ANNUAL REPORT 2010

Community CPS Australia

Share the difference

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Financial Reports

2010 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at the Canberra Southern Cross Club, Corinna Street, Woden, ACT on 26 November 2010 commencing at 6pm (EST). Registration will open at 5:30pm.

ABOUT COMMUNITY CPS

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

Both credit unions have origins in serving Commonwealth Public Servants and their families, which over the years has extended to servicing the entire community.

In November 2008, Western Australian based United Credit Union Ltd (United) and Westax merged with Community CPS and now carry on business in Western Australia under the registered business name United Community.

In May 2009 the Polish Community Credit Union also merged with Community CPS.

In January 2010, Hunter Valley based Companion Credit Union (Companion) established in 1975 merged with Community CPS and continues to trade as Companion Credit Union.

Community CPS is now one of Australia's largest and most influential credit unions, with more than 178,000 members, 580 employees and managing a combined $3.1 billion in assets.

Community CPS has 12 Personal Financial Centres in South Australia, 8 in the Australian Capital Territory and 2 in regional New South Wales. In Western Australia, United Community has 14 Personal Financial Centres located across the State and Companion operates 10 Personal Financial Centres in the Hunter Valley region of New South Wales.

Community CPS, directly or via one of its controlled entities, offers a diverse range of financial services to suit the needs of over 178,000 members including face to face advice and transactions, personal and business banking, insurance, financial planning, tax and accounting, telephone and internet banking, Bank@Post, BPAY® and foreign exchange services.

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. 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 these communities by helping to create a healthy society, building people's financial wellbeing and protecting the environment. 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 these returns are most directly delivered through their personal financial arrangements, members also benefit when we reinvest in better products and services and invest in supporting their community.

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Gary Green - Chairman

Robert Keogh - Chief Executive Officer

The impacts of the Global Financial Crisis have brought about changes in consumer attitudes, strengthening regulatory environment and greater levels of competition particularly in the deposit arena. In the 2009 Report we commented on the robustness of the business model which is underpinned by a solid strategy and our confidence in members, staff and the underlying strength of the Australian economy.

Against this background we are pleased to report that following a challenging 18 months in the financial services industry generally, Community CPS Australia has posted strong results for the 09/10 financial year.

Underlying earnings of $20.01 million were achieved before a number of accounting adjustments relating to the recent merger and fixed interest rate hedging impacts.

After these entries we reported a net profit after tax of $22.353 million, which has exceeded forecasts and positions us well for the 10/11 financial year.

As a member owned organisation, our profits are reinvested in the credit union for continuous improvement of products and services. Members as a whole benefit through better services and advantages such as no account keeping fees, fairer transaction fees and constant improvement in products and technology.

Our results are attributable to an increase in new lending, continued low delinquency levels on loans, and a recovery in the equities market, resulting in stronger wealth management income.

We have provided $704 million in new lending and increased deposits by 16.8%, Capital adequacy, a measure of financial strength is 16.4% up from 15.9% in 2009. These positive outcomes are a result of adherence to strategy, focus on members and a commitment to sustained, long term profit growth.

Our disciplined approach to lending resulted in very low levels of delinquency and minimal write off of debts. Our net loss for the year was $0.536 million on a total loan portfolio of $2.63 billion.

The year commenced with the announcement of a merger with Hunter Valley-based Companion Credit Union which was approved with the overwhelming support of members. While there were costs involved in the merger, Companion contributed $262 million to the Group's assets and members' reserves were added to by $23.6 million.

The merger came into effect on 1 January 2010 with minimal impact on members and the results of many of the announced initiatives are now flowing through to members along with increased lending and profitability.

We have welcomed Peter Gogarty, Companion's former Chairman to our Board as well as Ray O'Brien, Companion's former CEO to our Executive Team. Peter and Ray's extensive experience in various industry sectors will be of great benefit to the credit union.

In addition, Steven Nolis was elected to the Board in November 2009 and brings to the Board extensive experience in financial management, change management, strategic planning, corporate governance, marketing, business development and human resources.

We would like to thank former Directors Fran Raymond and Richard Ryan for their contribution to the Board.

In February 2010, after 12 years as CEO, Kevin Benger retired. To honour his achievements and commitment to Community CPS, we introduced the Kevin Benger Community CPS Scholarship in collaboration with the University of South Australia.

The $20,000 scholarship will be awarded to one student every four years to assist them in completing their studies in finance or commerce on a part or full time basis. The scholarship has been created to enable students with strong academic achievements but limited financial means to attend university. We would like to congratulate the first recipient of the scholarship, finance student Nicholas Hanns.

During the year we were recognised for our products and services, winning CANSTAR CANNEX'S First Home Buyer Award for ACT and SA in the non-bank category and an AFR Smart Investor Blue Ribbon Award in the Credit Card Balance Transfer Category for our Silver MasterCard. Our financial planning arm, Eastwoods Wealth Management, was awarded Licensee Select National Financial Planning Practice of the Year by Securitor Financial Group - the independent advice business of Westpac.

In addition to these awards, Community CPS received a Service Excellence Award in the medium business category from the Customer Service Institute of Australia further highlighting our customer service.

Community CPS' strategy is focused on placing the member at the centre of our business. Each year we monitor our performance against major financial institutions using independent agency CANSTAR CANNEX. In its report for 2010 it has advised that our members continue to be better off banking with us when compared to the major banks. On their calculation our members receive $17.6 million ($108 per member) in member benefits through better rates on loans, deposits, access and fees and charges.

Throughout the year the Community CPS Foundation provided grants for the Royal District Nursing Service in SA for their Breathing Space Program, the Newborn Intensive Care Foundation in ACT for a humidicrib, the Womens and Infants Research Foundation in WA for a jet ventilator and Camp Quality nationally to fund junior camps. In addition to these grants, we commenced community fundraising appeals to raise further funds. This enabled us to purchase a much needed jet ventilator for pre-term infants at the King Edward Memorial Hospital and a humidicrib for the Newborn Intensive Care Foundation.

We were pleased to also raise $18,040 through our advocacy program where we donate $20 to a charity when people join us as a result of recommendations from our members.

In addition, through community partnerships and donations we have provided more than $570,000 in support of our local communities and charities such as the Cancer Council, RSPCA and the Salvation Army.

We would like to thank our members for continuing to support our community initiatives and our staff for their commitment to supporting their local community through casual days and their Community Leave Day, which enables them to work directly with charitable organisations.

We have an exceptionally loyal and dedicated team of employees, who face the demanding challenges of mergers, but continue to serve our members well. Our surveys of member satisfaction remain very high at 93% which is further testament to their magnificent customer service attitude.

The Board and Executive spend a lot of time focused on strategic matters and ensuring that we deliver value to members. We are positive about the opportunities available to our credit union and also mindful of the risks that are present in the dynamic financial services market in which we operate. We will continue to evolve our differentiated position in a very crowded market by focusing on delivering meaningful products, offering superior service and staying true to our values as a member owned financial institution.

We are in a very strong position to service our member needs and grow our business nationally whilst ensuring we maintain our local relationships and personal service.

As a mutually owned organisation we work hard to deliver maximum value to our members, and our strong performance during this financial year will enable us to continue delivering excellent outcomes for our 178,000 members.

Special thanks are also due to the unswerving commitment of our senior management and directors who have the responsibility of charting the organisation's course through all manner of market circumstances. In the face of increasing regulatory demands this requires great care and diligence and we hope that members agree that the results are a credit to all.

Gary J Green
Chairman

Robert Keogh
Chief Executive Officer

SUSTAINABILITY SNAPSHOT

We recognise that our 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 we take this responsibility very seriously. This report provides further details on our performance throughout the year regarding member engagement, the environment, community, our staff and products.

MEMBERS

As a credit union, we are owned by our members. Every member is a shareholder, with an equal say in how the credit union is run and members are encouraged to participate in credit union activities including nominating and electing directors and attending general meetings.

We are committed to keeping members informed through:

- A quarterly newsletter – Community Connection
- Website communication
- Our Annual Report
- Electronic and verbal feedback process
- Complaints and disputes process
- Member functions such as our *life* member Movie Day
- Our Annual General Meeting

We have a designated Member Advocate who is responsible for managing complaints and feedback. The process for dealing with complaints is outlined in the 'Resolving Your Concerns' brochure which is available online, at any Personal Financial Centre or by calling the Member Contact Centre.

If members are not satisfied with our response they may refer the matter to the Financial Ombudsman Service (FOS). FOS is an external dispute resolution provider approved by the Australian Securities and Investments Commission in accordance with the Financial Services Reforms Act.

We have developed a service culture that encourages staff to record member feedback and using the balanced scorecard approach, we measure our business units on the level of member feedback recorded as a positive. The benefits achieved using this method have been significant resulting in improved processes and greater member satisfaction and loyalty, measurable through our satisfaction surveys and net promoter scores.

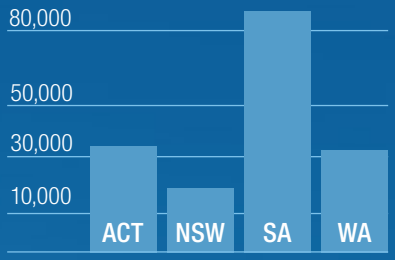
As further evidence of our focus on members, the independent agency monitoring financial institutions CANSTAR CANNEX has advised that our members continue to be better off banking with us when compared to the major banks. On their calculation our members receive $17.6 million in member benefits through better rates on loans, deposits, access and fees and charges.

2010 Highlights & Key Indicators

Member Engagement:

Total number of members	178,000
Member Satisfaction Ratio	93.1%
Number of complaints received	3,550
Number of positive feedback received	289

Members in each State



COMMUNITY

Community CPS seeks to actively participate and make a positive difference to the communities in which we live and work by working with our suppliers, members and the local community.

Our ongoing contribution to the community is focused in three core areas: helping to create a healthy society, building people's financial wellbeing and protecting the environment. We contribute with programs designed to positively impact on our community through implementation of community engagement activities.

Our people are active participants in our employee community programs through Community Leave Days, Casual Days and our Workplace Giving program.

In the community we focus our support in three ways:

- Providing financial support to organisations through our Foundation
- Creating engaging partnerships through sponsorships
- Providing financial and in-kind support for locally-based organisations through our local Community Membership Committees


We raised $180,000 to purchase a humidicrib for the Newborn Intensive Care Foundation

This year the Community CPS Foundation grants and public fundraising appeals have enabled us to raise money to purchase a $180,000 humidcrib for the Newborn Intensive Care Foundation, $50,000 for the purchase of a Jet Ventilator for the Womens and Infants Research Foundation and we are currently aiming to raise $205,000 to fund junior camps across Australia for Camp Quality.

All permanent staff members are provided with one paid leave day per year to volunteer for a charity of their choice and make a positive impact on the community. This year over 200 staff have volunteered in the community, donating more than 1480 hours to worthy causes.

2010 Highlights & Key Indicators

Total invested in community programs
$572,945

Foundation Grants
$181,100 supporting five charities

Community Partnerships
$321,816 supporting 51 charities and events

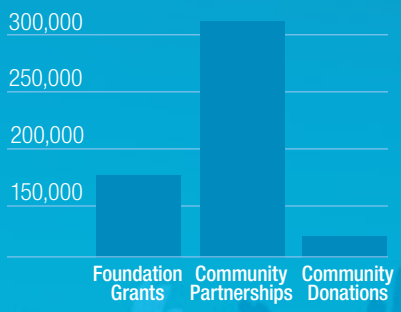
Community Donations
$20,862 supporting 19 charities and events

Money raised through Staff Casual Days
$23,306 supporting 36 charities and events

Total raised through Workplace Giving
$7,821 by 87 staff

Number of members who used Advocacy Card
902

Total Advocacy Donation
$18,040



Some of the charities and community groups we supported this year include:

- Acquired Brain Injury
- Arthritis Foundation
- Australian Red Cross
- Australian Rugby Choir
- Autism Association
- Bateman's Bay Hospital Auxilliary
- Bosom Buddies
- Camp Quality
- Canberra Times Family Fun Run
- Cancer Council
- Cockburn Wetland Education Centre
- Country Fire Service
- Credit Union Christmas Pageant
- CUFA Cambodia Challenge
- Dads In Distress Support Services
- Dunmunkle Health Services
- Encounter Centre Inc
- Fred Hollows Foundation
- Friends of Palliative Care
- Habitat for Humanity
- Hills Community Options
- Hunter Valley Research Foundation
- Hutt Street Centre
- Independent Disabled Tenpin Bowlers of the ACT
- Juvenile Diabetes Research Foundation
- Kmart Wishing Tree
- Leukaemia Foundation
- Lifeline Australia
- Meals on Wheels
- Mental Health Foundation
- Motor Neurone Disease
- MS Society
- National Stroke Foundation
- Newborn Intensive Care Foundation
- Newcastle Youth Accommodation Services Limited
- Our House
- Ovarian Cancer Foundation
- Pilbara Wildlife Carers Association
- Riding for the Disabled
- Royal District Nursing Service SA
- Royal Flying Doctors Service
- RSPCA
- Salvation Army
- Salvation Army Bushfire Appeal, WA
- Scouts Gangshow
- Sids for Kids
- Smith Family
- St John Ambulance
- St Vinnies
- Starlight Children's Foundation
- Steve Walter Foundation
- Telethon Speech and Hearing
- The Spastic Centre
- Variety the Children's Charity
- Victim Support
- Vision Australia
- Volunteer Coastal Patrol - Bateman's Bay
- Western Australian Institute for Medical Research
- Wheelchair Sports
- With Compassion and Soul
- Wollombi Valley Arts Council
- Womens and Infants Research Foundation
- World Vision

Lauren Elliott with some children from the Children's Financial Literacy Program during the CUFA Cambodia Challenge

SUSTAINABILITY SNAPSHOT

ENVIRONMENT

Since July 2008, our Environmental Management System Committee has been developing a detailed Environmental Management Plan which outlines our approach to reducing and maintaining our environmental footprint, as well as reducing our operating costs.

The Carbon Footprint for all 46 Personal Financial Centres (PFCs) was calculated for the 2009/10 financial year. This process involved calculating the electricity, gas, water, waste and paper usage of each PFC and converting the data into a single greenhouse gas equivalent figure for each site. These figures will now serve as a baseline to measure the effectiveness of ongoing carbon reduction activities in order to minimise the impact on the environment from business operations.

Protecting our environment remains a key focus and we will continually strive to become even more environmentally sustainable by exploring further initiatives that will allow us to make ongoing emission and cost reductions to our organisation.

2010 Highlights & Key Indicators

- Developed an Environmental Positioning Statement
- Carbon Footprint measured for all 46 Personal Finance Centres
- Established an environmental accreditation strategy
- Aligned the work of the Environmental Management System (EMS) Committee with the Community Development Committee
- Saved 4,472kg of CO2e (Carbon Dioxide Equivalent) Greenhouse Gases through the reduction of paper as a result of our e-statements service
- Saved 5,400kg of CO2e Greenhouse Gases with the introduction of online voting for the Directors' Election

Statement of Position on the Environment

At Community CPS we are striving for a sustainable future and as such we are committed to reducing our impact on the environment from our business operations. We are also committed to encouraging all our members, suppliers and other key stakeholders to follow our lead by adopting sustainable practices.

We aim to do this by:

1. Reducing Greenhouse Gas Emissions
2. Becoming advocates for sustainability and environmental issues

For our full Statement visit our website.

WORKPLACE

It is our mission to create the best possible working environment for our 580 employees, based across the Australian Capital Territory, New South Wales, South Australia and Western Australia, to help them reach their full potential.

We strongly believe in the importance of Work/Life balance, and in addition to Annual Leave and Long Service Leave we provide a number of benefits for our staff, including eight weeks of paid maternity leave, three days of work/life balance leave and one day of community leave.

Community CPS offers a range of employee benefits and rewards to both full and part time employees, however some are provided on a pro-rata basis. Employee benefits include:

- Annual Leave and up to 4 weeks additional leave purchase
- Community Leave
- Corporate Wardrobe
- Extended Bereavement Leave
- Employee Assistance Program
- External Studies Assistance
- Flu Vaccination
- Paid Maternity Leave
- Paid Paternity Leave
- Product Benefits
- Sick Leave
- Work/Life Balance Leave

Flexible work practice options are also provided to assist our people to manage work/life balance and increase employee retention. These arrangements may include job share, working from home, part-time work or alternative work schedules.

Our policies including Discrimination, Bullying and Harrassment and Whistle-Blowing provide staff with the confidence that they will be supported by management in the event of any conflict.

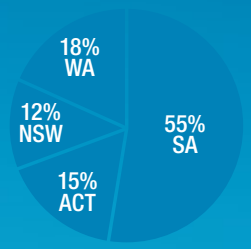
In February 2009 our new eLearning System, "Learning Seat" was introduced. This system provides a platform for online training and allows staff to view and print all of their personal training records. Current online courses include training on occupational health, safety and welfare, the Mutual Banking Code of Practice, Microsoft Office and various compliance courses. Learning Seat has the added convenience of enabling staff to complete their training courses online and from any location.

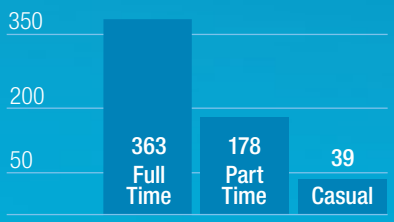
This year Community CPS Australia was listed on the 2010 Women on Boards Diversity Index as one of the top 10 credit unions and building societies, with 40 per cent of our board members being female, almost double the industry average.

2010 Highlights & Key Indicators

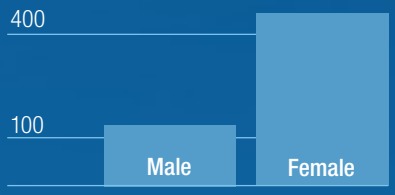
Total number of employees	580
Number of Full Time Equivalent employees	471.17
Staff Engagement Score measured through annual Staff Survey	88%
Staff who took paid Maternity Leave	15
Hours of Work/Life Balance Leave taken by staff	8,122
Hours of Study Leave taken by staff	368
Hours of Training Completed	6,735*
Staff who receive subsidised uniform	511
Number of Employees who used the Employee Assistance Program	7
Number of New Employees	90

Community CPS Staff

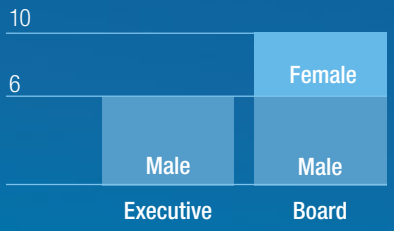




Gender Balance at Staff Level



Gender Balance at Senior Level



PRODUCTS

To assist our members in conserving natural resources we have developed a number of products with features to encourage members to be more environmentally responsible including our Enviro Loan and e-statements service.

Our Enviro Personal Loan makes it easier for members to purchase environmentally friendly products at a reduced interest rate to reward them for looking after our environment.

In July 2008 we began to offer e-statements as an important initiative to reduce our environmental impact. 18,645 members have now chosen to stop their paper statements, reducing our paper consumption by 447,480 sheets, which is equivalent to 4,472kg of CO_2e Greenhouse Gases.

This year we introduced EMV Chip Cards, which integrates the latest microchip technology into credit and debit cards to give members a higher level of confidence in the security of their transactions and provides an unrivalled level of protection against counterfeiting, card skimming and other fraudulent use.

In August 2009 we introduced a new Mobile Banking service which is available 24 hours a day, seven days a week and provides members with the convenience of accessing Internet Banking on their phone wherever they are.

We continued our support of the Land Rent Scheme, an ACT Government initiative to increase access for affordable home ownership by allowing people to rent land at a discounted rate, thereby making the construction of a new home more affordable.

Responsible Lending

We assess loan or credit applications against their potential risk to the Credit Union and we will generally only lend amounts to members that we believe, on the information available to us, they can reasonably afford to repay.

If a member is in financial difficulty, we will work with them in a constructive way to assist them to overcome their difficulties in meeting their financial commitments. We take the time to assess each member's situation and find the best possible way to help them manage their financial obligations with us, through offering short or longer-term solutions.

2010 Highlights & Key Indicators

Eco loans disbursed	$169,000
Land Rent Home Loans Approved	41
Totalling	$8,529,212

*Information available for October 2009 - June 2010 made up of e-learning, internal training and external training.

BOARD OF DIRECTORS

Gary Johannes Green - Chairman

Gary Green was elected Chairman of Community CPS Australia Limited in December 2007. He was formerly Chairman of CPS Credit Union Co-operative (ACT) Limited 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 including over 20 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 Community CPS Foundation Limited, Eastwoods Wealth Management Pty Ltd, Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Group Ltd and CPS Waymouth Pty Ltd. He is now semi-retired and his focus is the profitable growth of Community CPS Australia.

Christopher Matthew Doogan, AM - Deputy Chairman

Chris Doogan joined the Community CPS Australia Limited Board in 2006 and was elected Deputy Chairman in 2007. He was formerly a Director of CPS Credit Union Co-operative (ACT) Limited, a Director of Community CPS Foundation Limited, Chairman of a mutual health insurance company, Australian Health Management Group Limited, and Chairman of Law Courts Limited (a company owned by the Commonwealth of Australia and the State of New South Wales). He is currently a Director of the Centre for Customs and Excise Studies, a Director of St Vincent's Health Australia Limited, an Adjunct Professor of Law, the Principal Member of the Commonwealth Statutory Fishing Rights Allocation Review Panel, a member of the Commonwealth Tax Practitioners Board, a member of the ACT Legal Practitioners Admission Board and a member of the ACT Rugby Judiciary. 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 Australasian Mutuals Institute, a Fellow of the Australian Institute of Company Directors and a past Defence Fellow.

Stephanie Ann Chapman - Director

Stephanie Chapman joined the Community CPS Australia Limited Board in 2006. She has had more than 12 years experience as a company director and was formerly a Director of CPS Credit Union Co-operative (ACT) Limited. 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 Australian Institute of Management and a member of the Australasian Mutuals Institute. Stephanie is a member of the Board Audit and Finance Committee and Chair of the Nomination Committee.

Daniel Joseph Cloghan – Director

Danny Cloghan has been a Director of Community CPS Australia Limited since November 2008. Prior to United Credit Union's merger with Community CPS, he was Chairman of United for six years and a Director for the previous 12 years. Danny is a Director of Community CPS Foundation Limited, Chair of the Board Governance Committee and a member of the Nomination Committee. He is also a Board member of the Australasian Mutuals Institute. Danny is currently a Fair Work Australia Commissioner and prior to that was the Executive Director Finance and Corporate in the WA Department of Health. Danny was also the Chief of Staff to the WA Attorney General and Minister for Health for nearly 8 years. He has a Masters Degree in Industrial Relations, a Bachelor of Arts and a Diploma in Public Administration. Danny is a Graduate of the Australian Institute of Company Directors and a Fellow of the Australasian Mutuals Institute.

Peter Gerard Gogarty – Director

Peter Gogarty has been a Director of Community CPS Australia Limited since January 2010. Prior to Companion Credit Union's merger with Community CPS, he was Chairman of Companion for two years and a Director for the previous 6 years. Peter's professional career up until 2008 was in local Government holding senior management positions with responsibilities as diverse as land development, business planning, governance, strategic planning and community facilities management. Since 2008 Peter has been self employed and working with clients on a range of projects and business relationship difficulties. Peter holds Bachelor and Masters qualifications in the Social Sciences, a Graduate Diploma of Law, and Diplomas in Business Management, Company Directorship and Financial Services. He is an Accredited Mediator, a Graduate of the Australian Institute of Company Directors and a Fellow of the Australasian Mutuals Institute. Peter is a member of the Board Governance Committee and a Director of Community CPS Foundation Limited.

Barry George Hanna - Director

Barry Hanna joined the Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) Board in 2001. His current occupation is Company Director and he was formerly Chief Executive Officer of CPS Credit Union (SA) Limited. 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 Group Ltd, Eastwoods Wealth Management Pty Ltd and Eastwoods Accounting and Taxation Pty Ltd. Barry is Chair of the Board Audit and Finance Committee.

Catherine Anne Nance – Director

Catherine Nance has been a Director of Community CPS Australia Limited since November 2008 and was a Director of United Credit Union for 10 years prior to its merger with Community CPS. Catherine is a Partner at PricewaterhouseCoopers with over 20 years experience advising governments, companies and financial service organisations and superannuation funds on superannuation related matters, financing the ageing, financial and statistical models and strategic investment advice. Catherine is a member of the Institute of Actuaries Taskforces dealing with Ageing Australia and International Financial Reporting Standards. Catherine is a Fellow of the Institute of Actuaries of Australia, Affiliate of the Institute of Actuaries (London), a Fellow of the Financial Services Institute of Australasia and a Member of the CFA Institute. Catherine has been a Board member of the West Australian Treasury Corporation since 1998 and is currently Chair of their Audit Committee. She is a member of the Board Audit and Finance Committee.

BOARD OF DIRECTORS

Steven Nolis – Director

Steve Nolis was elected as a Director of Community CPS Australia Limited in November 2009. Steve has significant banking and finance industry experience, having worked for the Reserve Bank of Australia for 14 years and at CPS Credit Union (SA) Limited for 5 years. In addition to this, Steve has over 10 years experience within the Human Resources industry where he managed the State and National operations of a long-established organisation working across commercial and government sectors. Steve is currently the General Manager at law firm Duncan Basheer Hannon where he is responsible for developing and managing the strategic direction, profitability and long-term growth of the firm. His tertiary qualifications include a Graduate Certificate of Management and a Master of Business Administration (MBA) attained through the University of South Australia. He has also completed studies through the Business in China Intensive School, Shanghai, China. Steve is a member of the Board Risk Committee.

Anne Maree O'Donnell - Director

Anne O'Donnell joined the Community CPS Australia Limited Board in 2006 and was formerly a Director of CPS Credit Union Co-operative (ACT) Limited. She has worked in the financial sector for 30 years and held directorships in the superannuation and the not-for-profit sectors during this period. Until December 2009 she was the CEO of Australian Ethical Investments Limited (AEIL) an ASX listed fund manager based in Canberra, a position she had held since 2000. Prior to her appointment at Australian Ethical 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 a Director of Eastwoods Group Ltd and Chair of the Board Risk Committee.

Heather Louise Webster - Director

Heather has been pleased to serve Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) as a Board member since 2003. She chairs the Community CPS Foundation Limited and is a member of the Board Risk Committee. Heather brings broad experience from public service and business to Community CPS having served for 11 years as Executive Director, Passenger Transport Division for the South Australian Government and before that with CSIRO. She is a Fellow of the Australian Institute of Company Directors and is a councillor for South Australia. Heather has a small family wine business and chairs the Langhorne Creek Wine Industry Council. She works as an executive mentor and coach and for her regional community. She has a Master of Business Administration, and degrees in science and librarianship and is a Member of the Australasian Mutuals Institute.

EXECUTIVE TEAM

Robert Keogh – Chief Executive Officer

Robert Keogh joined Community CPS Australia Limited (formerly CPS Credit Union Co-operative (ACT) Limited) in 1979. Robert was Chief Executive Officer of CPS Credit Union in ACT and following the merger with CPS Credit Union SA in 2006, Robert became Deputy Chief Executive of Community CPS. In February 2010 he was appointed as Chief Executive Officer. He has extensive experience in business, financial services, auditing, accounting and finance. 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 Ltd and Eastwoods Finance Brokers Pty Ltd.

Wayne Matters - Chief Financial Officer

Wayne Matters joined Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) in 2001 and leads a number of our corporate support functions, being finance, information technology, business intelligence, treasury, risk and compliance, change support and the project office. He has 26 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.

John Lipkiewicz – General Manager Professional Services

John Lipkiewicz joined Eastwoods Wealth Management (Community CPS' financial planning business) in 2003 as Head of Wealth Management. In 2010 he became General Manager of Professional Services for the Community CPS Group which includes accounting, taxation, personal and business risk insurance and financial planning services. He has over 30 years experience in the finance industry. Prior to joining Eastwoods, John was the General Manager at national master trust organisation, Personal Choice Pty Ltd, State Manager SA/NT at Astron, and Regional Manager at AMP. He is a Member of the Financial Planning Association of Australia, Australian Mutuals Institute, and an Affiliate of the Australian and New Zealand Institute of Insurance and Finance. John holds a Bachelor of Arts in Economics as well as a Masters of Business Administration.

EXECUTIVE TEAM

Ray O'Brien – General Manager Distribution

Ray O'Brien joined Community CPS Australia Limited in 2010 following the merger with Companion Credit Union. He was Companion's General Manager in 1996 and became the organisation's Chief Executive Officer in 2004. Following the merger he was appointed General Manager, Distribution responsible for all Community CPS delivery channels, integration of back office member support services and business development. Ray has more than 20 years experience in the banking and finance sector and has held senior positions in the accounting and manufacturing sectors. He is a member of the Australian Institute of Company Directors (MAICD), a Fellow of the National Institute of Accountants (FPNA) and a Fellow of the Australasian Mutuals Institute (FAMI).

Ross Norgate – General Manager Governance and Lending

Ross Norgate joined Community CPS Australia Limited (formerly CPS Credit Union Co-operative (ACT) Limited) in 1993. Ross has 34 years experience in financial institutions, public administration and teaching. He is responsible for the Community CPS business units related to credit assessment, lending administration, credit control, governance 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.

Peter Rutter – General Manager Retail

Peter Rutter joined Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) in 1994 and prior to that he worked at Bank SA for 10 years. Peter has 26 years experience in the banking and finance sector and holds a Masters of Business Administration (Advanced) from Adelaide University. He is responsible for planning and implementing strategies around the credit union's retail, community and brand operations, as well as overseeing marketing activities such as product and member segment management, direct and digital marketing and communications.

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 it and its members along with the community will work together for long term mutual benefit. Community CPS also collaborates with the communities within which it operates to assist them develop in areas where assistance can be best utilised. The Community CPS Foundation has been established to raise funds and provide support to worthwhile activities in the communities in which Community CPS operates.

In pursuing its core purpose the Community CPS Board ("the 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 whole of Community CPS. The Board strongly believes that all the correct oversight structures of an independent board and corporate governance charter cannot compensate for the lack of an ethical corporate culture. It is the approach and attitude of each director that is the vital 'ingredient'. 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 Community CPS. 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 Community CPS' strategy and policy, planning and budgeting, regulatory compliance, appointing 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 Community CPS' 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 Community CPS.

The Board ensures that the Chief Executive Officer and Executive team are appropriately qualified and experienced to discharge their responsibilities and it 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 Community CPS' strategic direction and for ensuring that Community CPS' operations are aligned with that direction, with member expectations and are within the risk appetite approved by the Board.

To enable effective execution of their responsibilities, each director must maintain a clear understanding of opportunities and threats in the operating environment and an appreciation of Community CPS' 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 Community CPS' 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 Board and Executive work closely through Board and Committee meetings 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 Corporate Governance Charter, which sets out Community CPS' principles for good governance.

CORPORATE GOVERNANCE

The Community CPS Corporate Governance Charter is accessible via the corporate governance section of the Community CPS website: http://www.communitycps.com.au/aspx/corporate_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 Community CPS directors must be directors elected by members and elected directors are required to be members of Community CPS. Currently there are ten elected directors all of whom are non-executives. The directors are:

Director	Year of Appointment
Gary Green (Chairman)	2006
Stephanie Chapman	2006
Daniel Cloghan	2008
Christopher Doogan (Deputy Chairman)	2006
Peter Gogarty	2010
Barry Hanna	2001
Catherine Nance	2008
Steven Nolis	2009
Anne O'Donnell	2006
Heather Webster	2003

Details for each of the directors is provided on pages 10-12.

3.3 Tenure

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

An elected director is not eligible to be re-elected if at the time of his or her re-election his or her cumulative period in office would be 9 years or more from the time he or she was first elected, re-elected, or appointed after 1 July 2007.

Directors receive a formal letter of appointment setting out the key terms, conditions and expectations of their appointment.

3.4 Independence

All Community CPS 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 Community CPS 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. The Board has approved an independence of directors' policy which is consistent with the requirements of APS 510. The policy is available on the corporate governance section of the Community CPS website.

3.5 Commitment

The Board meets a minimum of ten times per year and the location for board meetings alternates between Adelaide, Canberra and Perth. Additional meetings are held as required. In addition to board duties, directors serve on board committees, committees established by the Board and on boards of related entities. Refer to page 21 for committee details and meeting attendance.

3.6 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. With respect 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 Community CPS, 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.

The Community CPS fit and proper policy is available on the corporate governance section of the Community CPS website.

3.7 Board Performance

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.

The Community CPS board composition and performance policy is available on the corporate governance section of the Community CPS website.

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 standing board committees and committees established by the Board. In accordance with the Community CPS Constitution the Board may establish one or more committees consisting of such number of directors as it considers appropriate.

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 attends committee meetings. At least two members of the Nomination Committee must be persons who are independent of Community CPS. 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 Community CPS and its controlled entities. 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 in discharging its responsibilities in relation to finance and audit and enhancing the credibility and objectivity of Community CPS' 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 Community CPS' 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.

The Committee's terms of reference are available on the corporate governance section of the Community CPS website.

Members of the Committee contribute substantial experience as company directors. One member is a qualified accountant. Committee members' experience includes the banking industry, financial and statistical modelling and government services. 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 (to 25 November)
B G Hanna (appointed 25 November)

Members
S A Chapman
C A Nance (from 29 January)
R V Ryan (to 25 November)

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 Community CPS' 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 Committee also performs the functions of a Board Remuneration Committee which is a requirement of the revised APRA Prudential Standard APS 510 Governance. The revised APS 510 Governance took effect from 1 April 2010 and from that date all regulated entities must have a properly constituted Board Remuneration Committee and a complying Remuneration Policy.

The functions of the Committee include:

1. General Governance matters:
   - Ensure an appropriate Board and committee structure is in place;
   - 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 policies and practices of the Group that the Committee regards as necessary or desirable;
   - Monitor compliance with APS 510 Governance, the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council and other relevant governance principles and standards and provide guidance, as required, to individual directors and the Group as a whole on questions of corporate governance and ethics;
   - Develop and monitor annual budgets for Board expenditure; and
   - Oversee the effectiveness of the Community CPS Constitution and make recommendations for changes.
2. Board Remuneration Committee functions:
   - Conducting regular reviews and making recommendations to the Board on the Community CPS Remuneration Policy. This must include an assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APS 510 Governance;
   - Making annual recommendations to the Board on the remuneration of the Chief Executive Officer ('CEO'), direct reports of the CEO (i.e. executive managers) and other persons whose activities may in the Committee's opinion affect the financial soundness of Community CPS; and
   - Making annual recommendations to the Board on the remuneration of the categories of persons covered by the remuneration Policy (other than those persons for whom such recommendations are already required under the second dot point above).

The Committee's terms of reference are available on the corporate governance section of the Community CPS website.

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.

The Company Secretary attends all Governance Committee meetings.

Members of this committee bring experience in fields as diverse as commercial and corporate law, industrial relations, information technology, broad based business experience and credit union administration.

Three Committee members hold graduate qualifications and there is considerable experience in company directorship.

The members of the Committee during the year were:

Chairman
C A Nance (to 29 January)
D J Cloghan (appointed 29 January)

Members
G J Green
C M Doogan
P G Gogarty (appointed 29 January)
B G Hanna (to 29 January)

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 Community CPS to minimise losses and maximise opportunities.

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

- Community CPS' 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 Community CPS' operations.

The Committee's terms of reference are available on the corporate governance section of the Community CPS website.

This committee is well qualified to perform these duties. In addition to graduate qualifications in a range of disciplines all three members hold post-graduate business qualifications. Between committee members there is considerable private and public sector executive experience in diverse industries.

The members of the Committee during the year were:

Chairman
A M O'Donnell

Members
S A Chapman (to 20 December)
D J Cloghan (to 29 January)
S Nolis (appointed 29 January)
H L Webster

4.4 Nomination Committee (Committee established by the Board)

The purpose of this 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.

The Committee's terms of reference are available on the corporate governance section of the Community CPS website.

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.

The Company Secretary attends all Nomination Committee meetings.

This committee is well qualified to perform these duties. Between committee members there is substantial experience at senior management level.

The members of the Committee during the year were:

Members – Directors
S A Chapman (appointed 29 January)
C M Doogan (to 29 January)
D J Cloghan (to 29 January)
G J Green (appointed 29 January)

Independent Persons
S Blencowe (to 27 May)
J Jeffreys (from 28 May)
B M Linn

5. Other Board Duties

The following directors and officers of Community CPS are also directors of the named controlled entities:

Community CPS Foundation Ltd
G J Green
D J Cloghan
P G Gogarty
R O Keogh
H L Webster

CPS Waymouth Pty Ltd
G J Green

Eastwoods Group Ltd
G J Green
B G Hanna
R O Keogh
A M O'Donnell

Eastwoods Wealth Management Pty Ltd
G J Green
B G Hanna

Eastwoods Accounting & Taxation Pty Ltd
G J Green
B G Hanna

Eastwoods Finance Brokers Pty Ltd
R O Keogh

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 controlled entities. For the purposes of risk management, all controlled 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 Community CPS.

An element of Community CPS' risk management practices is a comprehensive corporate insurance program.

The Board of Directors reviews key risks and controls annually and the Chief Executive Officer provides APRA with a 'declaration', endorsed by the Board, attesting that for the financial year past:

- The key risks facing Community CPS 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.

The Community CPS Group risk management policy is available on the corporate governance section of the Community CPS website.

7. Conflicts of Interest

Community CPS maintains a conflicts of interest 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 Community CPS and its controlled entities.

The Community CPS conflicts of interest policy is available on the corporate governance section of the Community CPS website.

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. Community CPS' policy is that its directors and staff maintain the highest ethical standards in line with the Community CPS code of conduct. Community CPS also commits to and Complies with the Mutual Banking Code of Practice.

The Community CPS code of conduct is available on the corporate governance section of the Community CPS website.

9. Remuneration of Directors and Executives

It is Community CPS 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 Community CPS' 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 Community CPS 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 external 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 a board appraisal and director peer assessments were conducted.

12. Communication to Members

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

- An Annual Report which is available to members in hard copy upon request and is accessible on the Community CPS website; and
- Detailed information at the Annual General Meeting or any other members' meetings.

DIRECTORS' REPORT

The directors submit their report together with the financial statements of Community CPS Australia Limited (the Credit Union) and the Consolidated Entity for the financial year ended 30 June 2010, the Independent Audit Report thereon and the Auditor's Independence Declaration. The financial statements have been prepared in accordance with the requirements of the Corporations Act, 2001.

Directors

Individual director's details are set out on pages 10-12.

Company Secretaries

Currently there are two people appointed as Company Secretaries.

Gianni Milani has substantial finance industry experience. 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 Practising Accountant and a Chartered Secretary being an Associate of the Institute of Chartered Secretaries and Administrators.

Ross Norgate has 34 years experience in financial institutions. Ross is a Fellow Certified Practising Accountant and holds a First Class Honours Degree in Accounting, Finance and Systems.

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 in providing financial services to members and completing one further merger with a credit union. As a result of the merger and organic business growth, loans under management grew by 19% and deposits from members grew 17% which, together with available liquid reserves, provided the majority of the funding for loan growth.

Profit after tax was $22.353 million, an increase of 447% when compared with last year's profit after tax, and reflects a return to more normal profit levels following the impacts on our business of the global financial and economic crises. A reconciliation of reported profit to underlying profit is set out in the table below.

Dividends

The Credit Union acquired D Class preference shares from United Credit Union through its merger with that company during the previous financial year. Dividends totaling $56,126 (fully franked) have been declared on these D Class shares, payable 30 September 2010. During the year a dividend was paid of $58,697 for D Class shares. In the statutory report of the directors for the previous financial year $62,416 was provided for the payment of dividends on D Class shares.

As a result of the merger during this financial year, the Credit Union acquired capital instruments from Companion Credit Union. Dividends amounting to $64,012 (fully franked) were paid on these shares. These instruments were redeemed at 30 June 2010 and no further dividends are due to be paid.

No provision has been made for dividends on other shares.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Consolidated Entity in the financial year ending after 30 June 2010.

Likely developments

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.

	Before Tax	Tax	After Tax
Consolidated Entity Profit as Statement of Consolidated Income	**$31.150m**	**-$8.797m**	**$22.353m**
Less: Recovery of non-lending debt	-$0.580m	$0.174m	-$0.406m
Fair value adjustment on interest rate swaps	-$3.137m	$0.941m	-$2.196m
Add: Business combination costs	$0.371m	-$0.112m	$0.259m
Consolidated Entity Underlying Profit	$27.804m	-$7.794m	$20.010m

Indemnification and insurance of officers

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

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

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

Directors' meetings

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

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 23.

Board committees

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of three standing Board sub-committees. Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. Membership of each committee comprises at least three directors. The Chief Executive Officer attends all Board committee meetings. Details of Board committees are contained in the Corporate Governance Statement on pages 15-19.

Signed in Adelaide this 27th day of August 2010, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Gary J Green
Chairman

Barry G Hanna
Director

	Board Meetings		Board Committee Meetings	
Directors	**Eligible to attend**	**Meetings Attended**	**Eligible to attend**	**Meetings Attended**
Stephanie Ann Chapman	10	10	4	4
Daniel Joseph Cloghan	10	10	5	5
Christopher Matthew Doogan	10	10	5	5
Peter Gerard Gogarty	5	5	3	2
Gary Johannes Green	10	8	5	4
Barry George Hanna	10	10	4	4
Catherine Anne Nance	10	10	4	3
Steven Nolis	6	6	2	2
Anne Maree O'Donnell	10	10	4	4
Frances Helen Raymond	4	3	2	2
Richard Vincent Ryan	4	1	2	1
Heather Louise Webster	10	10	4	3

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2010 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at the Canberra Southern Cross Club, Corinna Street, Woden, ACT on 26 November 2010 commencing at 6pm (EST). Registration will open at 5:30pm.

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 2010 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

Michelle Hinchliffe
Partner

Adelaide

27th day of August 2010

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

- 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
- 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, International Financial Reporting Standards (as disclosed in Note 1a) and giving a true and fair view of the Credit Union's and the consolidated entity's financial position as at 30 June 2010 and their performance for the financial year ended on that date.

Signed this 27th day of August 2010, 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

Barry G Hanna
Director

INDEPENDENT AUDIT REPORT

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

Report on the financial report

We have audited the accompanying financial report of Community CPS Australia Ltd (the Credit Union), which comprises the Balance Sheets as at 30 June 2010, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration set out on page 23 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 of the Consolidated Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedure 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 Credit Union'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 2010 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 also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Michelle Hinchliffe
Partner

Adelaide
27th day of August 2010

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010	Note*	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	CREDIT UNION 2010 $'000	CREDIT UNION 2009 $'000
Interest revenue	2	**167,642**	152,073	**167,668**	152,114
Interest expense	3	**96,313**	101,659	**96,396**	101,711
Net interest revenue		**71,329**	50,414	**71,272**	50,403
Net fair value adjustment on interest rate swaps	2	**3,137**	(4,257)	**3,137**	(4,257)
Other income	2	**25,511**	27,815	**20,023**	22,427
Total operating income		**99,977**	73,972	**94,432**	68,573
Impairment losses	3	**1,122**	1,322	**1,159**	1,124
Business combination costs	3	**371**	3,876	**371**	3,876
Other expenses	3	**67,334**	63,913	**62,873**	59,118
Profit before income tax expense		**31,150**	4,861	**30,029**	4,455
Income tax expense	4	**8,797**	772	**8,578**	708
Net profit for the period	23	**22,353**	4,089	**21,451**	3,747
Other comprehensive income for the period (net of tax)		**-**	-	**-**	-
Total comprehensive income for the period		**22,353**	4,089	**21,451**	3,747

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

BALANCE SHEETS

		CONSOLIDATED		CREDIT UNION	
		2010	2009	**2010**	2009
	Note*	**$'000**	$'000	**$'000**	$'000
AS AT 30 JUNE 2010					
Assets					
Cash and cash equivalents	5	**11,907**	14,708	**11,907**	14,720
Prepayments and other receivables	6	**5,369**	1,890	**4,920**	1,530
Placements with other financial institutions	7	**361,524**	337,033	**361,350**	336,675
Net Loans and advances to members	8,9	**2,630,775**	2,170,743	**2,630,775**	2,170,743
Investment securities	11	**14,009**	12,717	**16,484**	16,192
Property, plant and equipment	12	**11,177**	10,337	**11,058**	10,190
Intangible assets	13	**456**	443	**452**	421
Goodwill	14	**3,355**	3,355	**-**	-
Current tax assets	4	**-**	3,076	**-**	3,035
Deferred tax assets	4	**9,062**	10,510	**8,652**	10,130
Total assets		**3,047,634**	2,564,812	**3,045,598**	2,563,636
Liabilities					
Deposits from other financial institutions	15	**34,747**	5,375	**34,747**	5,375
Deposits from members	16	**2,579,555**	2,209,219	**2,581,644**	2,211,208
Trade and Other payables	17	**13,272**	13,106	**13,110**	12,850
Borrowings	18	**163,164**	117,982	**163,164**	117,982
Other financial liabilities	19	**6,403**	15,518	**6,403**	15,518
Provisions	20	**68**	420	**68**	420
Employee benefits	26	**5,921**	5,513	**5,310**	5,010
Current tax liabilities	4	**4,172**	-	**4,130**	-
Deferred tax liabilities	4	**5,958**	6,634	**5,952**	6,630
Total liabilities		**2,813,260**	2,373,767	**2,814,528**	2,374,993
Net assets		**234,374**	191,045	**231,070**	188,643
Equity					
Share Capital	21	**956**	962	**961**	967
Reserves	22	**106,151**	87,302	**106,151**	87,302
Retained earnings	23	**127,267**	102,781	**123,958**	100,374
Total equity		**234,374**	191,045	**231,070**	188,643

* 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 2010	Share Capital	Retained Earnings	Reserves	Total Equity
	$'000	$'000	$'000	$'000
Consolidated				
Balance at 1 July 2008	-	46,629	100,473	147,102
Net profit for the period	-	-	4,089	4,089
Attributable to business combinations	1,006	38,868	87	39,961
Transfers to/(from) Reserves	-	1,805	(1,805)	-
Share Capital redeemed out of profits	(44)	-	-	(44)
Dividends	-	-	(62)	(62)
Balance at 30 June 2009	962	87,302	102,782	191,046
Net profit for the period	-	-	22,352	22,352
Attributable to business combinations	2,442	21,046	-	23,488
Transfers to/(from) Reserves	-	(2,197)	2,197	-
Share Capital redeemed out of profits	(2,448)	-	-	(2,448)
Dividends	-	-	(64)	(64)
Balance at 30 June 2010	956	106,151	127,267	234,374
Credit Union				
Balance at 1 July 2008	-	46,629	98,495	145,124
Net profit for the period	-	-	3,746	3,746
Attributable to business combinations	1,011	38,868	-	39,879
Transfers to/(from) Reserves	-	1,805	(1,805)	-
Share Capital redeemed out of profits	(44)	-	-	(44)
Dividends	-	-	(62)	(62)
Balance at 30 June 2009	967	87,302	100,374	188,643
Net profit for the period	-	-	21,451	21,451
Attributable to business combinations	2,442	21,046	-	23,488
Transfers to/(from) Reserves	-	(2,197)	2,197	-
Share Capital redeemed out of profits	(2,448)	-	-	(2,448)
Dividends	-	-	(64)	(64)
Balance at 30 June 2010	961	106,151	123,958	231,070

* The Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements

STATEMENTS OF CASH FLOWS

	Note*	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	CREDIT UNION 2010 $'000	CREDIT UNION 2009 $'000
FOR THE YEAR ENDED 30 JUNE 2010					
Cash flows from operating activities					
Interest received		**166,143**	150,818	**166,169**	150,860
Net increase in loans, advances and other receivables		**(252,686)**	(64,184)	**(252,686)**	(64,385)
Net decrease/(increase) in placements with other financial institutions		**11,322**	(31,241)	**11,229**	(31,151)
Other non interest income received		**25,795**	27,719	**20,220**	22,417
Interest and other costs of finance paid		**(93,597)**	(105,377)	**(93,328)**	(105,429)
Net increase in deposits from members		**150,498**	199,499	**151,597**	200,247
Net increase/(decrease) in other borrowings		**41,722**	(123,689)	**41,371**	(121,268)
Net increase in deposits from other financial institutions		**15,372**	1,810	**15,372**	1,810
Payments to suppliers and employees		**(68,872)**	(57,950)	**(64,799)**	(53,387)
Income tax paid		**(1,386)**	(8,710)	**(1,222)**	(8,400)
Net cash from operating activities	24 (a)	**(5,689)**	(11,305)	**(6,077)**	(8,686)
Cash flows from investing activities					
Repayment of amounts loaned to controlled entities		**-**	-	**332**	27
Payment for property, plant and equipment	12	**(815)**	(1,797)	**(775)**	(1,792)
Proceeds from sale of property, plant and equipment		**13**	10	**13**	8
Payment for intangible assets	13	**(116)**	(314)	**(112)**	(314)
Payments on redemption of share capital		**(6)**	(49)	**(6)**	(44)
Dividends Paid		**(64)**	-	**(64)**	-
Repayment of Capital Instruments		**(2,500)**	-	**(2,500)**	-
Payment for expenses directly attributable to business combination and recognised directly in equity		**(371)**	(4,590)	**(371)**	(4,590)
Increase in cash balances via business combination	10	**6,747**	20,408	**6,747**	17,666
Payment for businesses		**-**	(100)	**-**	-
Net cash used in investing activities		**2,888**	13,568	**3,264**	10,961
Net cash from financing activities		**-**	-	**-**	-
Net (Decrease) / Increase in cash and cash equivalents		**(2,801)**	2,263	**(2,813)**	2,275
Cash and cash equivalents at the beginning of the financial year		**14,708**	12,445	**14,720**	12,445
Cash and cash equivalents at the end of the financial year	24 (b)	**11,907**	14,708	**11,907**	14,720

* 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 2010 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 27 August 2010.

(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 Consolidated Entity 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 derivative financial instruments, hedged loans 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. The Credit Union holds an Australian Financial Services Licence and has therefore applied ASIC Class Order CO 10/654 and has presented both parent company and group financial statements in this financial report.

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 54 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.

(c) New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations are available for early adoption but are not yet mandatory and have not been applied in preparing this financial report:

- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project for application in financial years beginning on or after 1 January 2010[§];*
- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions for application in financial years beginning on or after 1 January 2010[§];*
- *AASB 2009-9 Amendments to Australian Accounting Standards –Additional Exemptions for First-time Adopters for application in financial years beginning on or after 1 January 2010[§];*
- *AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues for application in financial years beginning on or after 1 February 2010[§];*
- *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 for application in financial years beginning on or after 1 January 2013[∞];*
- *AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] for application in financial years beginning on or after 1 January 2011[¤];*
- *AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 for application in financial years beginning on or after 1 July 2010[§];*

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- *AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement for application in financial years beginning on or after 1 January 2011¤;*
- *AASB 9 Financial Instruments for application in financial years beginning on or after 1 January 2013∞;*
- AASB 124 Related Party Disclosures for application in financial years beginning on or after 1 January 2011¤;
- *AASB 2010-1 Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7] for application in financial years beginning on or after 1 July 2010§;*
- *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for application in financial years beginning on or after 1 July 2013∞;*
- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] for application in financial years beginning on or after 1 July 2010§;*
- *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] for application in financial years beginning on or after 1 January 2010§;*
- *AASB 1053 Application of Tiers of Australian Accounting Standards for application in financial years beginning on or after 1 July 2013∞, and*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments for application in financial years beginning on or after 1 July 2010§.*

The above standards will be mandatory for the Consolidated Entity's 30 June 2011§, 30 June 2012¤ and 30 June 2014∞ financial reports.

These standards are not expected to have any material recognition or measurement impacts on the Consolidated Entity's financial report upon initial application but, in respect of certain standards, would result in additional disclosures.

(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) Business Combinations – Mutual Entity Mergers

The Consolidated Entity has adopted revised AASB3 Business Combinations for business combinations occurring in the financial year starting 1 July 2009. The change in accounting policy is applied prospectively. All business combinations occurring after 1 July 2009 are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Consolidated Entity. For every business combination, the Consolidated Entity identifies the acquirer, which is the party that obtains control in the combination. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date. Consideration transferred is determined as the acquisition date fair value of the acquiree's equity interests. Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed.

Transaction costs that the Consolidated Entity incurs in connection with a business combination are expensed as incurred.

(g) Cash and Cash equivalents

Cash and cash equivalents comprise cash at branches and in automatic teller machines plus deposits at call with Approved Deposit-taking Institutions. Interest income on cash and cash equivalents is recognised using the effective interest rate method in the Statement of Comprehensive Incomes. 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 Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows but as part of Borrowings in the Balance Sheet.

(h) Classification of Financial Information

The Statement of Comprehensive Incomes, Balance Sheets, Statements of Changes in Equity and notes to the financial statements, have been prepared in accordance with AASB 7 Financial Instruments: Disclosures.

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.

(i) 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.

1. Summary of Significant Accounting Policies (continued)

(j) 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 as 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 are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item attributable to the hedged risk. 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 over the last six months of the life of the related hedging instrument.

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 32(j).

(k) 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.

Long-term employee benefits

The Consolidated Entity'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 Australian government bonds that have maturity dates approximating the terms of the Consolidated Entity'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 Consolidated Entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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.

(l) Financial Assets and Liabilities

The Consolidated Entity initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

(m) 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.

(n) 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 Statement of Comprehensive Income.

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.

(o) 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.

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. Deferred tax assets and deferred tax liabilities are not offset.

The Credit Union's disclosed available franking credits are based on the balance of its franking account at year end adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities or franking debits that will arise from the receipt of current tax asset refunds;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year end, and

(d) franking credits that the Credit Union may be prevented from distributing in subsequent years.

During the financial year ended 30 June 2010, the Consolidated Entity reassessed 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.

1. Summary of Significant Accounting Policies (continued)

(p) Intangible Assets

Goodwill

Goodwill, representing the excess of the cost of acquisition of a business 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(n) 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.

(q) 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 in other comprehensive income and presented 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(n)). If assessed as impaired, any cumulative loss previously recognised in comprehensive income, and carried in equity, and any additional impairment loss is transferred to profit or loss. Any subsequent recovery in the fair value of an impaired investment security is recognised in other comprehensive income. In the Credit Union's financial statements, investments in controlled entities are carried at cost.

(r) 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.

(s) 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.

Impairment

All loans and advances are subject to regular management review to assess whether there is any objective evidence of impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. 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 estimated future cash flows, including possible foreclosure recoveries and associated costs, 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 for Impaired Loans are taken to the Statement of Comprehensive Income and reported with Impairment Losses. Recovery of loans previously written off is recognised in the Statement of Comprehensive Income only when the amount has been received from the debtor.

Statutory reporting requirements for Impaired Loans

All loans and advances are reviewed and graded according to the anticipated level of credit risk. Accounting Standard AASB 7 *Financial Instruments: Disclosures* prescribes specific reporting requirements of impaired loans, acquired assets and past-due loans.

The following classifications have been adopted:

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.

Loans and Advances – Provision for Impairment

The aggregate provision set out in these accounts is the higher of the calculated provision 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Collective Provision

The collective provision against impaired loans exists to provide for overdrawn and over-limit revolving credit facilities and loans that are less than 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 was 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.

(t) 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 16). Each member holds one redeemable preference share.

The Redeemed Share Reserve (Note 22) represents the amount of Preference Shares redeemed by the Credit Union during the period 1 July 1999 to the date of this financial report. 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.

(u) Other Receivables

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

(v) 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.

(w) 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 11 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.

(x) 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.

1. Summary of Significant Accounting Policies (continued)

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 on a straight line basis 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:

Land and buildings

2010	2009
40 years	40 years

Fit-out and leasehold improvements

2010	2009
4 to 5 years	4 to 5 years

Plant and equipment

2010	2009
3 to 7 years	3 to 7 years

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

(y) Provisions

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

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

(z) Revenue Recognition

Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is 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.

Sale of assets

Revenue from the sale of assets is recognised when the significant risks and rewards of ownership of the asset passes from the Consolidated Entity to the buyer.

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, including loan break fees, are recognised at the point of rendering the service to the member and reported as part of Other Income.

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

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
2 REVENUE				
Revenue from operations consisted of the following items:				
Interest revenue	**167,642**	152,073	**167,668**	152,114
Fair value adjustment on interest rate swaps	**3,137**	(4,257)	**3,137**	(4,257)
Other income				
Fees and commissions				
• Loan fee income	**2,849**	4,243	**2,849**	4,243
• Securitised loan management fees	**660**	488	**660**	488
• Wealth management income	**2,867**	2,597	**-**	-
• Accounting and taxation income	**2,495**	2,539	**-**	-
• Member fee income	**7,723**	8,983	**7,723**	8,983
• Other fee income	**1,163**	1,020	**1,163**	1,020
• Insurance commissions	**3,749**	3,176	**3,749**	3,176
• Other commissions	**2,179**	1,949	**2,034**	1,814
Income from property	**147**	99	**178**	129
Net gain on disposal of property, plant and equipment	**10**	-	**10**	-
Recovery of loans and advances previously written off	**586**	510	**586**	510
Other	**1,083**	2,211	**1,071**	2,064
Total Other income	**25,511**	27,815	**20,023**	22,427
Total revenue	**196,290**	175,631	**190,828**	170,284

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
3 EXPENSES				
Profit before income tax expense has been arrived at after charging the following expenses:				
Interest Expense	**96,313**	101,659	**96,396**	101,711
Bad debts written off	**1,563**	1,095	**1,485**	1,080
(Decrease) / Increase in impairment provisions	**(441)**	49	**(326)**	44
Impairment adjustment - Goodwill	**-**	178	**-**	-
Impairment losses	**1,122**	1,322	**1,159**	1,124
Business combination costs	**371**	3,876	**371**	3,876
Other expenses				
Depreciation				
• Plant and equipment	**1,233**	1,158	**1,193**	1,114
• Building	**125**	98	**125**	98
• Leasehold improvements	**1,646**	1,609	**1,618**	1,535
	3,004	2,865	**2,936**	2,747
Amortisation				
• Software	**281**	520	**258**	495
Staff costs	**31,045**	28,251	**27,851**	25,130
Contributions to defined contribution superannuation funds	**2,591**	2,444	**2,257**	2,047
Provision for employee entitlements	**571**	1,015	**464**	886
General administrative expenses				
• Fee and commission expense	**7,385**	8,674	**7,383**	8,674
• Information technology	**4,341**	4,601	**4,230**	4,482
• Occupancy	**2,435**	1,880	**2,353**	1,768
• Marketing	**3,210**	2,533	**3,162**	2,479
• Printing and Stationery	**713**	636	**642**	566
• Communication	**2,394**	2,324	**2,328**	2,245
Other operating expenses	**4,023**	3,315	**4,062**	3,064
Operating lease rentals	**5,921**	4,842	**5,527**	4,522
Net loss on disposal of property, plant and equipment	**-**	13	**-**	13
Recovery of losses associated with HIH Insurance	**(580)**	-	**(580)**	-
Total Other expenses	**67,334**	63,913	**62,873**	59,118
Total Non interest expense	**68,827**	69,111	**64,403**	64,118
Total expenses	**165,140**	170,770	**160,799**	165,829

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
4 INCOME TAXES				
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense				
Current year	**8,007**	2,998	**7,776**	2,831
Adjustments recognised in the current year in relation to prior years	**(133)**	-	**(133)**	-
	7,874	2,998	**7,643**	2,831
Deferred tax expense				
Origination and reversal of temporary differences	**923**	(2,226)	**935**	(2,123)
Total tax expense	**8,797**	772	**8,578**	708
Attributable to:				
Continuing operations	**8,797**	772	**8,578**	708
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows :				
Profit from operations	**31,150**	4,861	**30,029**	4,455
Income tax expense calculated at 30% (2009: 30%)	**9,345**	1,458	**9,009**	1,336
Non deductible expenses	**3,803**	4,022	**3,559**	3,739
Non-assessable income	**(664)**	(219)	**(526)**	(155)
Other deductible expenditure	**(4,083)**	(3,185)	**(3,871)**	(3,011)
Other assessable income	**(395)**	922	**(395)**	922
Change in recognised temporary differences	**924**	(2,226)	**935**	(2,123)
	(415)	(686)	**(298)**	(628)
Under / (Over) provision of income tax in previous year	**(133)**	-	**(133)**	-
Income tax expense	**8,797**	772	**8,578**	708
(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 Assets comprise:				
Tax refund receivable	**-**	3,076	**-**	3,035
Current Tax Liabilities comprise:				
Income tax payable	**4,172**	-	**4,130**	-

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
4 INCOME TAXES (CONTINUED)				
(d) Deferred Tax Balances				
Deferred tax assets comprise:				
Other receivables	**12**	236	**-**	213
Net Loans and advances to members	**497**	508	**497**	508
Other financial assets	**1,921**	4,655	**1,921**	4,655
Property, plant and equipment	**2,750**	1,805	**2,602**	1,662
Intangible assets	**819**	739	**819**	739
Goodwill	**53**	53	**-**	-
Trade and Other payables	**650**	265	**647**	258
Employee benefits	**1,776**	1,654	**1,593**	1,502
Other	**584**	595	**573**	593
	9,062	10,510	**8,652**	10,130
Deferred tax liabilities comprise:				
Prepayments	**1**	1	**1**	-
Net Loans and advances to members	**1,825**	3,835	**1,825**	3,835
Investment securities	**1,790**	1,589	**1,790**	1,589
Property, plant and equipment	**1,475**	451	**1,469**	451
Intangible assets	**867**	758	**867**	754
	5,958	6,634	**5,952**	6,629
Net deferred tax assets	**3,104**	3,876	**2,700**	3,501
(e) Franking Credits				
Adjusted franking account balance (tax paid basis)			**46,917**	38,124
5 CASH AND CASH EQUIVALENTS				
Cash on hand and deposits at call	**11,907**	14,708	**11,907**	14,720
	11,907	14,708	**11,907**	14,720
6 PREPAYMENTS AND OTHER RECEIVABLES				
Prepayments and other receivables	**2,980**	2,183	**2,397**	1,539
Allowance for impairment	**(41)**	(657)	**-**	(580)
	2,939	1,526	**2,397**	959
Interest receivable	**2,430**	364	**2,375**	91
Amount receivable from controlled entities	**-**	-	**148**	480
	5,369	1,890	**4,920**	1,530

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
7 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	**168,903**	114,423	**168,903**	114,423
Bank negotiated certificates of deposit and bonds	**192,447**	221,052	**192,447**	221,052
Other deposits	**174**	358	**-**	-
Term deposits	**-**	1,200	**-**	1,200
	361,524	337,033	**361,350**	336,675

8 NET LOANS AND ADVANCES TO MEMBERS				
Revolving credit loans	**212,040**	199,944	**212,040**	199,944
Term loans	**2,420,390**	1,972,491	**2,420,390**	1,972,491
Gross loans and advances	**2,632,430**	2,172,435	**2,632,430**	2,172,435
Provision for impairment	**(1,655)**	(1,692)	**(1,655)**	(1,692)
Net loans and advances	**2,630,775**	2,170,743	**2,630,775**	2,170,743

(a) Concentration of risk

The loan portfolio of the Consolidated Entity includes no loans, or groups of loans that represent greater than 10% of capital. An analysis of the concentration of the Consolidated Entity's loans and advances by geographic location is provided below:

• South Australia	**1,222,915**	1,068,107	**1,222,915**	1,068,107
• Western Australia	**670,955**	666,307	**670,955**	666,307
• Australian Capital Territory	**386,690**	318,901	**386,690**	318,901
• New South Wales	**296,896**	65,390	**296,896**	65,390
• Other	**54,974**	53,730	**54,974**	53,730
Gross loans and advances	**2,632,430**	2,172,435	**2,632,430**	2,172,435

(b) 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 18 – 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.

The Credit Union acquired a loan securitisation program and associated special purpose entity (Jasper Warehouse Trust) upon the transfer of business of United Credit Union Limited. In the case of loans securitised into the Jasper Warehouse Trust, 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 for the same amount being recognised under Note 18 – Borrowings.

In addition to the Waratah and Jasper programs, 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.

On-Balance sheet securitised loans (Waratah & Jasper)	**158,164**	112,982	**158,164**	112,982
Off-Balance sheet securitised loans (Integris)	**68,511**	93,322	**68,511**	93,322

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
9 IMPAIRMENT OF LOANS AND ADVANCES				
The policy covering impaired loans and advances is set out in Note 1.				
Specific provision for impairment				
Balance at beginning of financial year	**767**	112	**767**	112
Bad debts written off	**(1,485)**	(1,080)	**(1,485)**	(1,080)
Acquired through business combinations	**289**	840	**289**	840
Impaired loan expense	**1,118**	895	**1,118**	895
Closing specific provision for impairment	**689**	767	**689**	767
Collective provision for impairment				
Balance at beginning of financial year	**925**	461	**925**	461
Acquired through business combinations	**-**	235	**-**	235
Impaired loan expense	**41**	229	**41**	229
Closing collective provision for impairment	**966**	925	**966**	925
Total provision for impairment	**1,655**	1,692	**1,655**	1,692
Past-due loan balances				
With provision for impairment	**19,623**	14,364	**19,623**	14,364
Provision for impairment	**(1,655)**	(1,692)	**(1,655)**	(1,692)
Without provision for impairment	**43,101**	27,631	**43,101**	27,631
Net past-due loans	**61,069**	40,303	**61,069**	40,303
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	**26**	34	**26**	34
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**53**	36	**53**	36

10 BUSINESS COMBINATIONS

The Credit Union accepted a total voluntary transfer of both United Credit Union Limited ("United") and Westax Credit Society Limited on 1 November 2008 and Polish Community Credit Union Limited on 1 May 2009 under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under these transactions.

The Credit Union accepted a total voluntary transfer of Companion Credit Union Limited ("Companion") on 1 January 2010 under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under this transaction. Companion's business has been assessed for Identifiable Intangible Assets and none were recognised by the Credit Union because their values are not material.

These business combinations with other credit unions enable the Consolidated Entity to offer its members enhanced access and a broader range of products and services. In addition, its increased scale will enhance its ability to pursue its strategic goals, further spread its geographic risks, improve operating efficiency and provide increased opportunities for its staff.

It is not practical to disclose the amount of Companion's profit or loss since its acquisition date, since this is indistinguishable in the Credit Union's accounts. Had this business combination been effected at 1 July 2009, the revenue of the Consolidated Entity for the year ended 30 June 2010 would have been approximately $200.0 million, and profit after tax approximately $23.1 million.

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
10 BUSINESS COMBINATIONS (CONTINUED)				
Details of business combinations are as follows:				
Consideration				
Cash	**-**	-	**-**	-
Deferred Purchase Consideration	**-**	-	**-**	-
	-	-	**-**	-
Fair Value of Net Assets Acquired				
Assets				
Cash and cash equivalents	**6,747**	20,408	**6,747**	17,666
Prepayments and other receivables	**3,167**	2,173	**3,167**	1,895
Placements with other financial institutions	**31,914**	110,455	**31,914**	110,455
Net Loans and advances to members	**215,204**	662,006	**215,204**	586,063
Investment securities	**1,292**	2,078	**1,292**	3,078
Property, plant and equipment	**3,032**	1,639	**3,032**	1,643
Intangible assets	**178**	387	**178**	387
Current tax assets	**-**	266	**-**	266
Deferred tax assets	**869**	1,135	**869**	1,135
Liabilities				
Deposits from other financial institutions	**14,000**	17,018	**14,000**	17,018
Deposits from members	**215,422**	621,380	**215,422**	621,688
Trade and Other payables	**1,407**	14,314	**1,407**	15,086
Borrowings	**3,459**	106,460	**3,459**	27,500
Derivative Financial Instruments	**722**	-	**722**	-
Provisions	**1,630**	-	**1,630**	-
Employee benefits	**796**	383	**796**	383
Current tax liabilities	**540**	-	**540**	-
Deferred tax liabilities	**799**	319	**799**	319
Net Assets Acquired	**23,628**	40,673	**23,628**	40,594
Equity				
Issued capital	**2,442**	1,006	**2,442**	1,011
Reserves	**21,186**	2,517	**21,186**	2,517
Retained earnings	**-**	37,150	**-**	37,066
Net Assets less Equity Acquired	**-**	-	**-**	-
Goodwill on Acquisition	**-**	-	**-**	-

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
11 INVESTMENT SECURITIES				
Unlisted shares at cost				
• Controlled entities	**-**	-	**2,475**	3,475
• Available-for-sale investment securities	**1,494**	1,494	**1,494**	1,494
	1,494	1,494	**3,969**	4,969
Unlisted shares at fair value				
• Available-for-sale investment securities	**12,515**	11,223	**12,515**	11,223
	12,515	11,223	**12,515**	11,223
Total investment securities	**14,009**	12,717	**16,484**	16,192

Available-for-sale investment securities carried at cost are investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured because the information about these companies that would be required to estimate their fair value is not readily available. Available-for-sale investment securities carried at fair value are investments in equity instruments of a company in which the Consolidated Entity acquired additional shares in 2008 from a willing seller in an arms length transaction. The 2008 purchase price applicable to this transaction was applied to the Consolidated Entity's entire holding as the shares' fair value and continues to be the best indicator of fair value.

Investment in controlled entities
All controlled entities are domiciled in Australia.
Investment in controlled entities comprises:

	CONSOLIDATED ENTITY INTEREST	
	2010	2009
Name	**%**	%
Eastwoods Wealth Management Pty Ltd	**100**	100
Eastwoods Accounting and Taxation Pty Ltd	**100**	100
Eastwoods Group Ltd	**100**	100
Eastwoods Finance Brokers Pty Ltd	**100**	100
UCU Services Pty Ltd	**-**	100
CPS Waymouth Pty Ltd	**100**	100
Community CPS Foundation Ltd	**100**	100
Adelaide and Region Community Support Fund	**100**	100
Canberra and Region Community Support Fund	**100**	100
Perth and Region Community Support Fund	**100**	100
Newcastle and Hunter Region Community Support Fund	**100**	-
Adelaide and Region Community Deductible Gift Recipient Fund	**100**	100
Canberra and Region Community Deductible Gift Recipient Fund	**100**	100
Perth and Region Community Deductible Gift Recipient Fund	**100**	100
Newcastle and Hunter Region Community Deductible Gift Recipient Fund	**100**	-
Community CPS Foundation Master Support Fund	**100**	-
Community CPS Foundation Master DGR Fund	**100**	-
Jasper Warehouse Trust	**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 Ltd. Community CPS Foundation Ltd is a public company limited by guarantee with the Credit Union being the sole $100 guarantor.

During the financial year ended 30 June 2010, Community CPS Foundation Ltd established four new charitable trusts. The Newcastle and Hunter Region DGR Fund and Newcastle and Hunter Region Support Fund were established to support community causes in the region of the Consolidated Entity's Companion operations. The Community CPS Foundation Master DGR Fund and Community CPS Master Support Fund were established to ultimately consolidate the Consolidated Entity's charitible activities within two charitable trusts.

United entered into a mortgage securitisation program in January 2007, and established the Jasper Warehouse Trust to purchase mortgage loans it originated. The beneficial interest in the Trust is divided into three units, being two capital units and one income unit. The two capital units are divided into two classes, 1 Class A capital unit and 1 Class B capital unit. As a consequence of the transfer of United's business, the Credit Union holds the income unit and Class B capital unit. The beneficial interest of the Class A capital unit is limited to a maximum of $1,000 thereby giving the Credit Union control of the Trust. As a result, the Trust is consolidated as part of the Consolidated Entity.

12 PROPERTY, PLANT AND EQUIPMENT		Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
Consolidated	Note*	$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at 1 July 2008		3,893	8,420	9,766	22,079
Acquisitions through business combinations		-	3,410	2,723	6,133
Additions		10	876	911	1,797
Disposals		-	-	(48)	(48)
Balance at 30 June 2009		3,903	12,706	13,352	29,961
Acquisitions through business combinations		2,742	-	3,527	6,269
Additions		-	297	524	821
Disposals		-	-	(107)	(107)
Balance at 30 June 2010		**6,645**	**13,003**	**17,296**	**36,944**
Accumulated Depreciation					
Balance at 1 July 2008		225	4,574	7,499	12,298
Acquisitions through business combinations		-	2,167	2,323	4,490
Disposals		-	-	(29)	(29)
Depreciation Expense	3	98	1,609	1,158	2,865
Balance at 30 June 2009		323	8,350	10,951	19,624
Acquisitions through business combinations		457	-	2,786	3,243
Disposals		-	-	(104)	(104)
Depreciation Expense	3	125	1,646	1,233	3,004
Balance at 30 June 2010		**905**	**9,996**	**14,866**	**25,767**
Net Book Value					
As at 30 June 2009		3,580	4,356	2,401	10,337
As at 30 June 2010		**5,740**	**3,007**	**2,430**	**11,177**
Credit Union					
Gross Carrying Amount					
Balance at 1 July 2008		3,893	7,869	9,348	21,110
Acquisitions through business combinations		-	3,410	2,723	6,133
Additions		10	873	909	1,792
Disposals		-	-	(45)	(45)
Balance at 30 June 2009		3,903	12,152	12,935	28,990
Acquisitions through business combinations		2,742	-	3,527	6,269
Additions		-	297	486	783
Disposals		-	-	(107)	(107)
Balance at 30 June 2010		**6,645**	**12,449**	**16,841**	**35,935**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note*	Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
		$'000	$'000	$'000	$'000
Accumulated Depreciation					
Balance at 1 July 2008		225	4,188	7,176	11,589
Acquisitions through business combinations		-	2,167	2,323	4,490
Disposals		-	-	(26)	(26)
Depreciation Expense	3	98	1,535	1,114	2,747
Balance at 30 June 2009		323	7,890	10,587	18,800
Acquisitions through business combinations		457	-	2,786	3,243
Disposals		-	-	(102)	(102)
Depreciation Expense	3	125	1,618	1,193	2,936
Balance at 30 June 2010		**905**	**9,508**	**14,464**	**24,877**
Net Book Value					
As at 30 June 2009		3,580	4,262	2,348	10,190
As at 30 June 2010		**5,740**	**2,941**	**2,377**	**11,058**

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 30 June 2010 by Mr. G. Cummins A.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 Controlled Entity occupying the majority of the building and a sub-lease being in place that valued the property at $4.75m (2009: $4.80m).

Capital expenditure commitments for plant and equipment contracted for but not provided for and payable within one year $Nil (2009: $96,827). There are no capital commitments payable after one year (2009: $Nil).

	Note*	CONSOLIDATED		CREDIT UNION	
		2010	2009	**2010**	2009
		$'000	$'000	**$'000**	$'000
13 INTANGIBLE ASSETS					
Gross Carrying Amount - Capitalised Software					
Balance at beginning of the financial year		**5,932**	2,112	**5,796**	1,976
Acquisitions through business combinations		**728**	3,515	**728**	3,515
Additions		**116**	314	**112**	314
Disposals		**-**	(9)	**-**	(9)
Balance at end of financial year		**6,776**	5,932	**6,636**	5,796
Accumulated Amortisation					
Balance at beginning of the financial year		**5,489**	1,846	**5,376**	1,758
Acquisitions through business combinations		**550**	3,128	**550**	3,128
Disposals		**-**	(5)	**-**	(6)
Amortisation Expense	3	**281**	520	**258**	495
Balance at end of financial year		**6,320**	5,489	**6,184**	5,375
Net Book Value					
Balance at beginning of the financial year		**443**	266	**420**	218
Balance at end of financial year		**456**	443	**452**	421

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
14 GOODWILL				
Balance at beginning of the financial year	**3,355**	3,547	**-**	-
Reduction upon final settlement of a prior year acquisition	**-**	(14)	**-**	-
Impairment adjustment	**-**	(178)	**-**	-
Balance at end of financial year	**3,355**	3,355	**-**	-

Goodwill is associated with the Consolidated Entity's wealth management and accounting and taxation cash-generating units. The recoverable amount of the goodwill in these cash-generating units was based on its value in use; determined by discounting the future cash flows generated from the continuing use of these units based on the following key assumptions:

- Cash flows for the wealth management cash-generating unit are projected based on recent actual operating results, the Board approved budget for the coming Financial year, the Board approved forecast for the subsequent two Financial years and an extrapolated forecast for the following two Financial years (based on medium term growth trends) to provide a five year Cash flow forecast.
- the discount rate applied to the forecast cash-generating unit cash flows was based on the calculated weighted average cost of capital for each corresponding company using current risk free rates and applying applicable market Beta's, equity, small cap and credit premia.

15 DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS				
Interest bearing deposits	**34,747**	5,375	**34,747**	5,375

16 DEPOSITS FROM MEMBERS				
Withdrawable member shares	**811**	753	**811**	753
Deposits from controlled entities at call	**-**	-	**2,077**	1,282
Call deposits	**1,117,660**	1,093,675	**1,117,660**	1,093,674
Term deposits	**1,461,084**	1,114,791	**1,461,096**	1,115,499
	2,579,555	2,209,219	**2,581,644**	2,211,208

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 2010 is 178,251 (2009: 171,658).

(a) 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.

17 TRADE AND OTHER PAYABLES				
Unearned loan fee obligation	**1,024**	827	**1,024**	827
Trade and other creditors	**12,248**	12,279	**12,086**	12,023
	13,272	13,106	**13,110**	12,850

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
18 BORROWINGS				
Subordinated Debt	**5,000**	5,000	**5,000**	5,000
Securitised Loan Funding	**158,164**	112,982	**158,164**	112,982
	163,164	117,982	**163,164**	117,982

The subordinated debt was acquired through the Transfer of Business from United Credit Union Ltd and expires 15 November 2016. Interest is paid quarterly at the prevailing bank bill swap reference rate plus a margin of 225bp.

Securitisation Loan Funding is provided through Waratah Finance Pty Limited ("Waratah Finance") in its capacity as Trustee for the CPS Credit Union Asset Trust. Under the transaction documents for this facility, Waratah Finance acquires residential mortgages originated by the Credit Union. The acquisition of the residential mortgages by Waratah Finance is funded through loans provided by both Waratah Receivables Corporation and Westpac Banking Corporation to Waratah Finance. The Waratah Finance facility expires in May 2011, but can be extended from time to time by mutual consent. Where the facility is not extended, equitable ownership of the residential mortgages will remain with Waratah Finance. 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 at Note 32(c).

19 OTHER FINANCIAL LIABILITIES				
At fair value:				
Interest rate swaps	**6,403**	15,518	**6,403**	15,518

20 PROVISIONS				
Provision for member interest adjustments				
Balance at beginning of financial year	**420**	-	**420**	-
Provisions assumed upon mutual entity merger	**-**	420	**-**	420
Amount settled during the year	**352**	-	**352**	-
Balance at end of financial year	**68**	420	**68**	420

Prior to it transferring its business to the Credit Union, United Credit Union Ltd made provision for expected interest adjustment payments to certain borrowing members as a consequence of disclosure errors in their original loan documents. Settlement of these amounts commenced in April 2010 and is expected to be completed by September 2010.

21 SHARE CAPITAL				
Balance at beginning of financial year	**962**	-	**967**	-
Acquired through business combinations	**2,442**	1006	**2,442**	1011
Redeemed out of profits during the year	**(2,448)**	(44)	**(2,448)**	(44)
Balance at end of financial year	**956**	962	**961**	967

D Class shares are non-cumulative redeemable preference shares with no voting rights additional to those attributable to the holder's member share. The dividend rate is determined by the Board every six months and paid annually. At 30 June 2010, there were 960,500 D Class shares on issue fully paid to $1 per share.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
22 RESERVES				
Asset realisation reserve				
Balance at beginning of financial year	**1,703**	1,703	**1,703**	1,703
Transfer to retained profits	**(1,703)**	-	**(1,703)**	-
Balance at end of financial year	**-**	1,703	**-**	1,703
Asset Revaluation reserve				
Balance at beginning of financial year	**2,962**	2,962	**2,962**	2,962
Balance at end of financial year	**2,962**	2,962	**2,962**	2,962
Redeemed share reserve				
Balance at beginning of financial year	**1,246**	132	**1,246**	132
Acquired through business combinations	**-**	999	**-**	999
Transfer from retained profits on share redemption	**57**	115	**57**	115
Balance at end of financial year	**1,303**	1,246	**1,303**	1,246
General reserve for credit losses				
Balance at beginning of financial year	**5,726**	2,519	**5,726**	2,519
Acquired through business combinations	**494**	1,517	**494**	1,517
Transfer (to)/from retained profits	**(551)**	1,690	**(551)**	1,690
Balance at end of financial year	**5,669**	5,726	**5,669**	5,726
Transfer of business reserve				
Balance at beginning of financial year	**75,665**	39,313	**75,665**	39,313
Acquired through business combinations	**20,552**	37,066	**20,552**	37,066
Costs directly attributable to business combination	**-**	(714)	**-**	(714)
Balance at end of financial year	**96,217**	75,665	**96,217**	75,665
Total Reserves	**106,151**	87,302	**106,151**	87,302

Asset revaluation and realisation reserves

Upward (or subsequent downward) adjustments to the carrying value of assets are recorded in the asset revaluation reserve. With the exception of Available For Sale financial assets, 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 share reserve

The redeemed share reserve is used to redeem redeemable preference shares out of profit upon a member redeeming a D Class Share or 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.

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
23 RETAINED EARNINGS				
Balance at beginning of financial year	**102,781**	100,473	**100,374**	98,495
Transfer from/(to) general reserve for credit losses	**551**	(1,690)	**551**	(1,690)
Transfer to redeemed member share reserve	**(57)**	(115)	**(57)**	(115)
Transfer from Asset Realisation Reserve	**1,703**	-	**1,703**	-
Acquired through business combinations	**-**	86	**-**	-
Net Profit attributable to members	**22,353**	4,089	**21,451**	3,746
Dividends declared	**(64)**	(62)	**(64)**	(62)
Balance at end of financial year	**127,267**	102,781	**123,958**	100,374

24 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of profit to net cash flows from operating activities:				
Profit for the period	**22,353**	4,089	**21,451**	3,747
Impairment losses	**1,122**	1,322	**1,159**	1,124
Depreciation and amortisation of non current assets	**3,285**	3,385	**3,193**	3,242
Business combination costs classified as cash flows from investing activities	**371**	3,876	**371**	3,876
Realisation of discount on repayment of capital instrument	**58**	-	**58**	-
Net (Gain) / Loss on sale of plant and equipment	**(10)**	13	**(10)**	13
Changes in assets and liabilities				
(Increase) / Decrease in net loans, advances and other receivables	**(252,686)**	(64,184)	**(252,686)**	(64,385)
Decrease / (Increase) in placements with other financial institutions	**11,322**	(31,241)	**11,229**	(31,151)
(Increase) / Decrease in interest receivable	**(1,499)**	(1,255)	**(1,499)**	(1,255)
(Increase) / Decrease in prepayments and other receivables	**(2,675)**	6,174	**(3,045)**	6,313
(Increase) / Decrease in other financial assets	**(3,137)**	4,257	**(3,137)**	4,257
Decrease / (Increase) in deferred tax assets	**2,317**	(4,993)	**2,348**	(4,882)
Increase / (Decrease) in deposits from members	**150,498**	199,499	**151,597**	200,247
Increase / (Decrease) in other borrowings	**41,722**	(123,689)	**41,371**	(121,268)
(Decrease) / Increase in provisions	**(352)**	-	**-**	-
Increase / (Decrease) in deposits from other financial institutions	**15,372**	1,810	**15,372**	1,810
Increase / (Decrease) in interest payable	**3,009**	(3,656)	**3,009**	(3,656)
(Decrease) / Increase in employee entitlements	**(389)**	928	**(495)**	828
Increase / (Decrease) in current tax liability	**6,569**	(5,672)	**6,485**	(5,536)
(Decrease) / Increase in deferred tax liability	**(1,474)**	2,727	**(1,478)**	2,725
(Decrease) / Increase in other creditors	**(1,465)**	(4,695)	**(1,370)**	(4,735)
Net cash from operating activities	**(5,689)**	(11,305)	**(6,077)**	(8,686)

NOTES TO THE FINANCIAL STATEMENTS

24 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of cash and cash equivalents

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

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

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents (Note 5)	**11,907**	14,708	**11,907**	14,720
Closing cash balance	**11,907**	14,708	**11,907**	14,720

(c) Cashflows presented on a net basis

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

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

(d) Financing facilities

The Credit Union has access to the following financing facilities with Cuscal Ltd and Waratah Finance Pty Ltd.

Overdraft facility - Cuscal Ltd				
Approved limit (committed)	**15,000**	10,000	**15,000**	10,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**15,000**	10,000	**15,000**	10,000
Loan securitisation funding - Waratah Finance Pty Ltd				
Approved limit (uncommitted)	**175,000**	125,000	**175,000**	125,000
Balance at end of financial year	**158,164**	112,982	**158,164**	112,982
Unused credit at end of financial year	**16,836**	12,018	**16,836**	12,018
Standby facilities - Cuscal Ltd				
Approved limit (committed)	**15,000**	500	**15,000**	500
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**15,000**	500	**15,000**	500

The Cuscal standby facility has an approved limit of $15,000,000 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.

All facilities are reviewed annually and therefore contractually mature within 1 year. The securitisation funding line with Waratah Finance Pty Ltd expires in May 2011 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.

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
25 OPERATING LEASES				
Non-cancellable operating lease payments				
Less than 1 year	**5,559**	5,654	**5,207**	5,310
Between 1 and 5 years	**12,440**	15,114	**11,590**	13,831
Beyond 5 years	**260**	2,090	**260**	2,090
	18,259	22,858	**17,057**	21,231
Non-cancellable operating lease commitments receivable				
Less than 1 year	**111**	110	**143**	142
Between 1 and 5 years	**117**	246	**380**	383
Beyond 5 years	**-**	-	**-**	-
	228	356	**523**	525

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 $5,920,880 (2009 $4,841,762). 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 $151,612 (2009 $116,441). 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 Credit Union has entered into an arrangement with Eastwoods Wealth Management Pty Ltd for occupancy of floor space in its building at Mawson, ACT along with a sub-lease arrangement with an external party for occupancy of leased space for periods of up to 3 years. Rental Income recognised by the Consolidated Entity in the financial year was $147,090 (2009: $99,360).

26 EMPLOYEE BENEFITS				
(a) Employee entitlements				
Provision for employee benefits - current				
• Annual leave	**2,552**	2,180	**2,260**	1,930
• Long service leave - current	**371**	376	**347**	376
	2,923	2,556	**2,607**	2,306
Provision for employee benefits - non current				
• Long service leave - non current	**2,998**	2,957	**2,703**	2,704
Total provision for employee benefits	**5,921**	5,513	**5,310**	5,010
Accrued Staff costs included in other payables (Note 17)	**1,616**	1,068	**1,521**	1,004
Aggregate employee benefit and related on-cost liabilities	**7,537**	6,581	**6,831**	6,012
	No.	No.	**No.**	No.
(b) Number of Full Time Equivalent Employees at year end	**502**	465	**462**	425

NOTES TO THE FINANCIAL STATEMENTS

27 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		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Approved but undrawn loans	**41,170**	42,269	**41,170**	42,269
Approved but undrawn credit limits	**186,149**	184,567	**186,149**	184,567
	227,319	226,836	**227,319**	226,836

28 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.

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.

BT Financial Group

Eastwoods Wealth Management Pty Ltd has an agreement with Asguard Capital Management Ltd to provide administration services to financial planning clients and with Securitor to provide dealer-to-dealer services. Asguard and Securitor are both members of the BT Financial Group.

29 AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors of the Consolidated Entity				
• auditing the financial report	**172**	174	**149**	162
• APRA audit activities	**39**	31	**39**	31
• auditing the AFSL Returns	**8**	8	**5**	5
• other assurance services	**24**	19	**10**	6
• taxation services	**113**	50	**105**	50
	356	282	**308**	294

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.

30 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

S A L Chapman
D A Cloghan
C M Doogan
P Gogarty (from 1 January 2010)
G J Green
B G Hanna
C A Nance
S Nolis (from 25 November 2009)
A M O'Donnell
F H Raymond (vacated office 25 November 2009)
R V Ryan (vacated office 25 November 2009)
H L Webster

Executives

K A Benger (Chief Executive Officer) - retired 12 February 2010
R O Keogh (Chief Executive Officer) - from 12 February 2010 (previously Deputy CEO)

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$	$	**$**	$
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	**1,742,013**	850,430	**1,742,013**	850,430
Post employment benefits	**147,433**	487,281	**147,433**	487,281
Termination benefits	**504,080**	-	**504,080**	-
	2,393,526	1,337,711	**2,393,526**	1,337,711

The key management personnel compensation detailed above is included in staff costs (Note 3).

Other transactions with key management personnel - financial instruments				
Loans to key management personnel				
Loans and overdrafts outstanding	**5,885,389**	3,898,205	**5,885,389**	3,898,205

Loans totalling $1,769,986 (2009: $1,338,292) were made to key management personnel during the year.

During the year key management personnel repaid $1,428,772 (2009: $658,865) 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 $217,198 (2009: $249,910).

Deposits from key management personnel				
Deposit balances	**6,395,336**	2,602,642	**6,395,290**	2,602,642

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.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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.

31 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 11 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 11.

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Notes 6 and 16 to the financial statements.

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

- net changes in amounts payable/receivable to/from Eastwoods Wealth Management Pty Ltd -$672,800 (2009: -$20,951), Eastwoods Accounting & Taxation Pty Ltd -$149,663 (2009: -$5,360) and Eastwoods Finance Brokers Pty Ltd $2,057 (2009: $NIL);
- interest charged on receivables during the year from Eastwoods Wealth Management Pty Ltd $NIL (2009: $NIL), Eastwoods Accounting & Taxation Pty Ltd $27,988 (2009: $41,275) and Eastwoods Finance Brokers Pty Ltd $NIL (2009: $NIL);
- the Credit Union provides administrative support to its controlled entities across a range of services, including accounts payable processing, marketing support, property maintenance, Information Technology etc. The extent of this support is not material to the Credit Union and no charges are levied for their provision;
- the Credit Union made donations totalling $542,038 (2009:$98,666) to the Adelaide and Region Community Support Fund, Canberra and Region Community Support Fund and Perth and Region Community Support Fund, and
- a management fee of $57,869 (2009:$37,521) was charged by Eastwoods Group Ltd to Eastwoods Wealth Management Pty Ltd and Eastwoods Accounting and Taxation Pty Ltd (half each) for management services provided.

32 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.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(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, as approved by the Board. Compliance with policies is reviewed by the risk management structure in place on a continuous basis, as discussed under Note 32(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 liabilities 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 all APRA liquidity requirements throughout the year.

	CONSOLIDATED	
	2010	2009
	%	%
Liquidity holdings	**13.49**	14.54

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk management (continued)

An analysis of residual contractual maturities of the Consolidated Entity's financial assets and liabilities is set out below. Actual expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

Financial Instruments	< 1 mth	1 - 3 mths	3 mths - 1 yr	1 - 5 yrs	> 5 yrs	No maturity specified	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
i) Financial assets - 2010							
Cash	-	-	-	-	-	13,329	13,329
Deposits at call	(1,422)	-	-	-	-	-	(1,422)
Prepayments and other receivables	-	-	-	-	-	5,369	5,369
Placements with other financial institutions	160,650	72,492	128,382	-	-	-	361,524
Loans and advances to members	212,039	15,061	51,949	356,579	1,996,802	-	2,632,430
Investment securities	-	-	-	-	-	14,009	14,009
Total financial assets	371,267	87,553	180,331	356,579	1,996,802	32,707	3,025,239
ii) Financial liabilities - 2010							
Deposits from other financial institutions	13,266	21,481	-	-	-	-	34,747
Deposits from members	1,118,466	757,622	660,929	42,538	-	-	2,579,555
Other payables	-	-	-	-	-	13,272	13,272
Borrowings	-	-	-	5,000	158,164	-	163,164
Other financial liabilities	42	295	1,956	4,110	-	-	6,403
Total financial liabilities	1,131,774	779,398	662,885	51,648	158,164	13,272	2,797,141
Commitments to extend credit	227,320	-	-	-	-	-	227,320
i) Financial assets - 2009							
Cash	-	-	-	-	-	11,334	11,334
Deposits at call	3,374	-	-	-	-	-	3,374
Prepayments and other receivables	-	-	-	-	-	1,890	1,890
Placements with other financial institutions	175,111	77,922	69,000	15,000	-	-	337,033
Loans and advances to members	199,944	18,723	50,172	291,559	1,612,037	-	2,172,435
Investment securities	-	-	-	-	-	12,717	12,717
Total financial assets	378,429	96,645	119,172	306,559	1,612,037	25,941	2,538,783
ii) Financial liabilities - 2009							
Deposits from other financial institutions	4,000	-	1,000	-	-	375	5,375
Deposits from members	1,094,427	793,860	279,815	41,117	-	-	2,209,219
Other payables	-	-	-	-	-	13,106	13,108
Borrowings	-	-	-	5,000	112,982	-	117,982
Other financial liabilities	-	61	2,387	13,070	-	-	15,518
Total financial liabilities	1,098,427	793,921	283,202	59,187	112,982	13,481	2,361,200
Commitments to extend credit	226,836	-	-	-	-	-	226,836

32 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 review of 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, Western Australia and the Australian Capital Territory. Credit risk in loans receivable is managed through both up-front and ongoing risk assessment processes 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 investment securities, and no such collateral was held at 30 June 2010 or 2009.

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

	CONSOLIDATED			
	Loans and advances to members		Placements with other financial institutions	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Exposure to credit risk				
Carrying amount				
Individually impaired				
• Mortgage secured	**2,634**	3,517	**-**	-
• Other loans	**631**	630	**-**	-
Gross amount	**3,265**	4,147	**-**	-
Less: Allowance for impairment	**689**	767	**-**	-
Carrying amount	**2,576**	3,380	**-**	-
Collectively impaired:				
• Mortgage secured	**7,652**	2,737	**-**	-
• Other loans	**2,050**	1,655	**-**	-
• Overdrawn and overlimit savings	**6,656**	5,825	**-**	-
Gross amount	**16,358**	10,217	**-**	-
Less: Allowance for impairment	**966**	925	**-**	-
Carrying amount	**15,392**	9,292	**-**	-
Past due but not impaired				
• less than 30 days	**41,446**	26,181	**-**	-
• 30 days +	**-**	-	**-**	-
Carrying amount	**41,446**	26,181	**-**	-
Neither past due nor impaired				
Carrying amount	**2,571,361**	2,131,890	**361,524**	337,033
Total carrying amount	**2,630,775**	2,170,743	**361,524**	337,033

32 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 2010 the return was 10.5% percent (2009: 2.5%). 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 33 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 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 32(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.

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:

32 FINANCIAL INSTRUMENTS (CONTINUED)
(h) Interest rate risk management (continued)

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 - 2010										
Cash	-	-	-	-	-	-	-	13,329	13,329	n/a
Deposits at call	(1,422)	-	-	-	-	-	-	-	(1,422)	n/a
Prepayments and other receivables	-	-	-	-	-	-	-	5,369	5,369	n/a
Placements with other financial institutions	-	356,950	-	-	-	-	-	4,574	361,524	5.41%
Loans and advances to members	1,860,323	346,310	203,988	154,758	37,668	25,124	4,259	-	2,632,430	7.08%
Other financial assets	-	-	-	-	-	-	-	-	-	n/a
Investment securities	-	-	-	-	-	-	-	14,009	14,009	n/a
Total financial assets	1,858,901	703,260	203,988	154,758	37,668	25,124	4,259	37,281	3,025,239	
ii) Financial liabilities - 2010										
Deposits from other financial institutions	-	34,290	-	-	-	-	-	457	34,747	5.98%
Deposits from members	1,117,354	1,399,085	30,799	9,625	543	973	-	21,176	2,579,555	4.49%
Other payables	-	-	-	-	-	-	-	13,272	13,272	n/a
Borrowings	-	163,164	-	-	-	-	-	-	163,164	6.38%
Total financial liabilities	1,117,354	1,596,539	30,799	9,625	543	973	-	34,905	2,790,738	
Interest rate swaps - notional principal	-	112,258	(45,416)	(64,715)	(1,474)	(653)	-	-	-	7.16%
i) Financial assets - 2009										
Cash	-	-	-	-	-	-	-	11,334	11,334	n/a
Deposits at call	3,374	-	-	-	-	-	-	-	3,374	n/a
Prepayments and other receivables	-	-	-	-	-	-	-	1,890	1,890	n/a
Placements with other financial institutions	-	333,890	-	-	-	-	-	3,143	337,033	3.76%
Loans and advances to members	1,445,221	327,864	229,110	96,591	54,740	16,345	2,564	-	2,172,435	5.77%
Investment securities	-	-	-	-	-	-	-	12,717	12,717	n/a
Total financial assets	1,448,595	661,754	229,110	96,591	54,740	16,345	2,564	29,084	2,538,783	
ii) Financial liabilities - 2009										
Deposits from other financial institutions	-	5,000	-	-	-	-	-	375	5,375	8.10%
Deposits from members	1,097,910	1,054,620	29,882	9,817	321	162	-	16,507	2,209,219	3.42%
Other payables	-	-	-	-	-	-	-	13,106	13,106	n/a
Borrowings	-	117,982	-	-	-	-	-	-	117,982	4.05%
Total financial liabilities	1,097,910	1,177,602	29,882	9,817	321	162	-	29,988	2,345,682	
Interest rate swaps - notional principal	-	232,070	(139,613)	(39,581)	(52,772)	(104)	-	-	-	7.05%

32 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Interest rate risk management (continued)

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 entity is exposed.

(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 2010				30 June 2009			
	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	**0.04%**	**-0.01%**	**0.66%**	**-0.53%**	-0.63%	0.66%	-0.73%	0.84%
Maximum for the period	**-0.28%**	**0.31%**	**-0.07%**	**0.21%**	-1.92%	1.97%	-3.44%	3.70%
Minimum for the period	**0.38%**	**-0.35%**	**1.46%**	**-1.37%**	0.04%	-0.04%	0.72%	-0.63%
Net Interest Revenue Sensitivity								
Average for the period	**2.06%**	**-2.03%**	**4.74%**	**-4.61%**	2.43%	-2.42%	5.43%	-5.47%
Maximum for the period	**2.37%**	**-2.33%**	**5.38%**	**-5.24%**	3.71%	-3.69%	8.09%	-8.03%
Minimum for the period	**1.86%**	**-1.83%**	**4.29%**	**-4.17%**	1.81%	-1.79%	4.11%	-4.00%

(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	
	2010	2009	**2010**	2009	**2010**	2009
	%	%	**$'000**	$'000	**$'000**	$'000
Outstanding fixed for floating contracts						
Less than 1 year	**7.27%**	6.84%	**(2,293)**	(2,448)	**168,413**	98,187
1 to 2 years	**6.89%**	7.25%	**(1,284)**	(6,877)	**45,416**	138,613
2 to 5 years	**7.06%**	6.98%	**(2,826)**	(6,193)	**66,841**	98,457
5 years and more			**-**	-	**-**	-
			(6,403)	(15,518)	**280,670**	335,257

	CONSOLIDATED		CREDIT UNION	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
32 FINANCIAL INSTRUMENTS (CONTINUED)				
(j) Interest rate swap contracts (continued)				
Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and assessed as effective fair value hedges. Fair value movements on financial instruments recognised in the Income Statement comprised the following:				
• Net (losses)/gains on effective fair value hedging instruments	**6,182**	(17,999)	**6,182**	(17,999)
• Net gains/(losses) on fair value hedged items	**(5,319)**	17,999	**(5,319)**	17,999
• Total hedge ineffectiveness (including de-designated hedges)	**-**	(2,175)	**-**	(2,175)
• Amortisation of quarantined fair value amounts on de-designated hedged items	**(1,380)**	(132)	**(1,380)**	(132)
• Net gains/(losses) on derivatives not hedge accounted	**3,654**	(1,950)	**3,654**	(1,950)
Total fair value movements recognised in the Income Statement	**3,137**	(4,257)	**3,137**	(4,257)

(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 2010								
Cash and cash equivalents	5	**-**	**-**	**-**	**11,907**	**-**	**11,907**	**11,907**
Prepayments and other receivables	6	**-**	**-**	**-**	**5,369**	**-**	**5,369**	**5,369**
Placements with other financial institutions	7	**-**	**-**	**361,524**	**-**	**-**	**361,524**	**360,490**
Loans and advances to members	8,9	**-**	**-**	**-**	**2,630,775**	**-**	**2,630,775**	**2,655,142**
Investment Securities	11	**14,009**	**-**	**-**	**-**	**-**	**14,009**	**14,009**
Deposits from other financial institutions	15	**-**	**-**	**-**	**-**	**34,747**	**34,747**	**34,193**
Deposit from members	16	**-**	**-**	**-**	**-**	**2,579,555**	**2,579,555**	**2,570,288**
Other payables	17	**-**	**-**	**-**	**-**	**13,272**	**13,272**	**13,272**
Borrowings	18	**-**	**-**	**-**	**-**	**163,164**	**163,164**	**163,164**
Other financial liabilities	19	**-**	**6,403**	**-**	**-**	**-**	**6,403**	**6,403**
30 June 2009								
Cash and cash equivalents	5	-	-	-	14,708	-	14,708	14,708
Prepayments and other receivables	6	-	-	-	1,890	-	1,890	1,890
Placements with other financial institutions	7	-	-	337,033	-	-	337,033	333,981
Loans and advances to members	8,9	-	-	-	2,170,743	-	2,170,743	2,188,794
Investment Securities	11	12,717	-	-	-	-	12,717	12,717
Deposits from other financial institutions	15	-	-	-	-	5,375	5,375	5,389
Deposit from members	16	-	-	-	-	2,209,219	2,209,219	2,204,463
Other payables	17	-	-	-	-	13,106	13,106	13,106
Borrowings	18					117,982	117,982	117,982
Other financial liabilities	19	-	15,518	-	-	-	15,518	15,518

32 FINANCIAL INSTRUMENTS (CONTINUED)

(I) Fair value of financial instruments

The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the Statement of significant accounting policies (Note 1)

Cash and cash equivalents

As the assets are at call the carrying amount equates to fair value.

Other receivables

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

Placements with other financial institutions

The fair values of other deposits are estimated using discounted cash flow analysis, based on current market rates for investments having substantially the same terms and conditions. Bank accepted bills of exchange and bank negotiable certificates of deposit held are not intended to be traded but held until maturity. The fair value of these assets is based on the quoted market price at balance date.

Loans and advances to members

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

Other financial assets

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

Investment Securities

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 ended 30 June 2008 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 determined the fair value for the original shares held and hence a fair value upward adjustment was raised in equity in that year.

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.

	Total carrying amount as per Balance Sheets		Aggregate net fair value	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
32 FINANCIAL INSTRUMENTS (CONTINUED)				
(l) Fair value of financial instruments (continued)				
The aggregate net fair values of financial assets and financial liabilities at the balance date, are as follows:				
i) Financial assets				
Cash and liquid assets	**11,907**	14,708	**11,907**	14,708
Prepayments and other receivables	**5,369**	1,890	**5,369**	1,890
Placements with other financial institutions	**361,524**	337,033	**360,490**	333,981
Loans and advances to members	**2,630,775**	2,170,743	**2,655,142**	2,188,794
Investment securities	**14,009**	12,717	**14,009**	12,717
Total financial assets	**3,023,584**	2,537,091	**3,046,917**	2,552,090
ii) Financial liabilities				
Deposits from other financial institutions	**34,747**	5,375	**34,193**	5,389
Deposits from members	**2,579,555**	2,209,219	**2,570,288**	2,204,463
Other payables	**13,272**	13,106	**13,272**	13,106
Borrowings	**163,164**	117,982	**163,164**	117,982
Other financial liabilities (interest rate swaps)	**6,403**	15,518	**6,403**	15,518
Total financial liabilities	**2,797,141**	2,361,200	**2,787,320**	2,356,458

(m) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities (the Consolidated Entity has no such financial instruments)
- Level 2: inputs other than unquoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 2		Level 3	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
i) Financial assets				
Available-for-sale investment securities	**-**	-	**14,009**	12,717
	-	-	**14,009**	12,717
ii) Financial liabilities				
Other financial liabilities (interest rate swaps)	**6,403**	15,518	**-**	-
	6,403	15,518	**-**	-

	CONSOLIDATED	
	2010	2009
	$'000	$'000
The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:		
Balance at beginning of the financial year	**12,717**	10,639
Acquisitions through business combinations	**1,292**	2,078
Total gains or losses in other comprehensive income	**-**	-
Balance at end of financial year	**14,009**	12,717

Although the Consolidated Entity considers that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value at Level 3. However, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value of Level 3 financial instruments significantly relative to total assets or equity.

	CONSOLIDATED	
	2010	2009
	%	%
33 CAPITAL ADEQUACY		
APRA calculation (minimum 8%)	**16.41**	15.86

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.

34 CONTINGENT LIABILITIES

Credit Union Financial Support System (CUFSS):

The Credit Union is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal 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 $709,104 (2009: $467,628).

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.

35 SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Consolidated Entity's financial statements as at 30 June 2010.

GLOSARY OF TERMS AND ACRONYMS

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 risks associated with our operations.

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.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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), the Equity transferred to Community CPS from another credit union upon merger (Transfer of Business Reserve) and the value of shares redeemed out of retained profits (Redeemed 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

With 46 Personal Financial Centres across the Australian Capital Territory, New South Wales, South Australia and Western Australia there is sure to be a Personal Financial Centre near you. Visit www.communitycps.com.au to find your nearest one.

Eastwoods Wealth Management and Eastwoods Accounting and Taxation

62 The Parade, Norwood SA 5067

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ABN 15 087 651 143
AFSL 237856

Bankers

Cuscal Limited
National Australia Bank Limited

Auditors

KPMG

Solicitors

Langes+
Norman Waterhouse
Kelly & Co
Williams Love & Nicol

Affiliations

Abacus Australian Mutuals
World Council of Credit Unions
Credit Union Financial Support System
Credit Union Foundation Australia