered through their personal financial arrangements, members also benefit when we reinvest in better products and services and invest in developing their community.

HIGHLIGHTS

In 2008, Community CPS was awarded 'Credit Union of the Year' in *Money* Magazine's annual assessment of financial institutions in Australia. For us, this award is a great honour and a tribute to our members and staff.

This year we celebrate our 50th Birthday. We are proud of our achievements and traditions, and we look forward to serving our members for another 50 years.

Products and Services

- Our Bridging Home Loan was introduced for members who want to buy or build their next home before they sell their existing one.
- Our SMALLBiz products were enhanced with the introduction of transactions and investment accounts, new lending, payroll and payment options and merchant facilities as well as Business Relationship Managers.
- Our Lifestyle Rewards Program was introduced offering our members with Term Deposits an enhanced range of benefits and rewards.
- Our Internet Banking service was enhanced with the introduction of online applications for car, personal, home and investment loans and credit limits.
- Business Banking Batch Transactions were introduced through Internet Banking to allow our SMALLBiz and Business Account Members to process batch transactions.
- Online application for Travel Insurance was introduced for the convenience of our members.
- SMALLBiz rewards were introduced to recognise the loyalty and ongoing support of our SMALLBiz members.
- Our Silver Community CPS MasterCard won 2 gold awards at *Money* Magazine's 'Best of the Best' Awards for Cheapest Balance Transfer Card and Best Rewards Credit Card
- Our Gold Community CPS MasterCard won a bronze award at *Money* Magazine's "Best of the Best' Awards for Best Rewards Credit Card.
- Eastwoods Wealth Management was awarded 'Licensee Practice of the Year SA & NT' for 2007.

Personal Financial Centres

- Manuka (ACT) was relocated to another location within Manuka with the additional features of a Members' Lounge, Internet Banking Kiosk, phone banking and over the counter cashiering facilities.
- New ATMs were introduced at Westfield Woden (ACT), Colonnades Shopping Centre (SA) and Jamison Shopping Centre (ACT).
- Processing of MasterCard payments became available at all of our Personal Financial Centres and through our Member Contact Centre.

Community

- Launched our Community CPS Foundation which has donated over $175,000 to charities such as the Royal District Nursing Service (SA) and the Newborn Intensive Care Foundation (ACT).
- Donated more than $30,000 to over 40 charities and community organisations through the Social Responsibility Events Committee.
- Donated $17,200 to St John Ambulance service through our Advocacy programme.
- Introduced Casual for our Community Days which has raised over $10,000 for 10 different charities such as SIDS and Kids and the Heart Foundation.
- Provided sponsorships totalling $303,118 for the Credit Union Christmas Pageant, Windmills Performing Arts, Triathlon ACT, Victor Harbor New Years Eve Fireworks, Batemans Bay Volunteer Coastal Patrol and many others.
- 35 staff participated in our Community Leave Days Programme, contributing over 170 hours of volunteer time to our community.
- Introduced the Environmental Management System Program which aims to develop a culture of sustainability in relation to the environment and our impact upon it.
- Registered for the Federal Government's Greenhouse Challenge Plus program which will determine the Greenhouse gas emissions base value for Community CPS facilitating our workplace changes to reduce this figure from July 2008.

COMMUNITY CPS SUSTAINABILITY REPORT

At Community CPS Australia we live by the philosophy of returning value to our members and to the communities in which they live and work.

We recognise that members value being part of an organisation that they can trust and rely upon, one that acts with integrity in business and embraces its social and environmental responsibilities.

Community is not just in our name – it's one of our core values, and integral to our purpose. Our engagement with our members and their communities is what makes us one of the strongest credit unions in Australia.

As our business grows, so does our responsibility to the community and at Community CPS we take this responsibility very seriously. Our Community Membership program works with our members and staff to ensure we achieve the best outcomes in the workplace, the community and the environment.

Workplace

Our dedicated staff are active and committed members of your credit union and the community, and we are proud to reward their outstanding efforts and support their involvement with the community. It is our mission to create the best possible working environment for our employees, and to help them reach their full potential.

At Community CPS we strongly believe in the importance of Work/Life balance, especially if you have a family – or are about to start one.

We have introduced a number of parental benefits for our staff, including eight weeks of paid maternity leave and many mothers take up the option to return to their jobs on a permanent part-time basis later on. All staff members on parental leave receive our weekly newsletter to ensure they still feel that they are part of the team, and once a quarter we invite them to come in to interact with the business, to learn about changes, new initiatives and listen to presentations from the Executive team.

As part of our commitment to promoting work life balance, our employees enjoy up to 3 extra days of leave a year. These Work/Life balance days can be used for a purpose our employees choose; it's another way we offer more flexibility in the workplace.

We also encourage staff members to undertake further training, develop new skills and advance their careers. Employees who decide to study externally receive financial study assistance from us, and we also have internal managerial training programs in place to help our employees reach their goals.

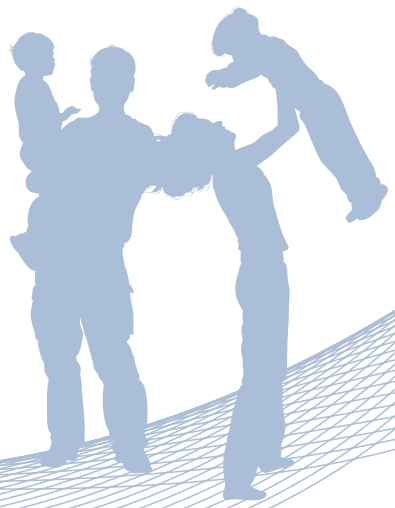
Environmental Sustainability

We are not only committed to our members and their communities, but also to the environment they live in.

For Community CPS, Environmental Sustainability means ensuring that our environmental footprint is as small as we can make it, to ensure no resources are wasted for future generations.

We are in the early stages of our Environmental Sustainability program, but protecting our environment is a major focus for Community CPS and we will continue to work hard to become even more environmentally sustainable within the coming years.

To date, we have introduced a number of initiatives to reduce our impact on the environment. We have established a Project Team to conduct an audit and determine our current environmental footprint, and develop and implement strategies to reduce greenhouse gas emissions, water and energy usage and waste so that reduction targets can be set for the future. We have also set up initiatives to encourage internal recycling and are taking part in the Federal Government's Greenhouse Challenge Plus program.



Community

At Community CPS we think it is vital that we are in touch with the communities we work in, that we connect with them and enrich them. For us, community support takes on many different forms. We raise funds through various activities, get behind local sporting clubs, sponsor community events and engage with local communities.

When the news of Mitsubishi's plant closure hit Adelaide, Community CPS extended a helping hand to members affected by the shut-down. Those who had a home loan with us were able to put their mortgage repayments on hold for three months, creating much needed breathing space for them to try and cope with the situation, find their feet and gain new employment elsewhere.

During the last financial year the Community CPS Sponsorship program has supported more than 35 organisations, including the Tuggeranong Vikings, the Batemans Bay Volunteer Coastal Patrol and, just like every year, we were one of the major sponsors of the Credit Union Christmas Pageant that captivated Adelaide in November.

The staff at Community CPS are committed to playing an active and supportive role in our local communities and we encourage our employees to become involved with their favourite charities through our Community Leave Day program.

All permanent staff members get one paid leave day per year to work for a charity of their choice and make a positive impact on the community, either environmentally, economically or socially.

Since the Community Leave program was introduced in July 2007, more than 35 staff have used this day to give back to their community, donating more than 170 hours to worthy causes.

A whole team from Community CPS used their Community Leave Day to join forces with the Royal District Nursing Service (RDNS), helping their staff pack dozens of Christmas hampers and bring festive joy to less fortunate families.

Thanks to the tireless efforts of our staff, Community CPS Australia holds various fundraising activities throughout the year to donate much-needed funds to charities and community organisations that make a difference to the lives of many.

Our Casual for our Community Days has supported ten charities in South Australia, the Australian Capital Territory and regional New South Wales since the initiative was introduced in August 2007. Support for 40 charities and community organisations, including the Woden Special School, the Credit Union Foundation of Australia and St. John Ambulance, was provided through various fundraising activities and programs throughout the year.

Another way for Community CPS to give back to the community is the Community CPS Foundation.

Celebrating its first anniversary in August 2008, the Foundation has already contributed over $175,000 to twelve charities and community organisations, including RDNS, Modbury Special School, Time for Kids and Newborn Intensive Care Foundation in Canberra.

The Community CPS Foundation is supported through donations from staff and members, and a percentage of Community CPS' net profit after tax.

Community CPS Australia would like to acknowledge the support of Retired Governor General, His Excellency Major General Michael Jeffery ACT CVO (Retd), for his role as Patron of the Community CPS Foundation.

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On behalf of the Board and staff at Community CPS Australia, we are pleased to provide members with a summary of the achievements, financial performance and the outcomes of our strategy during 2007/08.

All financial institutions faced numerous challenges during this year primarily due to overseas events associated with financial markets turmoil in the United States, Europe and the United Kingdom. A significant source of wholesale funding was terminated causing great distress to financial organisations and others relying on those funds.

We were able to weather the storm because we were not dependant on wholesale funds for growth. The majority of our funds for lending come from our members depositing their funds with us as retail deposits. However, the cost of these retail funds increased substantially later in the year due to other financial institutions focussing on retail deposits to replace the wholesale funds that had dried up.

Our members were sheltered from the initial impact by our prudent management and the Board immediately approved a freeze on lending rates outside of the increases announced by the Reserve Bank. This provided a significant member advantage as the majority of financial institutions increased their lending rates substantially in addition to the Reserve Bank increases, but due to the work of our staff managing our treasury operations, the impact of the cost of holding our rates on our profit was minimised.

Despite the turmoil in financial markets we are pleased to report an above budget performance with our net profit of $15.2m which is nearly 14 per cent greater than last financial year. This is a result that we are extremely proud of given the turbulent environment in which it was achieved. Our Wealth Management division was an important contributor in the result and confirms our strategy to diversify our income sources away from the reliance on interest rate margins.

We experienced strong lending growth and assets are now $1.68 billion with additional funds under management of $318 billion. Our liquidity (14.74%) and capital adequacy (17.20%) highlight our strong financial position at the end of the year. On all the indicators set at the commencement of the year, we can report that these have been met and in some cases exceeded by a significant amount.

The amount that we needed to write-off due to loan defaults was extremely low. After allowing for the amount of funds recovered, the net expense was $92,150, which is extremely low in the financial services industry. Our lending standards, the excellent member relationships and dedicated staff contributed to this positive outcome.

The financial performance is supported by high member and staff satisfaction levels and substantial recognition of our brand and the values that we espouse. Unlike the substantial fee increases passed onto customers by other financial institutions we were able to absorb costs and in some cases reduce fees and charges.

During the year we also invested substantial funds in the refurbishment of a number of our Personal Financial Centres, increased the number of Automatic Teller Machines, and rewarded our members with the introduction of a Lifestyle Rewards Program and the release of a range of new products and services.

It was very pleasing that *Money* Magazine awarded us the 2008 Credit Union of the Year. We also were recognised with a number of Gold and Bronze awards for individual products. These awards are independently judged and are the outcome of our strategic planning, our commitment to our members and to our staff.

As further evidence of our focus on members the independent agency monitoring financial institutions CANNEX has advised that our members continue to be better off banking with us when compared to the major banks. Each member receives $175.57 in member benefits through better rates on loans, deposits, access and fees and charges. This is the core attribute of our existence. Our aim is to ensure that our members share in the benefits of mutuality.

It is also important that we contribute to the community. We see ourselves as a vital part of the community in which we operate, distinguished by the way we contribute and participate in the social, economic and environmental improvement in our community.

Our Community Foundation was launched in August 2007 and thirty five organisations benefited from payments to assist them with their charitable work. Large donations of $50,000 each were made to the Royal District Nursing Service – Breathing Space Program and the Newborn Intensive Care Foundation. Over $940,000 was contributed in a variety of ways to the community, and we believe this to be a major factor in the recognition of Community CPS as a leader in working to bring better outcomes in the areas of health, financial literacy and environmental sustainability.

We were pleased to also donate more than $15,000 to the St. John Ambulance Service through an advocacy program where we donate to a charity based on people joining us as a result of recommendations of our members.

In November we were approached by United Credit Union which is located in Western Australia to merge with them. Following a review by our Board to determine the benefits of this merger for our members, they concluded that subject to due diligence, we should merge. United have similar strategies and values to ours. A combined organisation will be one of the largest and strongest credit unions in Australia.

The expansion to other parts of Australia adds to the convenience of members and to our financial strength.

The Credit Union industry continues to grow but consolidate into fewer, larger credit unions. One of the major factors is the increasing amount of compliance and the associated cost. Much of the cost is related to the delegation by the government to financial institutions of the responsibility to monitor and report transactions and distribute funds and information. The most recent Anti Money Laundering legislation places the onus on reporting suspicious transactions onto those institutions handling a variety of transactions.

The outcomes are noble but the cost burden on smaller organisations can only be recovered from members. This position is unrealistic and governments need to be cognisant of the financial impact and make allowance for this if it is to retain competition for the larger players.

The data collection on our base year greenhouse emissions has been completed and registered with the Federal Government's Greenhouse Challenge Plus Program. This will determine a final greenhouse gas emissions figure for Community CPS Australia. Reduction objectives, process and procedure changes will take place from July 2008.

The demands on our staff and the Board to meet the challenging economic environment, growing expectations for compliance and standards and responding to fierce competition have been enormous. The results speak for themselves and we acknowledge the contributions made to make the achievements mentioned above. We are pleased and proud of the outcomes in a turbulent environment. The Board and management have worked conscientiously to ensure the continuous improvement in governance and performance.

Following a five year period as Chairman, and a total of over twenty one years of service, Alan Hewitt resigned from the Board along with Barry Hayball who gave over 25 years of service and we thank them for their long and outstanding contribution.

As the economy slows and the business opportunities contract, the pressure to maintain our position as one of the most respected financial institutions grows. We are confident and determined that despite the hurdles ahead, 2009 will be another year of continued success for Community CPS.

Gary J Green
Chairman

Kevin Benger
Chief Executive Officer

BOARD OF DIRECTORS

Gary Johannes Green - Chairman

Gary Green was elected Chairman of Community CPS in December 2007. He was Chairman of CPS Credit Union Co-operative (ACT) Ltd and helped facilitate the successful merger with CPS Credit Union (SA) in 2006 to form Community CPS Australia Limited. Gary is a marketing and IT specialist with extensive practical business experience. This experience includes over 19 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 was the founder of the Mac 1 Group, which is the third largest Apple Computer reseller in Australia, with stores in Canberra, Brisbane, Sydney, Newcastle, Wollongong and Armidale. Gary is a Fellow of the Australasian Mutuals Institute and a Fellow of the Australian Institute of Company Directors. He is a member of the Board Governance Committee and is also a Director of Eastwoods Wealth Management Pty Ltd, Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Group Pty Ltd and CPS Waymouth Pty Ltd. He is now semi-retired and his focus is the profitable growth of the business along with some time for his favourite recreational activity, flying along the South Coast of NSW.

Christopher Matthew Doogan, AM - Deputy Chairman

Chris has been a Director and Chairman of the Board Governance Committee since 2006 and was elected Deputy Chairman of Community CPS in 2007. He is also a Director of Community CPS Foundation Ltd, Chairman of Australian Health Management Group Ltd and a Director of the Centre for Customs and Excise Studies Ltd. He is a barrister and holds degrees in administration and law (honours), is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian Mutuals Institute and a past Defence Fellow. He was formerly Chief Executive and Principal Registrar of the High Court of Australia, Chairman of Law Courts Limited (a company owned by the Commonwealth of Australia and the State of New South Wales) and Secretary of the Council of Chief Justices of Australia and New Zealand.

Stephanie Ann Chapman - Director

Stephanie Chapman joined the CPS Credit Union Co-operative (ACT) Ltd Board in 1998. She has had more than 12 years experience as a company director. Stephanie has held senior management positions in the ACT Government Service as Dean of the Faculty of Management and Business Studies at the 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 and a member of the Australasian Mutuals Institute. Stephanie is a member of the Board Risk and Board Audit and Finance Committees.

Barry George Hanna - Director

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

Anne Maree O'Donnell - Director

Anne O'Donnell joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. She has worked in the financial sector for 28 years and held directorships in the superannuation and the not-for-profit sectors during this period. Anne has been the CEO of Australian Ethical Investments Ltd (AEIL), an ASX listed fund manager, since 2000 and was recently appointed to the Board of AEIL. Prior to her appointment to AEIL she was employed by the ANZ Banking Group. Anne has a Master of Business Administration and Bachelor of Arts in 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 Mutuals Institute. Anne is Chairman of the Nomination Committee and is also a member of the Board Risk Committee.

Frances Helen Raymond - Director

Fran Raymond joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. She is a member of the Institute of Chartered Accountants in Australia, Australian Institute of Company Directors and the Australasian Mutuals Institute, and has worked within the public and private sectors in Australia and internationally. Fran is currently Chief Financial Officer for the National Health and Medical Research Council. Previously she has held the roles of Manager for Costing and Performance at the Australian Trade Commission, CFO for the Department of Prime Minister and Cabinet, CrimTrac and IP Australia. She is currently a member of the Public Affairs Committee for Riding for the Disabled Association of Australia and Deputy Chair of the Management Committee for Pegasus Riding for the Disabled (ACT). 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 a Director of the Adelaide Festival Corporation, and Chairman of both Editure Ltd and Lincoln Minerals Ltd. Richard is Chancellor of Charles Darwin University. He is also a Member of the Australasian Mutuals Institute, Chairman of Eastwoods Group Pty Ltd and a Director of Eastwoods Wealth Management Pty Ltd, Eastwoods Accounting and Taxation Pty Ltd and Community CPS Foundation 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 is a member of the Board Governance Committee and Chairman of Community CPS Foundation Ltd. Heather brings broad experience in public service and business to Community CPS. She is a Member of the Australasian Mutuals Institute and she has a Master of Business Administration, and degrees in science and 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. Heather is Chair for Australia and New Zealand of the International Public Transport Association (UITP) and a member of the International policy and executive boards. She is a Fellow of the Australian Institute of Company Directors and a councillor for the SA chapter. Heather is a proud regional resident where her family grows grapes and is familiar with South Australia's water challenges.

EXECUTIVE TEAM

Kevin Benger - Chief Executive Officer
Kevin Benger joined CPS Credit Union (SA) Ltd (CPS SA) in 1998. He previously served as a CPS SA director from 1986 to 1995. Kevin is an experienced chief executive who has held senior positions in accounting and finance in both the private and public sector. He is responsible for the leadership of the Executive team, strategic development, corporate governance and internal audit.

Kevin holds a Bachelor of Arts in Accounting, Master of Business Administration and is a Certified Practising Accountant and a Fellow of the Australasian Credit Union Institute. He is also a director of Eastwoods Group Pty Ltd, Community CPS Foundation Ltd, Eastwoods Finance Brokers Pty Ltd and the Credit Union Pageant Company.

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, 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 and is a Member of the National Institute of Accountants, Australian Institute of Company Directors and Fellow of the Australian Institute of Management. He is also a director of Community CPS Foundation Ltd, Eastwoods Group Pty Ltd and Eastwoods Finance Brokers Pty Ltd.

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) Ltd in 1985. Peter has previous experience in insolvency administration, tax and accounting. He is responsible for group risk management, 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, access, process team and the project office. He has 24 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 Mutuals Institute. Wayne is also a director of Data Action Pty Ltd.

Ross Norgate - General Manager Operations

Ross Norgate joined Community CPS Credit Union Co-operative (ACT) Ltd in 1993. Ross has 33 years experience in financial institutions, public administration and teaching. He is responsible for human resources, 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 accounting, taxation, personal and business risk insurance, mortgage broking and financial planning services to our members, business clients and private investors. He has over 36 years experience in all areas of banking, finance, financial planning, accounting and administration. Tim is a Certified Financial Planner, Fellow Professional National Accountant and is a member of the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

CORPORATE GOVERNANCE

1. Corporate Governance at Community CPS

Community CPS Australia Limited's ('Community CPS') core purpose is to create and return value to its members through financial and community partnerships. Through trusted relationships Community CPS agrees on the terms and conditions by which they will work together for long term mutual benefit. Community CPS also collaborates with the communities within which it operates to assist them develop where assistance is best utilised.

In pursuing its core purpose the Community CPS Board is committed to the highest level of corporate governance and therefore to a high standard of ethical conduct. It recognises that by behaving ethically it sets the standard for the rest of the Credit Union. The Board strongly believes that all the correct oversight structures of an independent Board and corporate governance charters cannot compensate for the lack of an ethical corporate culture. Community CPS also strongly believes that by operating ethically it is well placed to also be a good corporate citizen.

2. Members

Community CPS is a mutual organisation which means the members are the owners of Community CPS. All members with the exception of members who are minors may participate and vote at a members' meeting and in a ballot to appoint directors by election. The Board recognises that for members to be able to vote in an informed manner they must receive relevant and useful information which is clear and concise. A newsletter is sent to members on a regular basis to keep them informed of developments at their Credit Union. Members can also obtain information from the Community CPS website which is updated on a regular basis.

3. Board of Directors

3.1 Role and Responsibilities

The Board recognises that fundamental to any corporate governance structure is a clear distinction of the respective roles of management and the board. The Board is specifically responsible for the organisation's strategy and policy, planning and budgeting, regulatory compliance, appointment and performance of key personnel and reporting to members while ensuring adherence to Community CPS' Core Purpose and Values.

The role of the Board is to be custodians, on behalf of the members, to ensure that the Credit Union's capabilities and financial value continue to be developed and are available to create value for present and future members. The Board is ultimately responsible for all matters relating to the strategy and operations of Community CPS. It is responsible for and has authority to determine all matters relating to the policies, practices, management and operations of Community CPS. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Credit Union.

The Board ensures that the Chief Executive Officer and Executive team are appropriately qualified and experienced to discharge their responsibilities and monitors performance to ensure results are consistent with strategic and operational goals.

In consultation with Executive 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 appetite approved by the Board.

In addition to the various Board 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 towards achieving the strategic goals contained in the strategic plan;
- approves operating plans and budgets and monitors these and key performance indicators of both financial and non-financial nature and seeks reasons for variation;
- reviews and ratifies systems and procedures associated with risk management, internal compliance and control, codes of conduct and legal compliance; and
- where necessary, seeks independent professional advice to support the furtherance of its duties.

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 Executive 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 Community CPS Group to carry out its business activities and meet the objectives of all members, employees and regulators.

Beyond these matters the Board has delegated all authority to achieve the Credit Union's strategic goals to the Chief Executive Officer who is authorised to take all decisions and actions which, in the Chief Executive Officer's judgement, are appropriate having regard to the limits imposed by the Board. The Chief Executive Officer remains accountable to the Board for the authority that is delegated and for the performance of the Community CPS Group.

The Board closely monitors the decisions and actions of the Chief Executive Officer and the performance of the Community CPS Group to gain assurance that progress is being made towards the strategic goals. The Board also monitors the performance of the Community CPS Group through the Board Committees.

The Chief Executive Officer is required to attend all Board meetings and in a spirit of openness and trust to:

- keep the Board informed on all market place developments that may affect the business strategies of Community CPS or other credit unions, and financial institutions;
- bring to the Board's attention opportunities that will enhance Community CPS' business strategies and outcomes;
- regularly report to the Board on progress towards achieving the strategic goals;
- report to the Board any occurrences of material internal control or compliance failures; and
- have knowledge of and review detailed figures, contracts and other information about Community CPS' affairs and financial position and summarise such information for the Board where appropriate.

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.

3.2 Composition

To enable the Board to undertake all of its functions, it is necessary to have a well-structured Board. The majority of directors must be directors elected by members and elected directors are required to be members of Community CPS. Currently there are eight elected directors all of whom are non-executives.

The Board has implemented an annual performance evaluation process. Part of this process is to ensure that the Board and its committees maintain an appropriate level of skills, experience and expertise.

3.3 Commitment

The Board normally meets at least 10 times per year and the location for Board meetings alternates between Adelaide and Canberra. In addition to Board duties, directors serve on Board Committees, committees established by the Board and on Boards of related entities. Refer to page 20 for Committee details and meeting attendance.

3.4 Attributes

Community CPS is diligent in ensuring that directors are fit and proper persons to govern the Community CPS Group. All Community CPS directors meet the standards required to act as a director. In relation to the appointment and election of directors the Community CPS Constitution requires the Board to establish and maintain a Nomination Committee. This Committee, which includes two members external to the Credit Union, must assess each person who is nominated as a candidate for an elected director or who is a retiring elected director standing for re-election and provide a report to the Board of its assessment of each person. In this way, Community CPS members can have greater confidence that all candidates for a directors' election are able to competently act on their behalf as a director of their credit union.

3.5 Tenure

Elected directors are appointed by members for a term of three years.

The total period that each director has held in office is stated in the biographical information on pages 10 and 11.

3.6 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.

The Nomination Committee assesses the independence of directors and all directors satisfy the definition of independence as per Prudential Standard APS 510 Governance. During the year the Board approved an independence of directors' policy which is consistent with the requirements of APS 510.

4. Board Committees and Committees established by the Board

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance or assisting the Board through the operation of three Board Committees and one Committee established by the Board.

Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. With the exception of the Nomination Committee membership of each Committee comprises appropriate directors plus, by invitation, the Chief Executive Officer and the Deputy Chief Executive Officer attend Committee meetings. At least two members of the Nomination Committee must be persons who are independent of the Credit Union. Other Executive officers may attend Board and Board Committee meetings by invitation. Executive management attendance promotes effective communications and governance, plus it provides contemporary finance industry experience to complement directors' broader perspectives.

4.1 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 matters concerning the Community CPS 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; and
- Australian Prudential Regulation Authority ('APRA') policies on finance and audit matters.

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

The members of the Committee during the year were:

Chairman	F H Raymond
Members	S A Chapman (appointed 28 June) G J Green (ex officio member from 15 Dec to 28 Jun) B G Hanna B F Hayball (to 13 Jun) T A Hewitt (ex officio member to 15 Dec)
Secretary	D Vittorio

4.2 Board Governance Committee

This Committee assists the Board in discharging its responsibilities in assuring that good corporate governance exists within the Community CPS Group.

Corporate governance provides the structure through which the Credit Union's objectives are set, and the means of attaining those objectives and monitoring performance.

Good governance is directly related to behaviour and relationships, it is concerned with embedded values, and about the integrity with which boards and management go about their business.

The purpose of the Committee is to:

- ensure there is a robust and effective process for evaluating the performance of the Board, Board Committees and individual directors;
- monitor developments in corporate governance and make recommendations to the Board on any changes to governance practices of the Group that the Committee regards as necessary or desirable;
- review the development of and approve all corporate governance policies and principles applicable to the Group;
- monitor compliance with APS 510 Governance and the Principles and Recommendations of the ASX Corporate Governance Council;
- ensure an appropriate Board and Committee structure is in place; and
- discharge any other responsibilities delegated to the Committee by the Board from time to time relating to governance generally.

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; and
- 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, and information technology. Two Committee members hold undergraduate and one holds postgraduate qualifications, while there is substantial experience in company directorship.

The members of the Committee during the year were:

Chairman	C M Doogan
Members	G J Green T A Hewitt (ex officio member to 15 Dec) H L Webster
Secretary	G Milani

4.3 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, or injury 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 Community CPS Group's operating environment; and
- the requirements of the Prudential Standards that regulate the Credit Union's operations.

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. Between Committee members there is more than three decades combined experience in company directorship and private and public sector executive backgrounds in diverse industries.

The members of the Committee during the year were:

Chairman	R V Ryan
Members	S A Chapman G J Green (ex officio member from 15 Dec to 28 Jun) T A Hewitt (ex officio member to 15 Dec) A M O'Donnell
Secretary	P Ipkendanz

4.5 Nomination Committee (Committee established by the Board)

The purpose of the Committee is to assess each person who is nominated as a candidate for a directors' election, or who is a retiring elected director standing for re-election and provide a report to the Board of its assessment of each person; and on an annual basis seek information and advice as considered appropriate and based on the analysis of the information and consideration of the advice make a recommendation to the Board on the levels of remuneration for the Board and Board Committees.

Effective execution of these responsibilities requires knowledge of:

- principles of board remuneration;
- processes for the nomination and election of directors;
- appropriate characteristics and competencies of effective Boards and directors; and
- interview techniques.

This Committee is well qualified to perform these duties. Between Committee members there is substantial combined experience in company directorship. In addition, several members have experience at senior management level.

The members of the Committee during the year were:

Members

- Directors	C M Doogan (appointed 1 Feb) G J Green T A Hewitt (to 1 Feb) A M O'Donnell (Chairman)
- Independent Persons	J Jeffreys B M Linn
Secretary	G. Milani

5. Other Board Duties

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

Eastwoods Group Pty Ltd	K A Benger G J Green B G Hanna R O Keogh R V Ryan
Eastwoods Wealth Management Pty Ltd	G J Green B G Hanna R V Ryan
Eastwoods Accounting and Taxation Pty Ltd	G J Green B G Hanna R V Ryan
Eastwoods Finance Broking Pty Ltd	K A Benger R O Keogh
Community CPS Foundation Ltd	K A Benger C M Doogan R O Keogh R V Ryan H L Webster
CPS Waymouth Pty Ltd	G J Green

6. 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 Community CPS Group companies and the management structure of the Community CPS 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 Community CPS Group and the Credit Union.

An element of the Credit Union's risk management practices is a comprehensive corporate insurance program.

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 Community CPS Group have been identified;
- systems have been established to monitor and manage those risks;
- these risk management systems are operating effectively; and
- the risk management systems descriptions provided to APRA are accurate and current.

7. 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.

8. 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. The Credit Union's policy is that its directors and staff maintain the highest ethical standards in line with the Community CPS Code of Conduct. Community CPS also adheres to the Credit Union Code of Practice.

9. 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 maintain 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 officers remuneration is based on:

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

10. 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.

11. 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. During the year an external consultant was engaged to conduct a Board appraisal and director peer assessments.

12. 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 in hard copy upon request and is accessible on the Credit Union's website;
- detailed information at Annual General Meetings or any other members' meeting; and
- Information meetings held in conjunction with the Annual General Meetings.

DIRECTORS' REPORT

Gary Johannes Green - Chairman

Christopher Matthew Doogan, AM - Deputy Chairman

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 2008, 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 page 10 and 11.

Company Secretary

Gianni Milani has worked in the finance industry for 19 years. He has held the positions of Internal Audit Manager and Compliance and Risk Manager for CPS Credit Union (SA) Limited. He was appointed Company Secretary in 2000 and currently occupies the position of Chief Governance Officer and Company Secretary.

Gianni holds a Bachelor of Arts in Accounting, a Master of Business Administration and a Graduate Diploma in Applied Corporate Governance. He is a Fellow Certified Practicing Accountant and an Associate of the Institute of Chartered Secretaries and Administrators.

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

There were no 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 12% and deposits from members grew 11% which, together with available liquid reserves, provided the majority of the funding for loan growth.

Profit after tax was $15.191 million, an increase of 14% 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, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Likely developments

In November 2007 the Credit Union signed a Memorandum of Understanding with United Credit Union Limited ("United") to accept a voluntary total transfer of its business to the Credit Union. United is a Western Australian based credit union with more than 34,000 members and over $700m in assets. This proposed transfer has received regulatory approval and will be put to the members of both companies at respective Special General Meetings in September 2008.

Regardless of whether the proposed merger proceeds, the Credit Union and consolidated entity will continue to create and return value to members through the provision of financial services to members and other Group clients. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

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.

	Board Meetings		Board Committee Meetings	
Directors	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Stephanie Ann Chapman	12	10	4	3
Christopher Matthew Doogan	12	11	6	6
Gary Johannes Green*	12	12	11	8
Barry George Hanna	12	12	5	5
Barry Francis Hayball	12	11	4	3
Thomas Alan Hewitt	12	8	10	6
Anne Maree O'Donnell	12	12	4	4
Frances Helen Raymond	12	12	5	5
Richard Vincent Ryan	12	8	4	4
Heather Louise Webster	12	11	6	4

* Gary Green was appointed Chairman on 15 December 2007. In that capacity he was an ex officio member of all Board Committees but there was not the expectation that he attend all Board Committee meetings.

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 (excluding the Nomination Committee which was established by the Board but includes members who are not directors) meetings held are as follows. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted. *(see above table)*

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 at page 22.

Board committees

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of five 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 Nomination 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 16 - 17.

Signed this 30th day of August 2008, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Gary J Green
Chairman

Christopher M Doogan
Deputy Chairman

FINANCIAL REPORTS CONTENTS

2008 ANNUAL GENERAL MEETING

Members are reminded that the Community CPS Australia Ltd Annual General Meeting will be held on Wednesday 26 November 2008 commencing at 6pm (Adelaide time) at the Victoria Room, Hilton Hotel Adelaide, 233 Victoria Square, Adelaide, SA.

An information meeting will be held in Canberra on Thursday 27 November 2008 commencing at 6pm (Canberra time), at the Auditorium, Vikings Club Erindale, Ricardo Street, Wanniassa, ACT.

AUDITOR'S INDEPENDENCE DECLARATION AND DIRECTORS' DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: the directors of Community CPS Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

mv Hinchliffe

Michelle Hinchliffe
Partner

Melbourne
30 August 2008

Community CPS Australia Limited Directors' Declaration

For the year ended 30 June 2008

In the opinion of the directors of Community CPS Australia Limited (the "Credit Union"):

(i) there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable; and

(ii) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001 and giving a true and fair view of the Credit Union's and the consolidated entity's financial position as at 30 June 2008 and their performance for the financial year ended on that date.

Signed this 30th day of August 2008, in accordance with a resolution of the Directors, made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors.

Gary J Green
Chairman

Christopher M Doogan
Deputy Chairman

INDEPENDENT AUDIT REPORT

Independent auditor's report to the members of Community CPS Australia Limited

We have audited the accompanying financial report of Community CPS Australia Limited (the Credit Union), which comprises the Balance Sheets as at 30 June 2008, and the Income Statements, Statements of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 2 to 33 and the directors' declaration set out on page 34 of the Consolidated Entity comprising the Credit Union and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Credit Union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Community CPS Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Credit Union's and the Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Consolidated Entity also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Michelle Hinchliffe
Partner

Melbourne
30 August 2008

INCOME STATEMENTS

For the year ended 30 June 2008	Note*	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
Interest revenue	2, 3	**121,134**	103,576	**121,188**	103,642
Interest expense	2, 4	**71,538**	56,160	**71,575**	56,198
Net interest revenue		**49,596**	47,416	**49,613**	47,444
Other income	3	**23,599**	22,941	**17,798**	17,609
Total operating income		**73,195**	70,357	**67,411**	65,053
Impairment losses	4	**657**	773	**598**	636
Other operating expenses	4	**51,824**	50,753	**47,115**	46,355
Profit before income tax expense		**20,714**	18,831	**19,698**	18,062
Income tax expense	5	**5,523**	5,470	**5,093**	5,414
Net profit for the period	20	**15,191**	13,361	**14,605**	12,648

*The Income Statements are to be read in conjunction with the notes to the financial statements

BALANCE SHEETS

As at 30 June 2008	Note*	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
ASSETS					
Cash and cash equivalents	6	**12,445**	7,412	**12,445**	7,411
Prepayments		**314**	334	**296**	316
Other receivables	7	**5,593**	7,948	**5,592**	8,295
Placements with other financial institutions	8	**194,083**	151,936	**193,901**	151,853
Net loans and advances to members	9, 10	**1,428,020**	1,270,694	**1,428,020**	1,270,694
Other financial assets	11	**6,395**	2,584	**6,395**	2,584
Investment securities	12	**10,639**	5,401	**13,114**	7,701
Property, plant and equipment	13	**9,781**	9,513	**9,521**	9,298
Intangible assets	14	**266**	293	**218**	246
Goodwill	15	**3,547**	3,009	**-**	-
Deferred tax assets	5	**4,382**	2,985	**4,113**	2,649
Total assets		**1,675,465**	1,462,109	**1,673,615**	1,461,047
LIABILITIES					
Deposits from other financial institutions	16	**3,566**	22,650	**3,566**	22,650
Deposits from members	17	**1,365,885**	1,201,817	**1,366,818**	1,202,773
Trade and Other payables	18	**12,252**	6,314	**11,950**	6,060
Borrowings	19	**136,008**	94,728	**136,008**	94,728
Employee benefits	24	**4,202**	3,721	**3,797**	3,405
Current tax liabilities	5	**2,862**	2,527	**2,766**	2,474
Deferred tax liabilities	5	**3,588**	1,404	**3,586**	1,401
Total liabilities		**1,528,363**	1,333,161	**1,528,491**	1,333,491
Net assets		**147,102**	128,948	**145,124**	127,556
EQUITY					
Reserves	21	**46,629**	44,514	**46,629**	44,514
Retained earnings	20	**100,473**	84,434	**98,495**	83,042
Total equity		**147,102**	128,948	**145,124**	127,556

*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 2008	Note*	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
Total Equity at the beginning of the period		**128,948**	115,587	**127,556**	114,907
Net income recognised for the period:					
Net income recognised directly in equity		**-**	-	**-**	-
Net profit for the period		**15,191**	13,361	**14,605**	12,648
Total income and expenses recognised for the period		**15,191**	13,361	**14,605**	12,648
Other movements in equity for the period					
Retained earnings	20	**849**	(223)	**849**	(223)
Reserves:					
Asset revaluation reserve	21	**2,962**	-	**2,962**	-
Redeemed member share reserve	21	**26**	38	**26**	38
General reserve for credit losses	21	**(874)**	185	**(874)**	185
Transfer of business reserve	21	**-**	-	**-**	-
General reserve	21	**-**	-	**-**	-
Total other movements in equity for the period		**2,963**	-	**2,963**	-
Total equity		**147,102**	128,948	**145,124**	127,556

*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 2008	Note*	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
Cash flows from operating activities					
Interest received		**122,036**	106,030	**122,089**	106,097
Other non interest income received		**22,477**	22,961	**18,932**	17,697
Interest and other costs of finance paid		**(67,425)**	(55,523)	**(67,430)**	(55,561)
Payments to suppliers and employees		**(47,680)**	(46,696)	**(45,374)**	(42,370)
Net change in settlement clearing accounts		**6,474**	(5,216)	**6,474**	(5,216)
Income tax paid		**(5,669)**	(3,615)	**(5,349)**	(3,387)
Net cash from operating activities	22(a)	**30,213**	17,941	**29,342**	17,260
Cash flows from investing activities					
Net decrease/(increase) in placements with other financial institutions		**(43,043)**	26,356	**(42,944)**	26,358
Net increase in loans, advances and other receivables		**(160,434)**	(92,726)	**(160,434)**	(92,726)
Increase in amounts loaned to controlled entities		**-**	-	**416**	(2)
Payment for other investments		**-**	-	**(175)**	(100)
Proceeds from return of capital on other investments		**-**	-	**(1,006)**	-
Payment for property, plant and equipment	13	**(2,307)**	(2,538)	**(2,137)**	(2,492)
Proceeds from sale of property, plant and equipment		**12**	65	**12**	65
Payment for intangible assets	14	**(169)**	(143)	**(138)**	(100)
Payment for businesses	22(e)	**(562)**	(451)	**-**	-
Net cash used in investing activities		**(206,503)**	(69,437)	**(206,406)**	(68,997)
Cash flows from financing activities					
Proceeds from securitisation of loans		**46,215**	39,872	**-**	39,872
Net increase in deposits from members		**140,839**	33,095	**159,898**	33,336
Net decrease in other borrowings		**2,614**	(32,950)	**49,629**	(32,950)
Net increase/(decrease) in deposits from other financial institutions		**-**	314	**(19,084)**	314
Net cash from financing activities		**189,668**	40,331	**190,443**	40,572
Net (decrease)/increase in cash and cash equivalents		**13,378**	(11,165)	**13,379**	(11,165)
Cash and cash equivalents at the beginning of the financial year		**(933)**	10,232	**(934)**	10,231
Cash and cash equivalents at the end of the financial year	22(b)	**12,445**	(933)	**12,445**	(934)

*The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. 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 2008 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 30 August 2008.

(a) Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Credit Union comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

The financial report has been prepared in Australian Dollars and in accordance with the accruals basis of accounting using historical costs except for the valuation of certain derivative financial instruments and available for sale assets. Except where stated, the financial report does not take into account changing money values or current valuations of assets. Cost is based on the fair values of the consideration given in exchange for assets. The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information has been rounded to the nearest thousand unless otherwise stated.

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. These 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 in any future period affected.

In particular, significant areas of estimation uncertainty and critical areas where judgement has been applied are as follows:

- Loans and receivables are carried at amortised cost, requiring estimates to be made of their expected life. The expected life of mortgage secured loans is estimated at 43 months while other loans have an estimated expected life of 23 months. In addition, loans and receivables is carried net of impairment provisions which are determined based on estimates of default probabilities and the loss incurred in the event of default. Further, judgement has been exercised in determining that not all the risks and rewards of ownership of securitised loans have been transferred;
- In assessing goodwill for impairment, estimates have been made of expected future cash flows from the applicable cash generating units and judgement used to determine the rate at which those cash flows are discounted;
- Similarly, the obligation for long-term employee benefits is determined based on estimates of the amount and timing of related future cash flows with judgement applied in determining the rate at which those cash flows are discounted.

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

- AASB 1004 Contributions;
- AASB 1049 Whole of Government and General Government Sector Financial Reporting;
- AASB 1050 Administered items;
- AASB 1051 Land Under Roads;
- AASB 1052 Disaggregated Disclosures;
- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101;
- AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations [AASB2];
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2].

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

The Australian Accounting Standards Board issued AASB 3 Business Combinations for application in financial years beginning on or after 1 July 2007. The Consolidated Entity has elected not to early adopt AASB 3. Consequently, the Consolidated Entity has elected not to early adopt AASB 127, AASB 2007-9 and AASB 2008-3. These standards are not expected to have any material impact on the Consolidated Entity's financial report upon initial application.

(d) 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.

(e) 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.

(f) 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 Statements. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

(g) Classification of Financial Information

The Income Statements, Balance Sheets and notes to the financial statements, have been prepared in accordance with AASB 7 Financial Instruments: Disclosures. Where there is a conflict between a requirement of AASB 7 and the Accounting Standard AASB 101 Presentation of Financial Statements, the requirement of AASB 7 prevails.

AASB 101 allows assets and liabilities to be classified by their nature and in an order that reflects their relative liquidity. As this presentation provides information that is reliable and more relevant, assets and liabilities are not presented as current and non-current on the face of the Balance Sheets.

(h) 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.

(i) 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. Realised gains and losses on interest rate swaps are recognised immediately in the Income Statement via inclusion in the determination of interest revenue, while unrealised changes in the fair value of interest rate swaps is included in Other Income. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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 30(j).

(j) 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.

A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal

(j) Employee Benefits (continued)

retirement date, or to provide termination benefits as a result of an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Financial Assets and Liabilities

The Consolidated Entity initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

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

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Entity enters into transactions whereby it transfers assets recognised on its Balance Sheet, but retains either all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Balance Sheet.

The Consolidated Entity securitises various consumer financial assets, which generally results in a sale of these assets to special-purpose entities, which, in turn issue securities to investors.

(l) 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.

(m) 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 loss is recognised immediately in profit and loss and is not subsequently reversed.

(n) Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS

(n) Income Tax (continued)

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 2008, 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 Consolidated Entity.

(o) 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 not amortised, but tested for impairment annually. Refer to note 1(m) 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.

(p) Investment Securities

Investment Securities are classified as available for sale assets and carried at fair value. Gains and losses arising from fair value changes are recognised directly in equity. 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(m)).

In the Credit Union's financial statements, investments in controlled entities are carried at cost.

(q) 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.

(r) 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. Impairment provisions against Loans and Receivables are only raised for "incurred losses" (once objective evidence is obtained that a loss event has occurred) not anticipated future losses. 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 and loans in arrears 120 days or greater are assessed individually for impairment. Smaller and less delinquent 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.

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 Standards AASB 130 Disclosure in the Financial Statements of Banks and Similar Financial Institutions and AASB 7 Financial Instruments: Disclosures prescribe 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 the borrower has failed to make a repayment when contractually due. 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.

(r) Loans and Advances – Provision for Impairment

The aggregate provision set out in these accounts is the higher of the 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 arrears loss calculation, as described below.

Specific Provision

The specific provision against impaired loans exists to provide for loans that are 120 days or more in arrears (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 dynamic arrears-based loss provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default.

Collective Provision

The provision against impaired loans exists to provide for overdrawn and over-limit revolving credit facilities and loans that are less that 120 days in arrears (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 statutory collective 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.

Reversals of Impairment Losses

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 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.

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.

(s) 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 from members (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 2008. The Corporations Act 2001 requires that redemption of 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.

(t) Other Receivables

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

(u) 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 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.

(v) 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 Credit Union obtains control and until such time as the Credit Union 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.

NOTES TO THE FINANCIAL STATEMENTS

(w) Property, Plant and Equipment

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.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 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:

	2008	2007
Building	**40yrs**	40yrs
Leasehold improvements	**4 to 5yrs**	4 to 5yrs
Plant and equipment	**3 to 7yrs**	3 to 7yrs

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(x) 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.

(y) Revenue Recognition

Dividend income

Dividend income is recognised when the dividend has been declared.

Rendering of services

Wealth Management fees and commissions are recognised on an accruals basis or when services have been rendered. Fee income in respect of accounting and taxation services is recognised when invoices are 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.

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.

	CONSOLIDATED		
	Average Balance $'000	Interest $'000	Average Int. Rate %
Interest revenue 2008			
Cash, liquid assets and receivables	176,821	12,338	6.98%
Loans and advances (other than commercial loans)	1,329,398	106,333	8.00%
Commercial loans	30,422	2,463	8.10%
	1,536,641	121,134	7.88%
Interest expense 2008			
Deposits from members - at call	810,997	29,780	3.67%
Deposits from members - term	477,142	32,177	6.74%
Payables due to other financial institutions	12,833	924	7.20%
Borrowings	109,380	8,657	7.91%
	1,410,352	71,538	5.07%
Net interest income 2008		49,596	
Interest revenue 2007			
Cash, liquid assets and receivables	171,918	10,413	6.06%
Loans and advances (other than commercial loans)	1,199,728	91,128	7.60%
Commercial loans	25,833	2,035	7.88%
	1,397,479	103,576	7.41%
Interest expense 2007			
Deposits from members - at call	750,474	23,642	3.15%
Deposits from members - term	439,906	26,120	5.94%
Payables due to other financial institutions	20,912	1,366	6.53%
Borrowings	74,234	5,032	6.78%
	1,285,526	56,160	4.37%
Net interest income 2007		47,416	

NOTES TO THE FINANCIAL STATEMENTS

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
3 REVENUE					
Revenue from operations consisted of the following items:					
Interest revenue	2	**121,134**	103,576	**121,188**	103,642
Other income					
Fees and commissions					
- Loan fee income		**1,670**	1,747	**1,670**	1,747
- Securitised loan management fees		**76**	118	**76**	118
- Wealth management income		**2,798**	2,400	**-**	-
- Accounting and taxation income		**2,575**	2,547	**-**	-
- Member fee income		**8,022**	8,593	**8,022**	8,593
- Other fee income		**1,137**	1,162	**1,137**	1,162
- Insurance commissions		**3,167**	2,912	**2,792**	2,563
- Other commissions		**1,658**	1,886	**1,614**	1,865
Income from property		**71**	83	**77**	83
Net gain on disposal of property, plant and equipment		**7**	-	**7**	-
Recovery of loans and advances previously written off		**503**	636	**503**	636
Fair value adjustment on interest rate swaps		**1,302**	245	**1,302**	245
Other		**613**	612	**598**	597
Total Other income		**23,599**	22,941	**17,798**	17,609
Total revenue		**144,733**	126,517	**138,986**	121,251

4 EXPENSES					
Profit before income tax expense has been arrived at after charging the following expenses:					
Interest Expense	2	**71,538**	56,160	**71,575**	56,198
Bad debts written off		**637**	944	**607**	929
Decrease in impairment provision		**(15)**	(296)	**(9)**	(293)
Impairment adjustment - Goodwill		**35**	125	**-**	-
Impairment losses		**657**	773	**598**	636
Other expenses from ordinary activities					
Depreciation					
- Plant and equipment		**928**	913	**879**	862
- Building		**97**	96	**97**	96
- Leasehold improvements		**1,009**	798	**933**	711
		2,034	1,807	**1,909**	1,669
Amortisation					
- Software		**196**	279	**166**	254
		196	279	**166**	254
Staff costs		**22,383**	21,420	**19,328**	18,501
Contributions to defined contribution superannuation funds		**1,979**	1,831	**1,536**	1,420
Provision for employee entitlements		**703**	512	**598**	464

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
4 EXPENSES (CONTINUED)				
General administrative expenses				
- Fee and commission expense	**8,215**	8,901	**8,251**	8,901
- Information technology	**3,415**	3,466	**3,296**	3,359
- Occupancy	**1,336**	1,313	**1,270**	1,256
- Marketing	**2,305**	1,837	**2,237**	1,764
- Printing and Stationery	**578**	604	**498**	530
- Communication	**1,604**	1,807	**1.523**	1,712
Other operating expenses	**3,342**	3,036	**3,133**	2,887
Operating lease rentals	**3,733**	3,922	**3,405**	3,620
Net loss on disposal of property, plant and equipment	**-**	16	**-**	16
Provision for losses associated with HIH Insurance	**1**	2	**1**	2
Total Other expenses from ordinary activities	**51,824**	50,753	**47,115**	46,355
Total Non interest expense	**52,481**	51,526	**47,713**	46,991
Operating expense	**124,019**	107,686	**119,288**	103,189

5 INCOME TAXES

(a) Income tax recognised in the Income Statements				
Tax expense comprises:				
Current tax expense				
Current year	**6,079**	5,779	**5,754**	5,492
Adjustments recognised in the current year in relation to prior years	**(197)**	-	**(237)**	-
Utilisation of previously unrecognised tax losses	**-**	(42)	**-**	-
	5,882	5,737	**5,517**	5,492
Deferred tax expense				
Origination and reversal of temporary differences	**(359)**	(157)	**(424)**	(78)
Utilisation of previously unrecognised tax losses	**-**	(110)	**-**	-
	(359)	(267)	**(424)**	(78)
Total tax expense	**5,523**	5,470	**5,093**	5,414
Attributable to:				
Continuing operations	**5,523**	5,470	**5,093**	5,414
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows:				
Profit from operations	**20,714**	18,831	**19,698**	18,062
Income tax expense calculated at 30% (2007: 30%)	**6,214**	5,649	**5,910**	5,418
Non deductible expenses	**2,408**	2,099	**2,196**	1,883
Non-assessable income	**(808)**	(223)	**(808)**	(200)
Other deductible expenditure	**(2,053)**	(1,863)	**(1,897)**	(1,727)
Other assessable income	**318**	326	**318**	327
Tax incentives	**-**	(209)	**-**	(209)
Change in recognised temporary differences	**(359)**	(157)	**(424)**	(78)
Recognition of previously unrecognised tax losses	**-**	(152)	**-**	-
Overprovision for current year	**-**	-	**35**	-
	(494)	(179)	**(580)**	(4)
Under / (Over) provision of income tax in previous year	**(197)**	-	**(237)**	-
Income tax expense	**5,523**	5,470	**5,093**	5,414

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
5 INCOME TAXES (CONTINUED)				
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:	**-**	-	**-**	-
(c) Current Tax Balances				
Current Tax Liabilities comprise:				
Income tax payable	**2,862**	2,527	**2,766**	2,474
	2,862	2,527	**2,766**	2,474
(d) Deferred Tax Balances				
Gross deferred tax assets comprise:				
Other receivables	**191**	16	**174**	-
Net Loans and advances to members	**1,698**	883	**1,698**	883
Property, plant and equipment	**865**	620	**739**	514
Trade and other payables	**286**	239	**282**	230
Employee benefits	**1,260**	1,116	**1,139**	1,022
Other	**82**	111	**81**	-
	4,382	2,985	**4,113**	2,649
Gross deferred tax liabilities comprise:				
Prepayments	**1**	1	**1**	1
Other financial assets	**1,859**	775	**1,859**	775
Investment securities	**1,270**	-	**1,270**	-
Property, plant and equipment	**442**	614	**442**	613
Intangible assets	**16**	14	**14**	12
	3,588	1,404	**3,586**	1,401
Net deferred tax assets	**794**	1,581	**527**	1,248
(e) Franking Credits				
Adjusted franking account balance (tax paid basis)			**32,129**	26,571

Since the Credit Union's Constitution prevents a dividend being declared these credits are not presently available to members.

6 CASH AND CASH EQUIVALENTS

Cash on hand	**6,855**	7,412	**6,855**	7,411
Deposits at call	**5,590**	-	**5,590**	-
	12,445	7,412	**12,445**	7,411

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
7 OTHER RECEIVABLES				
Other receivables	**6,230**	8,569	**5,665**	7,941
Allowance for impairment	**(637)**	(631)	**(580)**	(578)
	5,593	7,938	**5,085**	7,363
Interest receivable	**-**	10	**-**	10
Amount receivable from controlled entities	**-**	-	**507**	922
	5,593	7,948	**5,592**	8,295
Maturity analysis				
Not longer than 3 months	**5,593**	7,948	**5,085**	7,372
No maturity specified	**-**	-	**507**	923
	5,593	7,948	**5,592**	8,295

8 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	**16,217**	14,276	**16,168**	14,231
Bank negotiated certificates of deposit and bonds	**19,707**	14,156	**19,707**	14,156
Other deposits	**133**	38	**-**	-
Cuscal Ltd deposits	**158,026**	123,466	**158,026**	123,466
	194,083	151,936	**193,901**	151,853
Maturity analysis				
Not longer than 3 months	**136,115**	92,440	**136,066**	92,440
Longer than 3 months and not longer than 12 months	**54,783**	46,152	**54,684**	46,152
Longer than 1 year and not longer than 5 years	**3,151**	13,261	**3,151**	13,261
No maturity specified	**34**	83	**-**	-
	194,083	151,936	**193,901**	151,853

9 NET LOANS AND ADVANCES TO MEMBERS				
Revolving credit loans	**142,001**	150,602	**142,001**	150,602
Term loans	**1,286,592**	1,120,674	**1,286,592**	1,120,674
Gross loans and advances	**1,428,593**	1,271,276	**1,428,593**	1,271,276
Provision for impairment	**(573)**	(582)	**(573)**	(582)
Net loans and advances	**1,428,020**	1,270,694	**1,428,020**	1,270,694
(a) Maturity analysis				
Revolving credit loans	**142,001**	150,602	**142,001**	150,602
Not longer than 3 months	**1,406**	2,784	**1,406**	2,784
Longer than 3 months and not longer than 12 months	**7,376**	4,245	**7,376**	4,245
Longer than 1 year and not longer than 5 years	**155,273**	132,191	**155,273**	132,191
Longer than 5 years	**1,122,537**	981,454	**1,122,537**	981,454
	1,428,593	1,271,276	**1,428,593**	1,271,276

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

9 NET LOANS AND ADVANCES TO MEMBERS (CONTINUED)

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.

(c) Securitised loans

The Credit Union uses Waratah Finance Pty Ltd ("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 dependant 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 for financial reporting purposes. 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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
On-Balance sheet securitised loans (Waratah)	**135,211**	85,949	**135,211**	85,949
Off-Balance sheet securitised loans (Integris)	**13,205**	21,443	**13,205**	21,443

10 IMPAIRMENT OF LOANS AND ADVANCES

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

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Specific provision for impairment				
Balance at beginning of financial year	**163**	279	**163**	279
Bad debts written off	**(607)**	(928)	**(607)**	(928)
Impaired loan expense	**556**	812	**556**	812
Closing specific provision for impairment	**112**	163	**112**	163
Collective provision for impairment				
Balance at beginning of financial year	**419**	595	**419**	595
Impaired loan expense	**42**	(176)	**42**	(176)
Closing collective provision for impairment	**461**	419	**461**	419
Total provision for impairment	**573**	582	**573**	582
Non-accrual loan balances				
With provision for impairment	**432**	419	**432**	419
Collective provision for impairment	**(312)**	(316)	**(312)**	(316)
Without provision for impairment	**-**	-	**-**	-
Net non-accrual loans	**120**	103	**120**	103
Net restructured loans	**-**	-	**-**	-
Past-due loan balances				
With provision for impairment	**7,930**	8,099	**7,930**	8,099
Collective provision for impairment	**(573)**	(582)	**(573)**	(582)
Without provision for impairment	**21,119**	23,892	**21,119**	23,892
Net past-due loans	**28,476**	31,409	**28,476**	31,409

Past-due loans with no provision are mortgage loans that are fully secured by real property and no loss is expected 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	**28**	25	**28**	25
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**8**	36	**8**	36

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
11 OTHER FINANCIAL ASSETS				
At fair value:				
Interest rate swaps	**6,395**	2,584	**6,395**	2,584

12 INVESTMENT SECURITIES

Unlisted shares at cost				
- Cuscal Ltd	**-**	3,907	**-**	3,907
- Controlled entities	**-**	-	**2,475**	2,300
- Data Action Pty Ltd	**1,494**	1,494	**1,494**	1,494
- The Pageant Company Pty Ltd ($1)	**-**	-	**-**	-
	1,494	5,401	**3,969**	7,701
Unlisted shares at fair value				
- Cuscal Ltd	**9,145**	-	**9,145**	-
	9,145	-	**9,145**	-
Total investment securities	**10,639**	5,401	**13,114**	7,701
Maturity analysis				
No maturity specified	**10,639**	5,401	**13,114**	7,701

The Consolidated Entity's investment in 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.

Investment in controlled entities	CONSOLIDATED ENTITY INTEREST		CREDIT UNION	
All controlled entities are domiciled in Australia.				
Investment in controlled entities comprises: **Name**	**2008 %**	2007 %	**2008 $**	2007 $
Eastwoods Wealth Management Pty Ltd - ordinary shares	**100**	100	**-**	-
Eastwoods Accounting and Taxation Pty Ltd - ordinary shares	**100**	100	**-**	-
Eastwoods Group Pty Ltd - ordinary shares	**100**	100	**2,474,831**	2,300,005
Eastwoods Finance Brokers Pty Ltd - ordinary shares	**100**	100	**-**	-
CPS Waymouth Pty Ltd	**100**	100	**1**	1
Community CPS Foundation Ltd	**100**	100	**-**	-
Adelaide and Region Community Support Fund	**100**	100	**-**	-
Canberra and Region Community Support Fund	**100**	100	**-**	-
Adelaide and Region Community Deductible Gift Recipient Fund	**100**	100	**-**	-
Canberra and Region Community Deductible Gift Recipient Fund	**100**	100	**-**	-

Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Finance Brokers Pty Ltd and Eastwoods Wealth Management Pty Ltd are wholly owned by Eastwoods Group Pty Ltd. Community CPS Foundation Ltd is a public company limited by guarantee with the Credit Union being the sole $100 guarantor.

13 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold Land & Buildings at deemed cost $'000	Fit-out & Leasehold Improvements at cost $'000	Plant & Equipment at cost $'000	Total $'000
CONSOLIDATED					
Gross Carrying Amount					
Balance at 1 July 2007		3,829	7,273	8,822	19,924
Additions		64	1,147	1,096	2,307
Disposals		-	-	(152)	(152)
Balance at 30 June 2008		**3,893**	**8,420**	**9,766**	**22,079**
Accumulated Depreciation					
Balance at 1 July 2007		128	3,565	6,718	10,411
Disposals		-	-	(147)	(147)
Depreciation Expense	4	97	1,009	928	2,034
Balance at 30 June 2008		**225**	**4,574**	**7,499**	**12,298**
Net Book Value					
As at 30 June 2007		3,701	3,708	2,104	9,513
As at 30 June 2008		**3,668**	**3,846**	**2,267**	**9,781**
CREDIT UNION					
Gross Carrying Amount					
Balance at 1 July 2007		3,829	6,831	8,462	19,122
Additions		64	1,038	1,035	2,137
Disposals		-	-	(148)	(149)
Balance at 30 June 2008		**3,893**	**7,869**	**9,349**	**21,110**
Accumulated Depreciation					
Balance at 1 July 2007		128	3,255	6,441	9,824
Disposals		-	-	(144)	(144)
Depreciation Expense	4	97	933	879	1,909
Balance at 30 June 2008		**225**	**4,188**	**7,176**	**11,589**
Net Book Value					
As at 30 June 2007		3,701	3,576	2,021	9,298
As at 30 June 2008		**3,668**	**3,681**	**2,173**	**9,521**

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 30 June 2008 by Mr F.P. Brodrick F.A.P.I. to determine the fair value of the land and buildings as at financial year end. The valuation was performed on the basis of the Credit Union occupying the majority of the building and a sub-lease being in place and valued the property at $5.25m (2007: $5.40m).

Capital expenditure commitments or plant and equipment contracted for but not provided for and payable within one year $96,827 (2007: $0).

NOTES TO THE FINANCIAL STATEMENTS

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
14 INTANGIBLE ASSETS					
Gross Carrying Amount - Capitalised Software					
Balance at beginning of the financial year		**1,943**	1,800	**1,838**	1,738
Acquisitions through business combinations		**-**	-	**-**	-
Additions		**169**	143	**138**	100
Disposals		**-**	-	**-**	-
Balance at end of financial year		**2,112**	1,943	**1,976**	1,838
Accumulated Amortisation					
Balance at beginning of the financial year		**1,650**	1,371	**1,592**	1,338
Acquisitions through business combinations		**-**	-	**-**	-
Disposals		**-**	-	**-**	-
Amortisation Expense	4	**196**	279	**166**	254
Balance at end of financial year		**1,846**	1,650	**1,758**	1,592
Net Book Value					
Balance at beginning of the financial year		**293**	429	**246**	400
Balance at end of financial year		**266**	293	**218**	246

15 GOODWILL				
Balance at beginning of the financial year	**3,009**	2,579	**-**	-
Additional amounts recognised from business combinations occurring during the year	**573**	554	**-**	-
Impairment adjustment	**(35)**	(124)	**-**	-
Balance at end of financial year	**3,547**	3,009	**-**	-

16 DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS				
Interest bearing deposits	**3,566**	22,650	**3,566**	22,650
Maturity analysis				
Not longer than 3 months	**2,548**	21,143	**2,548**	21,143
Longer than 3 months and not longer than 12 months	**1,018**	1,507	**1,018**	1,507
	3,566	22,650	**3,566**	22,650

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
17 DEPOSITS FROM MEMBERS				
Withdrawable member shares	**617**	630	**617**	630
Deposits from controlled entities at call	**-**	-	**933**	956
Call deposits	**781,362**	764,280	**781,362**	764,280
Term deposits	**583,906**	436,907	**583,906**	436,907
	1,365,885	1,201,817	**1,366,818**	1,202,773

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 2008 is 143,910 (2007:141,461).

(a) Maturity analysis

At call	**781,979**	764,910	**782,912**	765,866
Not longer than 3 months	**244,130**	184,504	**244,130**	184,504
Longer than 3 months and not longer than 12 months	**331,727**	238,693	**331,727**	238,693
Longer than 1 year and not longer than 5 years	**8,049**	13,710	**8,049**	13,710
	1,365,885	1,201,817	**1,366,818**	1,202,773

(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.

18 TRADE AND OTHER PAYABLES				
Unearned loan fee obligation	**837**	682	**837**	682
Trade and other creditors	**11,415**	5,632	**11,113**	5,378
	12,252	6,314	**11,950**	6,060
Maturity analysis				
Not longer than 3 months	**11,415**	5,780	**11,113**	5,525
Longer than 3 months and not longer than 12 months	**549**	302	**549**	302
Longer than 1 year and not longer than 5 years	**288**	232	**288**	232
	12,252	6,314	**11,950**	6,060

19 BORROWINGS				
Overdraft facility	**-**	8,345	**-**	8,345
Securitised Loan Funding	**136,008**	86,383	**136,008**	86,383
	136,008	94,728	**136,008**	94,728
Maturity analysis				
On call	**23,174**	20,470	**23,174**	20,470
No longer than 3 months	**797**	434	**797**	434
Longer than 5 years	**112,037**	73,824	**112,037**	73,824
	136,008	94,728	**136,008**	94,728

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 Finance 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 expires in May 2009 but provides for annual extensions by mutual consent. Should the facility ever not be extended and therefore terminated, ownership of the securitised loans remains with Waratah Finance Pty Ltd and the borrowing is not repaid. Consequently, the maturity profile of the securitised loan funding is effectively tied to the maturity profile of the associated securitised loans and has been disclosed accordingly above.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
20 RETAINED EARNINGS				
Balance at beginning of financial year	**84,434**	71,296	**83,042**	70,617
Transfer from/(to) general reserve for credit losses	**874**	(185)	**874**	(185)
Transfer to redeemed member share reserve	**(26)**	(38)	**(26)**	(38)
Net Profit attributable to members	**15,191**	13,361	**14,605**	12,648
Balance at end of financial year	**100,473**	84,434	**98,495**	83,042

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
Asset revaluation reserve				
Balance at beginning of financial year	**-**	-	**-**	-
Gain on fair value adjustment of Cuscal shares	**2,962**	-	**2,962**	-
Balance at end of financial year	**2,962**	-	**2,962**	-
Redeemed member share reserve				
Balance at beginning of financial year	**106**	68	**106**	68
Transfer from retained profits on share redemption	**26**	38	**26**	38
Balance at end of financial year	**132**	106	**132**	106
General reserve for credit losses				
Balance at beginning of financial year	**3,393**	3,208	**3,393**	3,208
Transfer from/(to) retained profits	**(874)**	185	**(874)**	185
Balance at end of financial year	**2,519**	3,393	**2,519**	3,393
Transfer of business reserve				
Balance at beginning of financial year	**39,312**	39,312	**39,312**	39,312
Balance at end of financial year	**39,312**	39,312	**39,312**	39,312
Total Reserves	**46,629**	44,514	**46,629**	44,514

Asset revaluation and realisation reserves

Upward adjustments to the carrying value of assets are recorded in the asset revaluation 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

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
(a) Reconciliation of profit to net cash flows from operating activities:					
Profit for the period		**15,191**	13,361	**14,605**	12,648
Impairment losses		**657**	773	**598**	636
Depreciation and amortisation of non current assets		**2,230**	2,086	**2,075**	1,923
Net (Gain) / Loss on sale of plant and equipment		**(7)**	16	**(7)**	16
Changes in assets and liabilities					
Decrease / (Increase) in value of investment deposits		**3**	(2)	**-**	-
Decrease / (Increase) in interest receivable		**902**	2,454	**902**	2,454
Decrease / (Increase) in other receivables		**2,320**	227	**2,281**	293
Decrease / (Increase) in prepayments		**21**	159	**20**	143
Decrease / (Increase) in other financial assets		**(1,302)**	(246)	**(1,302)**	(246)
Decrease / (Increase) in deferred tax assets		**(1,397)**	(915)	**(1,464)**	(762)
Increase / (Decrease) in interest payable		**4,145**	637	**4,144**	637
Increase / (Decrease) in employee entitlements		**480**	366	**392**	323
Increase / (Decrease) in current tax liability		**335**	2,082	**292**	2,104
Increase / (Decrease) in deferred tax liability		**915**	688	**915**	685
Increase / (Decrease) in other creditors		**5,720**	(3,745)	**5,891**	(3,594)
Net cash from operating activities		**30,213**	17,941	**29,342**	17,260

(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	6	**12,445**	7,412	**12,445**	7,411
Overdraft	19	**-**	(8,345)	**-**	(8,345)
Closing cash balance		**12,445**	(933)	**12,445**	(934)

(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.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
22 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)				
(d) Financing facilities				
The Credit Union has access to the following financing facilities with Cuscal Ltd, Westpac Banking Corporation Ltd, and Waratah Finance Pty Ltd.				
Overdraft facility - Cuscal Ltd				
Approved limit (committed)	**10,000**	10,000	**10,000**	10,000
Balance at end of financial year	**-**	8,345	**-**	8,345
Unused credit at end of financial year	**10,000**	1,655	**10,000**	1,655
Loan securitisation funding - Waratah Finance Pty Ltd				
Approved limit (uncommitted)	**150,000**	150,000	**150,000**	150,000
Balance at end of financial year	**135,211**	85,949	**135,211**	85,949
Unused credit at end of financial year	**14,789**	64,051	**14,789**	64,051
Standby facilities - as below				
Approved limit (committed)	**10,500**	10,500	**10,500**	10,500
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**10,500**	10,500	**10,500**	10,500
Wholesale funding facility - Cuscal Ltd				
Approved limit (uncommitted)	**60,000**	18,000	**60,000**	18,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**60,000**	18,000	**60,000**	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 committed facility that can be drawn within 24 hours. Repayments are required at the maturity of the agreed term and the 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 committed 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.

The Westpac facility and all facilities with Cuscal Ltd are reviewed annually and therefore contractually mature within one year. The securitisation funding line with Waratah Finance Pty Ltd expires in May 2009 but provides for annual extensions by mutual consent. Should the securitisation facility ever not be extended and therefore terminate, ownership of the securitised loans remains with Waratah Finance Pty Ltd and the borrowing is not repaid. Consequently, the maturity profile of the securitised loan funding is effectively tied to the maturity profile of the associated securitised loans.

(e) Business Combinations

On 10 September 2007 Eastwoods Wealth Management Pty Ltd acquired the financial planning business Superannuation Investment Services Pty Limited and Malou Pty Ltd for consideration of $572,640. The Consolidated entity paid a premium to the acquiree which it believes represents the value of future cashflow from its client base.

It is not practical to disclose the amount of the acquirer's profit or loss since acquisition date, since this is indistinguishable in the Eastwoods Wealth Management Pty Ltd accounts.

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
22 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)				
(e) Business Combinations				
Details of business combinations are as follows:				
Consideration				
Cash	**458**	451	**-**	-
Deferred Purchase Consideration	**115**	103	**-**	-
	573	554	**-**	-
Fair Value of Net Assets Acquired				
Assets				
Net Assets Acquired	**-**	-	**-**	-
Equity				
General reserve for credit losses	**-**	-	**-**	-
Retained earnings	**-**	-	**-**	-
Net Assets less Equity Acquired	**-**	-	**-**	-
Goodwill on Acquisition	**573**	554	**-**	-
Net Cash Outflow on Acquisition				
Cash consideration	**458**	451	**-**	-
Cash balances acquired	**-**	-	**-**	-
	458	451	**-**	-

23 OPERATING LEASES				
Non-cancellable operating lease payments				
Less than 1 year	**3,692**	3,636	**3,500**	3,323
Between 1 and 5 years	**8,883**	10,377	**8,839**	10,215
Beyond 5 years	**320**	1,733	**320**	1,733
	12,895	15,746	**12,659**	15,271
Non-cancellable operating lease commitments receivable				
Less than 1 year	**9**	49	**42**	49
Between 1 and 5 years	**-**	8	**144**	8
	9	57	**186**	57

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 $3,616,099 (2007: $3,757,284). 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 $116,441 (2007: $164,255). 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 $71,446 (2007: $83,477).

NOTES TO THE FINANCIAL STATEMENTS

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
24 EMPLOYEE BENEFITS					
Provision for employee benefits - current					
(a) Employee entitlements					
- Annual leave		**1,617**	1,482	**1,390**	1,316
- Long service leave - current		**309**	262	**309**	251
		1,926	1,744	**1,699**	1,567
Provision for employee benefits - non current					
- Long service leave - non current		**2,276**	1,977	**2,098**	1,838
Total provision for employee benefits		**4,202**	3,721	**3,797**	3,405
Accrued Staff costs included in other payables	18	**586**	425	**509**	356
Aggregate employee benefit and related on-cost liabilities		**4,788**	4,146	**4,306**	3,761
		No.	No.	**No.**	No.
(b) Number of Full Time Equivalent Employees at year end		**369**	377	**325**	335

25 COMMITMENTS TO EXTEND CREDIT

Binding commitments to provide loan funding 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.

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	CREDIT UNION 2008 $'000	CREDIT UNION 2007 $'000
Approved but undrawn loans	**16,984**	19,963	**16,984**	19,963
Approved but undrawn credit limits	**143,946**	132,689	**143,946**	132,689
	160,930	152,652	**160,930**	152,652

26 SIGNIFICANT ALLIANCES

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

Cuscal 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 and provides the link for all member electronic funds transactions to the computer bureau which services the Credit Union. The Credit Union is a shareholder in Cuscal Ltd, and is currently required to invest at least 80% of high quality liquid assets with this entity.

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.

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

27 AUDITOR'S REMUNERATION

	CONSOLIDATED		CREDIT UNION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Amounts received or due and receivable by the auditors of the Consolidated Entity:				
- auditing the financial report	**119**	103	**95**	79
- APRA audit activities	**29**	28	**29**	28
- auditing the AFSL Returns	**7**	4	**3**	2
- taxation and business services	**57**	46	**57**	40
	212	181	**184**	149

The auditor of Community CPS Australia Ltd is KPMG.
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 Consolidated Entity.

28 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
G J Green (Chairman)
C M Doogan (Deputy Chairman)
S A L Chapman
B G Hanna
B F Hayball (vacated office 13 June 2008)
T A Hewitt (vacated office 27 May 2008)
A M O'Donnell
F H Raymond
R V Ryan
H L Webster

Executives
K A Benger (Chief Executive Officer)
R O Keogh (Deputy Chief Executive Officer)
D M Bateman (General Manager Member Services)
P R Ipkendanz (General Manager Risk & Compliance)
W J Matters (Chief Financial Officer)
R A Norgate (General Manager Operations)
T G White (General Manager Eastwoods Group)

	CONSOLIDATED		CREDIT UNION	
	2008 $	2007 $	**2008 $**	2007 $
Key management personnel compensation				
The aggregate compensation of the key management personnel of the Consolidated Entity and the Credit Union is set out as follows:				
Short term employee benefits	**1,553,930**	1,483,051	**1,553,930**	1,483,051
Post employment benefits	**616,825**	656,789	**616,825**	656,789
Termination benefits	**152,723**	-	**152,723**	-
	2,323,478	2,139,840	**2,323,478**	2,139,840

The key management personnel compensation detailed above is included in staff costs (Note 4).

	CONSOLIDATED		CREDIT UNION	
	2008 $	2007 $	**2008 $**	2007 $
28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)				
Other transactions with key management personnel - financial instruments				
Loans to key management personnel				
Loans and overdrafts outstanding	**3,372,073**	4,367,577	**3,372,073**	4,367,577

Loans totalling $1,131,146 (2007: $3,477,187) were made to key management personnel during the year.
During the year key management personnel repaid $1,086,014 (2007: $2,077,769) of the balance outstanding on their loan. Loans are either unsecured or secured by registered mortgage over the borrower's residences.
Interest received on the loans during the year totalled $322,230 (2007: $217,988).

Deposits from key management personnel				
Deposit balances	**4,581,377**	2,455,984	**4,581,377**	2,455,984

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.
These terms and conditions have not been breached and no amounts have been written down or recorded as allowances as the balances are considered fully collectible.

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 Eastwoods Accounting and 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 capacity to exert some, but not significant, 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
- R A Norgate - Alternate Director

29 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.

Other transactions that occurred during the financial year between entities in the wholly-owned group were;

- advancement of loans at commercial rates of interest during the year (net of repayments) to Eastwoods Wealth Management Pty Ltd $427,104 (2007: $692,928), Eastwoods Accounting & Taxation Pty Ltd $499,242 (2007: $151,148) and Eastwoods Finance Brokers Pty Ltd $41,124 (2007: $64,901),

29 OTHER RELATED PARTY DISCLOSURES (CONTINUED)

- interest charged on the loans during the year to Eastwoods Wealth Management Pty Ltd $NIL (2007: $NIL), Eastwoods Accounting & Taxation Pty Ltd $119,457 (2007: $65,901) and Eastwoods Finance Brokers Pty Ltd $NIL (2007: $666),
- the Credit Union made donations totalling $240,000 (2007: $113,474) to the Adelaide and Region Community Support Fund and Canberra and Region Community Support Fund, and
- a management fee of $48,475 (2007: $34,977) was charged by Eastwoods Group Pty Ltd to the Credit Union for management services provided.

30 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 Operations Risk 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 on a continuous basis, as discussed under Note 30(a) above.

(c) Liquidity risk management

Liquidity Risk is the risk that the Consolidated Entity will encounter difficulties in meeting obligations from its financial liabilities. The Consolidated Entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk. The key measure used by the consolidated entity for managing liquidity risk is the ratio of high quality liquid assets to its liability base, as defined in APRA Prudential Standards. 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, medium and longer term 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. The Credit Union and the Consolidated Entity complied with APRA liquidity requirements throughout the year.

	CONSOLIDATED	
	2008	2007
	%	%
Liquidity holdings	**14.74**	11.90

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (CONTINUED)

(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 risk of 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 instruments in question. Collateral held takes the form of mortgage interests over real property, other registered securities and guarantees. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

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. Credit risk in loans receivable is managed through both up-front and ongoing risk assessment process applied for all members, including affordability and security requirements, approval authorities and the securing of credit insurance for higher risk loans. Loan provisions are calculated as disclosed under Note 1 - Summary of Significant Accounting Policies.

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against placement with other financial institutions, and no such collateral was held at 30 June 2008 or 2007.

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

	CONSOLIDATED			
EXPOSURE TO CREDIT RISK	Loans and advances to members		Placement with other financial institutions	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Carrying amount				
Individually impaired				
Mortgage secured	**493**	505	**-**	-
Other loans	**142**	206	**-**	-
Gross amount	**635**	711	**-**	-
Less: Allowance for impairment	**112**	163	**-**	-
Carrying amount	**523**	548	**-**	-
Collectively impaired				
Mortgage secured	**536**	1,563	**-**	-
Other loans	**1,137**	1,114	**-**	-
Overdrawn and overlimit savings	**5,623**	4,711	**-**	-
Gross amount	**7,296**	7,388	**-**	-
Less: Allowance for impairment	**461**	419	**-**	-
Carrying amount	**6,835**	6,969	**-**	-
Past due but not impaired				
less than 30 days	**21,119**	23,892	**-**	-
30 days +	**-**	-	**-**	-
Carrying amount	**21,119**	23,892	**-**	-
Neither past due nor impaired				
Carrying amount	**1,399,543**	1,239,285	**194,083**	151,936
Total carrying amount	**1,428,020**	1,270,694	**194,083**	151,936

30 FINANCIAL INSTRUMENTS (CONTINUED)

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on equity of between 10% and 12%, during the year ended 30 June 2008 the return was 10.8% percent (2007:10.9%). There were no changes in the Group's approach to capital management during the year.

(f) 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. As a mutual organisation, the Credit Union's primary source of capital is retained earnings. The Credit Union maintains an Internal Capital Adequacy Assessment Process to provide assurance that its capital holdings are commensurate with its risk exposures, it identifies future capital needs in advance and has plans in place to respond to unexpected capital deficiencies. Note 31 provides an outline of the Capital Adequacy of the Credit Union.

(g) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk for the Group consists solely of interest rate risk.

Interest rate risk is managed in the following ways:
The Board has in place a market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. The policy 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;

Overall daily management of interest rate risk is vested in the Assets and Liability Committee (ALCO). The ALCO meets monthly and reviews the interest rate risk position and measures taken to manage that position. The ALCO is also responsible for reviewing all policies associated with market risk and treasury matters;

Two methods are used to measure interest rate risk, namely Market Value of equity (MVE) and net interest income volatility with the MVE the preferred measure. The MVE method encompasses the price sensitivity of assets and liabilities and the value of the cash flows to maturity. The calculations are obtained through the use of specific modelling software using actual and projected financial information within defined interest rate scenarios of upward and downward shocks of 100 and 200 basis points. The net interest income approach is derived from the same modelling software utilising simulated income projections. A rudimentary gap analysis methodology is also employed. Refer to Note 30(h).

(h) Interest rate risk management

The Credit Union's, and the Consolidated Entity's, activities primarily expose it to the financial risks of changes in interest rates. The Credit Union utilises financial 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.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (CONTINUED)

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date, which is not materially different to that of the Credit Union, are as follows:

FINANCIAL INSTRUMENTS	Variable Int. Rate	Fixed interest rate maturing in: < 1 yr	1 - 2 yrs	2 - 3 yrs	3 - 4 yrs	4 - 5 yrs	> 5 yrs	Non-interest bearing	Total	Weighted av.effective Int. Rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets 2008										
Cash	-	-	-	-	-	-	-	6,855	6,855	n/a
Deposits at call	5,590	-	-	-	-	-	-	-	5,590	3.60%
Other receivables	-	-	-	-	-	-	-	5,593	5,593	n/a
Placements with other financial institutions	-	191,271	1,000	-	-	-	-	1,812	194,083	8.07%
Loans & advances to members	445,765	351,375	301,858	201,303	70,362	55,724	2,206	-	1,428,593	8.38%
Other financial assets	6,394	-	-	-	-	-	-	-	6,394	6.71%
Investment securities	-	-	-	-	-	-	-	10,639	10,639	n/a
Total financial assets	457,749	542,646	302,858	201,303	70,362	55,724	2,206	24,899	1,657,747	
ii) Financial liabilities 2008										
Deposits from other financial institutions	-	3,500	-	-	-	-	-	66	3,566	8.37%
Deposits from members	520,226	652,967	93,909	87,475	190	50	-	11,068	1,365,885	5.49%
Other payables	-	-	-	-	-	-	-	12,252	12,252	n/a
Borrowings	-	136,008	-	-	-	-	-	-	136,008	9.28%
Total financial liabilities	520,226	792,475	93,909	87,475	190	50	-	23,386	1,517,711	
Interest rate swaps - notional principal	(394,442)	77,614	114,426	118,759	35,309	48,334	-	-	-	6.71%
i) Financial assets 2007										
Cash	-	-	-	-	-	-	-	7,412	7,412	n/a
Deposits at call	-	-	-	-	-	-	-	-	-	n/a
Other receivables	-	-	-	-	-	-	-	7,948	7,948	n/a
Placements with other financial institutions	-	147,886	500	1,000	-	-	-	2,550	151,936	6.42%
Loans & advances to members	409,527	370,676	240,815	166,294	42,176	41,509	279	(582)	1,270,694	7.69%
Other financial assets	2,584	-	-	-	-	-	-	-	2,584	6.16%
Investment securities	-	-	-	-	-	-	-	5,401	5,401	n/a
Total financial assets	412,111	518,562	241,315	167,294	42,176	41,509	279	22,729	1,445,975	
ii) Financial liabilities 2007										
Deposits from other financial institutions	-	22,505	-	-	-	-	-	145	22,650	6.70%
Deposits from members	500,703	504,899	99,861	88,828	118	-	-	7,408	1,201,817	4.44%
Other payables	-	-	-	-	-	-	-	6,314	6,314	n/a
Borrowings	8,345	86,383	-	-	-	-	-	-	94,728	7.42%
Total financial liabilities	509,048	613,787	99,861	88,828	118	-	-	13,867	1,325,509	
Interest rate swaps - notional principal	(215,892)	44,684	68,295	62,567	17,866	22,480	-	-	-	6.16%

The Consolidated Entity has disclosed the above information in relation to financial assets and liabilities based on the expected repricing dates. These 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 Consolidated Entity is exposed.

30 FINANCIAL INSTRUMENTS (CONTINUED)

i) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios considered on a monthly basis include 100 and 200 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either 12 month forecast net interest revenue, in respect of net interest revenue sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2008				30 June 2007			
	100 bp rise	100 bp fall	200 bp rise	200 bp fall	100 bp rise	100 bp fall	200 bp rise	200 bp fall
Market Value of Equity Sensitivity								
Average for the period	**-2.67%**	**2.71%**	**-5.01%**	**5.28%**	-2.53%	2.61%	-4.99%	5.30%
Maximum for the period	**-3.30%**	**3.15%**	**-6.16%**	**6.15%**	-3.14%	3.23%	-6.19%	6.56%
Minimum for the period	**-2.23%**	**2.30%**	**-4.10%**	**4.39%**	-1.43%	1.48%	-2.81%	3.02%
Net Interest Revenue Sensitivity								
Average for the period	**1.15%**	**-1.13%**	**2.69%**	**-2.62%**	1.20%	-1.18%	2.91%	-2.61%
Maximum for the period	**1.58%**	**-1.56%**	**3.62%**	**-3.53%**	1.93%	-1.90%	4.46%	-4.09%
Minimum for the period	**0.94%**	**-0.92%**	**2.10%**	**-2.16%**	0.85%	-0.84%	2.21%	-1.94%

(j) 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 agreements 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.

	Average interest rate		Fair Value		Notional principal amount	
	2008	2007	**2008**	2007	**2008**	2007
	%	%	**$'000**	$'000	**$'000**	$'000
OUTSTANDING FIXED FOR FLOATING CONTRACTS						
Less than 1 year	**6.09%**	6.03%	**708**	221	**77,614**	44,684
1 to 2 years	**6.61%**	6.03%	**1,936**	718	**114,426**	68,295
2 to 5 years	**7.01%**	6.31%	**3,751**	1,645	**202,402**	102,913
			6,395	2,584	**394,442**	215,893

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and assessed as effective fair value hedges.

	CONSOLIDATED		CREDIT UNION	
Fair value movements on financial instruments recognised in the Income Statement comprised the following:	**2008** **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
- Net (losses)/gains on fair value hedging instruments	**2,509**	1,368	**2,509**	1,368
- Net gains/(losses) on fair value hedged items	**(2,509)**	(1,368)	**(2,509)**	(1,368)
- Total hedge ineffectiveness (including de-designated hedges)	**952**	-	**952**	-
- Net gains/(losses) on derivatives not hedge accounted	**350**	245	**350**	245
Total fair value movements recognised in the Income Statement	**1,302**	245	**1,302**	245

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (CONTINUED)

(k) Financial assets and liabilities by classification

The table below sets out the Consolidated Entity's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

	Note	Available for sale	At fair value	Held-to-maturity	Loans and Receivables	Other at amortised cost	Total Carrying Amount	Fair Value
		$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
30 June 2008								
Cash and cash equivalents	6	-	-	-	12,445	-	**12,445**	12,455
Other receivables	7	-	-	-	5,593	-	**5,593**	5,593
Placements with other financial institutions	8	-	-	194,083	-	-	**194,083**	193,261
Loans and advances to members	9, 10	-	-	-	1,428,020	-	**1,428,020**	1,409,521
Other financial assets	11	-	6,395	-	-	-	**6,395**	6,395
Investment Securities	12	10,639	-	-	-	-	**10,639**	10,639
Deposits from other financial institutions	16	-	-	-	-	3,566	**3,566**	3,635
Deposit from members	17	-	-	-	-	1,365,885	**1,365,885**	1,359,324
Other payables	18	-	-	-	-	12,252	**12,252**	12,252
Borrowings	19	-	-	-	-	136,008	**136,008**	136,008
30 June 2007								
Cash and cash equivalents	6	-	-	-	7,412	-	**7,412**	7,412
Other receivables	7	-	-	-	7,947	-	**7,947**	7,948
Placements with other financial institutions	8	-	-	151,936	-	-	**151,936**	151,499
Loans and advances to members	9, 10	-	-	-	1,270,693	-	**1,270,693**	1,263,152
Other financial assets	11	-	2,585	-	-	-	**2,585**	2,584
Investment Securities	12	5,401	-	-	-	-	**5,401**	5,401
Deposits from other financial institutions	16	-	-	-	-	22,650	**22,650**	22,600
Deposit from members	17	-	-	-	-	1,201,816	**1,201,816**	1,191,126
Other payables	18	-	-	-	-	6,316	**6,316**	6,314
Borrowings	19					94,728	**94,728**	94,728

(l) 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.

30 FINANCIAL INSTRUMENTS (CONTINUED)

Investment Securities

With exception of shares held in Cuscal Ltd, the fair value and carrying value of unlisted shares is their original cost because their fair value cannot be measured reliably. A parcel of Cuscal shares were purchased during the year for $1.25 per share. In acquiring the parcel of Cuscal shares, a range of high level values were determined using various valuation methodologies with a market methodology average supporting the $1.25 price. As the shares purchased are identical in terms of rights and obligations to Cuscal shares already held, this determines the fair value for the original shares held and hence a fair value upward adjustment has been raised in equity.

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.

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 at the balance date, are as follows:

	Total carrying amount as per Balance Sheets		Aggregate net fair value	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
i) Financial assets				
Cash and liquid assets	**12,445**	7,412	**12,445**	7,412
Other receivables	**5,593**	7,948	**5,593**	7,948
Placements with other financial institutions	**194,083**	151,936	**193,261**	151,499
Loans and advances to members	**1,428,020**	1,270,694	**1,409,521**	1,263,152
Other financial assets (interest rate swaps)	**6,395**	2,584	**6,395**	2,584
Investment securities	**10,639**	5,401	**10,639**	5,401
Total financial assets	**1,657,175**	1,446,975	**1,637,854**	1,437,996
ii) Financial liabilities				
Deposits from other financial institutions	**3,566**	22,650	**3,635**	22,600
Deposits from members	**1,365,885**	1,201,817	**1,359,324**	1,191,126
Other payables	**12,252**	6,314	**12,252**	6,314
Borrowings	**136,008**	94,728	**136,008**	94,728
Total financial liabilities	**1,517,711**	1,325,509	**1,511,219**	1,314,768

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2008 %	2007 %
31 CAPITAL ADEQUACY		
APRA calculation (minimum 8%)	**17.20**	16.58

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. The Credit Union and the Consolidated Entity complied with all APRA Capital adequacy requirements throughout the year.

32 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 Ltd have agreed to participate in. CUFSS is a company limited by guarantee, each Credit Union's guarantee 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 - Eastwoods Wealth Management Pty Ltd:

The Credit Union has provided a letter of limited financial support to its controlled entity, Eastwoods 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 Eastwoods 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 financial guarantees in place that it had provided on behalf of members, totalling $102,478 (2007: $81,070). 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 registered mortgage or term deposit and no loss, even in the event of directions, is anticipated.

33 PROPOSED TRANSFER OF BUSINESS

In November 2007 the Credit Union signed a Memorandum of Understanding with United Credit Union Limited ("United") to accept a voluntary total transfer of its business to the Credit Union. United is a Western Australian based credit union with more than 34,000 members and over $700m in assets. This proposed transfer has received regulatory approval and will be put to the members of both companies at respective Special General Meetings in September 2008.

GLOSSARY OF TERMS AND ACRONYMS

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).

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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	Bougainville Street
Southlands	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
Port Augusta	Wharflands Plaza
Ridgehaven	Pelican 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

Eastwoods Wealth Management and Eastwoods Accounting and Taxation

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ABN 15 087 651 143
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Bankers

CUSCAL Limited
National Australia Bank Limited

Auditors

KPMG

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