Community CPS Australia

Share the difference

ABN 15 087 651 143

09 ANNUAL REPORT

CONTENTS

2009 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at the Ballroom, Perth Flying Squadron Yacht Club, Esplanade, Dalkeith, Western Australia on Wednesday, 25 November 2009 commencing at 6:00pm (Perth time). 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.

CPS SA was established in 1958 by the Administrative and Clerical Officers Association, one of the main Commonwealth Public Service Unions, and was the second credit union to be established in South Australia. CPS ACT was established in 1960 and was Canberra's largest home-grown financial institution.

In November 2008, the Western Australian based United Credit Union Ltd (United) merged with Community CPS and now carries on business in Western Australia under the registered business name United Community. United was established in 1972 as a financial co-operative providing a real banking alternative to Western Australians.

Community CPS is now one of Australia's largest and most influential credit unions, with more than 170,000 members, 530 employees and managing a combined $2.6 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.

Community CPS, directly or via one of its controlled entities, offers a diverse range of financial services to suit the needs of over 170,000 members including face to face advice and transactions, personal and business banking, a national ATM service, financial planning, tax and accounting, insurance, telephone and internet banking, Bank@Post, BPAY® and foreign exchange services.

Community CPS is an industry leader and in 2008 *Money* Magazine awarded us Credit Union of the Year. We were also recognised with a number of Gold and Bronze awards for individual products.

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 those communities toward better health and education, especially financial literacy. We are also conscious of the legacy we will leave to future generations and are committed to operating in a manner which is environmentally sustainable.

Integrity

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

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

Mutuality

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

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

HIGHLIGHTS

GROWTH MERGER WITH UNITED CREDIT UNION & WESTAX IN WA - MERGER WITH POLISH COMMUNITY CREDIT UNION IN SA - ANNOUNCEMENT OF PLANNED MERGER WITH COMPANION CREDIT UNION IN NSW **AWARDS** AWARDED CREDIT CARD ISSUER OF THE YEAR BY MONEY MAGAZINE AND CAME 2ND IN CREDIT UNION OF THE YEAR - WON CANSTAR CANNEX'S FIRST HOME BUYER AWARD FOR ACT AND SA IN THE NON-BANK CATEGORY **INNOVATION** PARTNERED WITH THE ACT GOVERNMENT TO ASSIST LOW INCOME EARNERS IN ACHIEVING THEIR DREAM OF HOME OWNERSHIP BY OFFERING HOME LOANS FOR HOUSES BUILT ON LAND RENTED FROM THE GOVERNMENT **ACCESS** OPENED A NEW PERSONAL FINANCIAL CENTRE AT MOUNT BARKER, SA - JOINED THE NATIONAL REDIATM NETWORK PROVIDING OUR MEMBERS WITH ACCESS TO MORE THAN 1400 ATMS **TECHNOLOGY** LAUNCHED E-STATEMENTS ENABLING MEMBERS TO VIEW THEIR STATEMENTS THROUGH INTERNET BANKING - MASTERCARD CHIP TECHNOLOGY INTRODUCED TO PROVIDE GREATER SECURITY AGAINST CARD FRAUD - INTRODUCED SECURE SMS SECURITY IN INTERNET BANKING **NEW PRODUCTS AND SERVICES FOR UNITED COMMUNITY** LIFESTYLE REWARDS PROGRAM - LIFE MEMBERSHIP AND PINNACLE +PLUS - MASTERCARD - LAUNCH OF THE WA FUND OF THE FOUNDATION

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

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

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

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

Workplace

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

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

We have introduced a number of parental benefits for our staff, including eight weeks of paid maternity leave, which has resulted in many mothers taking up the option to return to their jobs on a permanent part-time basis later on.

All staff members on parental leave receive our weekly newsletter to ensure they still feel that they are part of the team, and once a quarter we invite them to come in to interact with the business, to learn about changes, new initiatives and listen to presentations from the executive team.

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

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

Environmental Sustainability

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

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

Since July 2008, our Environmental Management System Project Team has developed a detailed Environmental Management Plan which outlines our approach to reduce and maintain our environmental footprint, as well as reduce our operating costs. A number of initiatives have been implemented in the areas of energy, water, waste and travel.

We have made small changes such as turning off lights and equipment when not in use, undertaking water audits to identify problems and rectify them, reducing the number of flights taken by staff and offsetting the flights that are required. These initiatives have allowed us to make changes to our operations that have resulted in a positive effect on our environmental impact.

Protecting our environment is a major focus for the Community CPS Australia Group. We will continue to work hard to become more environmentally sustainable in the coming years by exploring further initiatives that will allow us to make ongoing emission and cost reductions to our business.

Community

We think it is vital that we are in touch with the communities we work in, that we connect with them and enrich them.

For us, community support takes on many different forms. We raise funds through various activities, support local sporting clubs, sponsor community events and engage with local communities.

During the last financial year, our sponsorship program has supported more than 40 organisations and events, including the Canberra Times Fun Run, Carbon Neutral and we were one of the major sponsors of the Credit Union Christmas Pageant that captivated Adelaide in November.

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

All permanent staff members 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, either environmentally, economically or socially.

Since the Community Leave program was introduced in July 2007, more than 74 staff have used this day to give back to their community, donating more than 470 hours to worthy causes.

Thanks to the tireless efforts of our staff, we are able to hold various fundraising activities throughout the year to donate much-needed funds to charities and community organisations that make a difference to the lives of many.

This year we introduced 'Charity of Choice' for our Casual for our Community Days whereby the staff of each Personal Financial Centre and Head Office were able to choose a local charity to support. Our 'Charity of Choice' Casual for our Community Days raised more than $37,000 for numerous local charities including: Autism Asperger, Mental Health Foundation, Batemans Bay Hospital Auxiliary, Meals on Wheels, Fred Hollows Foundation, RSPCA, Fred's Van, North Haven Volunteer Coastguard, Guide Dog Foundation, Country Fire Service, Jack Young Centre, Modbury Special School, McGrath Foundation, Heart Kids and Helping Hands Nursing Home.

Additional donations of $30,000 were provided to 30 charities and community organisations, including Sids and Kids, Diabetes Australia, SA Fauna Rescue and the Credit Union Foundation of Australia.

Through our Advocacy Program a donation of $20 is provided each time a member advocates our services to a new member. As a result we raised $20,000 for St John Ambulance.

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

This year the Foundation has contributed over $110,000 to seven charities and community organisations, including the Royal District Nursing Service in SA, Newborn Intensive Care Foundation in ACT and the Women and Infants Research Foundation in WA.

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

Through our Workplace Giving Scheme there are currently 79 staff contributing to the Foundation resulting in a total donation of $7,820 over the year.

In January 2009, the Foundation launched a new fundraising appeal to support the Newborn Intensive Care Foundation in ACT. The purpose of the appeal was to raise $180,000 to purchase a second mobile humidicrib for the Newborn Intensive Care Unit at Canberra Hospital to transport critically ill babies.

The support from our staff, members and the local community enabled us to achieve our goal of raising $180,000 and the humidicrib has been ordered for the Hospital.

We would like to thank our generous supporters of this fundraising appeal: Bytes and Colours, Deadline Media, Mix 106.3, Showpony Advertising and Win TV.

We have also commenced fundraising appeals for the Royal District Nursing Service (RDNS) in SA and the Women and Infants Research Foundation (WIRF) in WA. Through support from our members and the public we hope to provide funding for the RDNS Breathing Space Program and purchase a Jet Ventilator for the WIRF.

We would like to acknowledge Travelex for their ongoing support of the Foundation through their passport promotion, as well as the support of Retired Governor General, Major General Michael Jeffery, AC, AO (Mil), CVO, MC (Retd) for continuing his role as Patron in Chief of the Community CPS Foundation.

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Gary Green - Chairman

Kevin Benger - Chief Executive Officer

Amid a global climate of economic uncertainty and a very sudden deterioration in the Australian financial markets, we are pleased to report that Community CPS Australia has weathered the storm during 2008/09 and the underlying business performed strongly during these unprecedented times.

We report that underlying earnings of $8.7 million were achieved before a number of accounting adjustments relating to recent mergers and fixed interest rate hedging impacts.

After these entries we reported a net profit after tax of $4 million, which was pleasing given the extreme challenges faced by all financial institutions this financial year.

Just as forecasters were predicting interest rates to continue to rise, the Reserve Bank undertook a series of interest rate cuts, culminating in an overall reduction of 4.25 per cent in a very short timeframe. The dramatic change was necessary to respond to what is now commonly referred to as the Global Financial Crisis.

Whilst we were not involved in any of the innovative financial engineering products which eventually unwound, we were impacted by the repricing of the earnings against our assets at the same time as the cost of our liabilities remained high. This had a significant impact on our profit for the year.

It is important to note that our members were the recipients of higher rates on their deposits. We lowered the interest rates on our loans to members in response to market rates but continued to pay higher rates on our deposits to members for a considerable time. Nearly $11 million of lost margin went directly to members.

During these uncertain times we also elected to keep high levels of liquidity and this was later encouraged for all financial institutions as being prudent policy. This excess liquidity, whilst accepted as wise in the circumstances, also came at a cost to the business as it was not possible to achieve a reasonable return on the excess funds.

Whilst profitability was understandably significantly lower compared to last year due to loss of margin, and a decline in non interest income, we have remained nonetheless profitable and the Balance Sheet has been strengthened during a turbulent period which has tested all financial institutions.

The year started with the United Credit Union merger approved with the overwhelming support of members. Shortly afterwards we were approached by Westax Credit Union to be part of the enlarged presence in Western Australia. Whilst there were costs involved in these mergers it is important to note that our assets increased by $800 million and members' reserves were added to by $40 million.

We have welcomed two highly experienced directors from United to our Board. Danny Cloghan and Catherine Nance have both worked assiduously and proven to be very valuable contributors to robust Board debate.

Later in the year the Polish Credit Union requested that their members join a much larger and financially secure entity and this merger was approved by their members to commence in May 2009.

These mergers have taken effect with minimal impact on members and the results of many of the promised initiatives are now flowing through to members along with increased lending and profitability.

Our disciplined approach to lending, during times where other entities provided credit with little regard to risk, resulted in very low levels of delinquency and minimal write off of debt. We always consider that it is important that our members can demonstrably afford to repay loans rather than Community CPS looking to recover debt through access to members' assets. Our net loss for the year was $0.6 million.

It is pleasing to note that we continued to build our network with the opening of a branch in Mount Barker in the Adelaide Hills, situated in one of the fastest growing regions in Australia and the results to date have exceeded our expectations. We also continued to refurbish a number of branches including Tuggeranong, Manuka and Civic in ACT.

We were recognised for our products and services, being a finalist in the Credit Union of the Year and awarded Credit Card Issuer of the Year by *Money* Magazine. These award winning products and services were introduced to the Western Australian market following the completion of the merger with United.

Our continuing search for excellence and the ongoing demands of the mergers has proven again that we have staff that members and our Board are extremely proud of. They accept all challenges with great enthusiasm and dedication.

We were one of the remaining financial institutions to persevere with the affordable housing concept being proposed by the ACT Government and were delighted that this initiative has come to fruition. The social responsibility of assisting members with their housing needs in a financially prudent manner reflects our commitment to mutuality and to working with governments to meet community needs.

It is expected that this innovative approach to assisting people with housing at affordable levels will be utilised in other parts of Australia.

The launch of the Western Australian Funds of the Community CPS Foundation was a great success with a $25,000 donation towards the purchase of a much needed jet ventilator for pre-term infants at the King Edward Memorial Hospital.

We are proud to be associated with the campaign for this equipment and the people dedicated to the task of saving lives through research and use of this vital ventilator. We trust that members will join with us in making these dreams come true.

Our approach to dealing with members and staff has lifted our profile and influence in the credit union industry. We are pleased that Companion Credit Union recently approached us to consider a merger with them. Companion is a highly respected credit union operating in the Hunter Valley region in New South Wales.

The highly competitive and heavily regulated financial services industry is impacting on all credit unions and we are working with the mutual industry representatives to ensure the diversity and values so important to our industry are preserved. It appears that little consideration is given to this unique and important group when government is considering legislative changes to the financial services industry.

This has been a very trying year for our Board and management team. As events unfolded the Board increased the level of monitoring, including the formation of a sub committee to review all aspects of performance to ensure that directors were fully informed and understood every impact of the financial crisis. At the same time directors reviewed our long term strategies to make sure we were prepared for the future.

It has been reassuring that despite the turmoil in the markets, our guiding strategies have enabled us to focus on the strengths of our business, without resorting to making drastic and highly disruptive changes. It is always a temptation to make wholesale changes to the business model during a time of adversity, but these changes come at a great cost, including disruption to members and staff and the impact on the business is felt more when the markets recover.

Members can be confident that our management team has made a significant contribution to minimise costs and protect the interests of members. Many of these benefits will carry over into the next financial year.

We have an exceptionally loyal and dedicated team of employees, who serve our members well and our surveys of member satisfaction remain very high. We recognise the continuing devotion and outstanding work of our staff and we continue to strive to provide a workplace that results in everyone looking forward to coming to work each day.

We believe that our business model is robust, has been tested during trying times and as confidence returns to the community and the economy we are well placed to continue to return great value to our members.

Gary J Green
Chairman

Kevin Benger
Chief Executive Officer

BOARD OF DIRECTORS

Gary Johannes Green - Chairman

Gary Green was elected Chairman of Community CPS in December 2007. He was Chairman of CPS Credit Union Co-operative (ACT) Ltd and helped facilitate the successful merger with CPS Credit Union (SA) in 2006 to form Community CPS Australia Limited. Gary is a marketing and IT specialist with extensive practical business experience including over 19 years in radio and television industries in Australia and England. He established Green Advertising in 1980, which grew to be one of the largest advertising agencies in the ACT. He was the founder of the Mac 1 Group, which is the third largest Apple Computer reseller in Australia, with stores in Canberra, Brisbane, Sydney, Newcastle, Wollongong and Armidale. Gary is a Fellow of the Australasian Mutuals Institute and a Fellow of the Australian Institute of Company Directors. He is a member of the Board Governance Committee and is also a Director of Eastwoods Wealth Management Pty Ltd, Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Group Pty Ltd and CPS Waymouth Pty Ltd. He is now semi-retired and his focus is the profitable growth of Community CPS Australia.

Christopher Matthew Doogan, AM - Deputy Chairman

Chris Doogan joined the CPS Credit Union Co-operative (ACT) Ltd Board in 1993 and was elected Deputy Chairman of Community CPS in 2007. He is also a Director of the Centre for Customs and Excise Studies, an Adjunct Professor of Law, the Principal Member of the Commonwealth Statutory Fishing Rights Allocation Review Panel, a retained consultant to Medibank Private Limited and an ad hoc consultant to federal government agencies. 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. He is a former Director of Community CPS Foundation Limited, the former Chairman of a mutual health insurance company, Australian Health Management Group Limited, the former Chairman of Law Courts Limited (a company owned by the Commonwealth of Australia and the State of New South Wales) and was formerly the Chief Executive and Principal Registrar of the High Court of Australia. Chris is a member of the Board Governance Committee and Chairman of the Nomination Committee.

Stephanie Ann Chapman - Director

Stephanie Chapman joined the CPS Credit Union Co-operative (ACT) Ltd Board in 1998. She has had more than 12 years experience as a company director. Stephanie has held senior management positions in the ACT Government Service as Dean of the Faculty of Management and Business Studies at the Canberra Institute of Technology (CIT) and Managing Director of CIT Solutions. She has an economics degree from the University of Sydney, a Graduate Diploma of Education from Sydney Teachers College and is a Fellow of the ACT Branch of the Australian Institute of Management and a member of the Australasian Mutuals Institute. Stephanie is a member of the Board Audit and Finance Committee.

Daniel Joseph Cloghan – Director

Danny Cloghan has been a Director of Community CPS 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 Ltd, and a member of the Board Risk Committee and Nomination Committee. He is a Board member of the Australasian Mutuals Institute. Danny is the Executive Director Finance and Corporate in the WA Department of Health. Prior to this appointment, Danny was 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 Diploma in Public Administration. Danny is a Graduate of the Australian Institute of Company Directors and a Fellow of the Australasian Mutuals Institute.

Barry George Hanna - Director

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

Catherine Anne Nance – Director

Catherine Nance was a Director of United Credit Union Limited for 10 years prior to its merger with Community CPS Australia in November 2008. 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 Chairman of the Board Governance Committee.

Anne Maree O'Donnell - Director

Anne O'Donnell joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. She has worked in the financial sector for 29 years and held directorships in the superannuation and the not-for-profit sectors during this period. Anne is the CEO and Managing Director of Australian Ethical Investments Ltd, an ASX listed fund manager based in Canberra. 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 Chairman of the Board Risk Committee.

BOARD OF DIRECTORS

Frances Helen Raymond – Director

Fran Raymond joined the CPS Credit Union Co-operative (ACT) Ltd Board in 2004. She is a member of the Institute of Chartered Accountants in Australia, the Australasian Mutuals Institute, the Australian Institute of Company Directors (AICD) and is a member of the ACT AICD Council. Fran has worked within the public and private sectors in Australia and internationally. Fran is currently Chief Finance Officer for the National Health and Medical Research Council. Previously she has held the roles as CFO for the Department of Prime Minister and Cabinet, Crimtrac and IP Australia. She is currently Deputy Chair of the Management Committee for Pegasus Riding for the Disabled (ACT). Fran is Chairman of the Board Audit and Finance Committee.

Richard Vincent Ryan, AO - Director

Richard Ryan joined the CPS Credit Union (SA) Ltd Board in 2003 and is a Fellow of the Institute of Chartered Accountants in Australia, and a Companion of the Institution of Engineers, Australia. He is a Director of the Adelaide Festival Corporation, and Chairman of both Editure Ltd and Lincoln Minerals Ltd. Richard is Chancellor of Charles Darwin University. He is also a Member of the Australasian Mutuals Institute, Chairman of Eastwoods Group Pty Ltd and a Director of Community CPS Foundation Ltd, Eastwoods Wealth Management Pty Ltd and Eastwoods Accounting and Taxation Pty Ltd. Richard is a member of the Board Audit and Finance Committee.

Heather Louise Webster - Director

Heather Webster joined the CPS Credit Union (SA) Ltd Board in 2003 and currently serves as a member of the Board Risk Committee and is Chairman of Community CPS Foundation Ltd. Heather brings broad experience in public service and business to Community CPS. Heather served for 11 years as Executive Director, Passenger Transport Division, Department of Transport, Energy and Infrastructure for the South Australian Government and before that worked for CSIRO. Heather maintains an interest in public transport where she serves as Deputy Chair for Australia and New Zealand of the International Public Transport Association and is a member of the International Policy and executive boards. She was the first Australian and first woman to be elected to this international body. She is a Fellow of the Australian Institute of Company Directors and councillor for South Australia. She has a Master of Business Administration, and degrees in science and librarianship and is a Member of the Australasian Mutuals Institute.

EXECUTIVE TEAM

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

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

Robert Keogh - Deputy Chief Executive Officer
Robert Keogh joined CPS Credit Union Co-operative (ACT) Ltd in 1979. Robert has extensive experience in business, financial services, auditing, accounting and finance. He is responsible for implementing key parts of strategy and operations of the Credit Union including distribution, marketing and brand, human resources, member relationships, small business and insurance. Robert holds a Bachelor of Business (Banking and Finance) and a Certificate in Accounting and is a Member of the National Institute of Accountants, Australian Institute of Company Directors and Fellow of the Australian Institute of Management. He is also a Director of Community CPS Foundation Ltd, Eastwoods Group Pty Ltd and Eastwoods Finance Brokers Pty Ltd.

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

EXECUTIVE TEAM

Wayne Matters - Chief Financial Officer

Wayne Matters joined CPS Credit Union (SA) Ltd in 2001 and leads a number of our corporate support functions, being our Member Contact Centre, finance, information technology, treasury, access, process team and the project office. He has 25 years experience in finance, treasury, risk management and administration. Wayne holds a Bachelor of Arts in Accounting and a Graduate Certificate in Business Administration. He is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Australian Institute of Company Directors and a Member of the Australasian Mutuals Institute. Wayne is also a director of Data Action Pty Ltd.

Ross Norgate – General Manager Operations

Ross Norgate joined Community CPS Credit Union Co-operative (ACT) Ltd in 1993. Ross has 33 years experience in financial institutions, public administration and teaching. He is responsible for credit assessment, lending administration, credit control, membership services and property and facilities.

Ross is a Fellow Certified Practising Accountant and holds a First Class Honours Degree in Accounting, Finance and Systems from the University of NSW.

Tim White - General Manager Eastwoods Group

Tim White joined CPS Credit Union (SA) Ltd in 1992. Eastwoods is the 'professional services' arm of Community CPS, providing accounting, taxation, personal and business risk insurance, mortgage broking and financial planning services to our members, business clients and private investors. He has over 37 years experience in all areas of banking, finance, financial planning, accounting and administration. Tim is a Certified Financial Planner, Fellow Professional National Accountant, and a Fellow of the Financial Services Institute of Australasia, Australian Institute of Company Directors and the Financial Planning Association.

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

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

To ensure high standards are maintained, the Board's conduct and processes are guided by the Community CPS 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: 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 - Former director of CPS Credit Union Co-operative (ACT) Ltd
Stephanie Chapman	2006 - Former director of CPS Credit Union Co-operative (ACT) Ltd
Daniel Cloghan	2008 - Former director of United Credit Union Ltd
Christopher Doogan (Deputy Chairman)	2006 - Former director of CPS Credit Union Co-operative (ACT) Ltd
Barry Hanna	2001
Catherine Nance	2008 - Former director of United Credit Union Ltd
Anne O'Donnell	2006 - Former director of CPS Credit Union Co-operative (ACT) Ltd
Frances Raymond	2006 - Former director of CPS Credit Union Co-operative (ACT) Ltd
Richard Ryan	2003
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 normally meets at least 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 one committee established by the Board.

Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. With the exception of the Nomination Committee membership of each committee comprises appropriate directors plus, by invitation, the Chief Executive Officer and the Deputy Chief Executive Officer attend committee meetings. At least two members of the Nomination Committee must be persons who are independent of 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. Two members are qualified accountants. Committee members' experience includes the banking industry, government services and public accounting. All members of this Committee maintain the currency of their knowledge through membership of professional bodies.

The members of the Committee during the year were:

Chairman	F H Raymond
Members	S A Chapman
	B G Hanna (to 20 December)
	R V Ryan (appointed 20 December)
Secretary	D Vittorio

4.2 Board Governance Committee

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

Corporate governance provides the structure through which 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 functions of the Committee include:

- 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.

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.

Members of this Committee bring experience in fields as diverse as commercial and corporate law, financial and statistical modelling, information technology, broad based business experience and credit union administration. Two 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 (appointed 20 December)
Members	G J Green
	C M Doogan
	B G Hanna (appointed 20 December)
	H L Webster (to 20 December)
Secretary	G Milani

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

CORPORATE GOVERNANCE

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, two members hold post-graduate business qualifications and one member holds post-graduate industrial relations 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
	R V Ryan (to 20 December)
Members	S A Chapman (to 20 December)
	D J Cloghan (appointed 20 December)
	H L Webster (appointed 20 December)
Secretary	P Ipkendanz

4.5 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.

This Committee is well qualified to perform these duties. Between committee members there is substantial combined legal and industrial relations experience. In addition, several members have experience at senior management level.

The members of the Committee during the year were:

Directors	C M Doogan (Chairman)
	D J Cloghan (appointed 20 December)
	G J Green (to 20 December)
	A M O'Donnell (to 20 December)
Independent Persons	J Jeffreys (to 25 June)*
	B M Linn
Secretary	G. Milani

*S Blencowe was appointed on 13 July 2009

5. Other Board Duties

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

Community CPS Foundation Ltd	K A Benger D J Cloghan R O Keogh R V Ryan H L Webster
CPS Waymouth Pty Ltd	G J Green
Eastwoods Group Pty Ltd*	K A Benger G J Green B G Hanna R O Keogh R V Ryan
Eastwoods Wealth Management Pty Ltd	G J Green B G Hanna R V Ryan
Eastwoods Accounting and Taxation Pty Ltd	G J Green B G Hanna R V Ryan
Eastwoods Finance Broking Pty Ltd	K A Benger R O Keogh
U.C.U. Services Pty Ltd	D J Cloghan G J Green S McCloy

* Became a public company on 4/09/2009

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.

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

- The key risks facing 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.

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 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 2009, 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 Secretary

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 Practicing Accountant and a Chartered Secretary being an Associate of the Institute of Chartered Secretaries and Administrators.

Principal activities

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

Significant changes in the state of affairs

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

Review of operations

The consolidated entity had a challenging year of operations in providing financial services to members while completing three mergers with other credit unions. As a result of these mergers and organic business growth, loans under management grew by 57% and deposits from members grew 62% which, together with available liquid reserves, provided the majority of the funding for loan growth.

Profit after tax was $4.089 million, a decrease of 73% when compared with last year's profit after tax, and reflects the impacts on our business of the global financial and economic crises, costs associated with the three completed mergers and mark-to-market accounting adjustments. A reconciliation of reported profit to underlying profit is set out in the following table.

Dividends

The Credit Union acquired D Class preference shares from United Credit Union through its merger with that company during the year. Dividends totalling $62,416 (fully franked) have been declared on these D Class shares, payable 30 September 2009. During the year no dividend was paid and, other than in the respect of D Class shares, no provision has been made for dividends. In the statutory report of the directors for the previous financial year, no amount was provided or recommended.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity in the financial year ending after 30 June 2009.

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 per Income Statement	**$4.861m**	**-$0.772m**	**$4.089m**
Less: Special Cuscal "Visa IPO" dividend	-$1.083m	-	-$1.083m
Add: Fair value adjustment on interest rate swaps	$4.257m	-$1.277m	$2.980m
Business combination costs	$3.876m	-$1.163m	$2.713m
Consolidated Entity Underlying Profit	**$11.911m**	**-$3.212m**	**$8.699m**

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 shown in the table above. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted.

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 24.

	Board Meetings		Board Committee Meetings	
Directors	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Stephanie Ann Chapman	11	11	8	8
Daniel Joseph Cloghan	7	7	2	2
Christopher Matthew Doogan	11	10	5	5
Gary Johannes Green	11	11	5	5
Barry George Hanna	11	10	6	5
Catherine Anne Nance	7	5	2	2
Anne Maree O'Donnell	11	11	4	3
Frances Helen Raymond	11	11	6	6
Richard Vincent Ryan	11	10	6	4
Heather Louise Webster	11	10	4	2

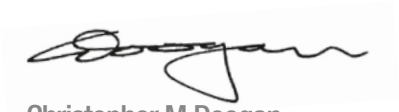
Board Committees

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

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

Details of Board Committees are contained in the Corporate Governance Statement on pages 16-18.

Signed in Canberra this 29th day of August 2009, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.



Christopher M Doogan
Deputy Chairman

Frances H Raymond
Director

FINANCIAL REPORTS
CONTENTS

2009 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at the Ballroom, Perth Flying Squadron Yacht Club, Esplanade, Dalkeith, Western Australia on Wednesday, 25 November 2009 commencing at 6:00pm (Perth time). 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 2009 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

M Hinchliffe

Michelle Hinchliffe
Partner

Adelaide
29th day of August 2009

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 and giving a true and fair view of the Credit Union's and the consolidated entity's financial position as at 30 June 2009 and their performance for the financial year ended on that date.

Signed this 29th day of August 2009, in accordance with a resolution of the Directors, made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors.

Christopher M Doogan
Deputy Chairman

Frances H Raymond
Director

INDEPENDENT AUDIT REPORT

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

Report on the financial report

We have audited the accompanying financial report of Community CPS Australia Limited (the Credit Union), which comprises the Balance Sheets as at 30 June 2009, and the Income Statements, 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 36 and the directors' declaration set out on page 24 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 2009 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

Michelle Hinchliffe
Partner

Adelaide
29th day of August 2009

INCOME STATEMENTS

For the year ended 30 June 2009	Note*	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
Interest revenue	2	**152,073**	121,134	**152,114**	121,188
Interest expense	3	**101,659**	71,538	**101,711**	71,575
Net interest revenue		**50,414**	49,596	**50,340**	49,613
Net fair value adjustment on interest rate swaps	2	**(4,257)**	1,302	**(4,257)**	1,302
Other income	2	**27,815**	22,297	**22,427**	16,496
Total operating income		**73,972**	73,195	**68,573**	67,411
Impairment losses	3	**1,322**	657	**1,124**	598
Business combination costs	3	**3,876**	-	**3,876**	-
Other expenses	3	**63,913**	51,824	**59,118**	47,115
Profit before income tax expense		**4,861**	20,714	**4,455**	19,698
Income tax expense	4	**772**	5,523	**708**	5,093
Net profit for the period	23	**4,089**	15,191	**3,747**	14,605

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

BALANCE SHEETS

As at 30 June 2009	Note*	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
ASSETS					
Cash and cash equivalents	5	**14,708**	12,445	**14,720**	12,445
Prepayments and other receivables	6	**1,890**	5,907	**1,530**	5,888
Placements with other financial institutions	7	**337,033**	194,083	**336,675**	193,901
Net Loans and advances to members	8,9	**2,170,743**	1,428,020	**2,170,743**	1,428,020
Other financial assets	10	**(15,518)**	6,395	**(15,518)**	6,395
Investment securities	12	**12,717**	10,639	**16,192**	13,114
Property, plant and equipment	13	**10,337**	9,781	**10,190**	9,521
Intangible assets	14	**443**	266	**421**	218
Goodwill	15	**3,355**	3,547	**-**	-
Current tax assets	4	**3,076**	-	**3 ,035**	-
Deferred tax assets	4	**10,510**	4,382	**10,130**	4,113
Total assets		**2,549,294**	1,675,465	**2,548,118**	1,673,615
LIABILITIES					
Deposits from other financial institutions	16	**5,375**	3,566	**5,375**	3,566
Deposits from members	17	**2,209,219**	1,365,885	**2,211,208**	1,366,818
Trade and Other payables	18	**13,106**	12,252	**12,850**	11,950
Borrowings	19	**117,982**	136,008	**117,982**	136,008
Provisions	20	**420**	-	**420**	-
Employee benefits	26	**5,513**	4,202	**5,010**	3,797
Current tax liabilities	4	**-**	2,862	**-**	2,766
Deferred tax liabilities	4	**6,634**	3,588	**6,630**	3,586
Total liabilities		**2,358,249**	1,528,363	**2,359,475**	1,528,491
Net assets		**191,045**	147,102	**188,643**	145,124
EQUITY					
Share Capital	21	**962**	-	**967**	-
Reserves	22	**87,302**	46,629	**87,302**	46,629
Retained earnings	23	**102,781**	100,473	**100,374**	98,495
Total equity		**191,045**	147,102	**188,643**	145,124

*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 2009	Note*	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
Total Equity at the beginning of the period		**147,102**	128,949	**145,124**	127,556
Net income recognised for the period:					
Net income recognised directly in equity		**-**	-	**-**	-
Net profit for the period		**4,089**	15,191	**3,747**	14,605
Total income and expenses recognised for the period		**4,089**	15,191	**3,747**	14,605
Other movements in equity for the period					
Share Capital	21	**962**	-	**967**	-
Retained earnings	23	**(1,781)**	848	**(1,868)**	849
Reserves:					
Asset realisation reserve	22	**-**	-	**-**	-
Asset Revaluation Reserve	22	**-**	2,962	**-**	2,962
Redeemed member share reserve	22	**1,114**	26	**1,114**	26
General reserve for credit losses	22	**3,207**	(874)	**3,207**	(874)
Transfer of business reserve	22	**36,352**	-	**36,352**	-
General reserve	22	**-**	-	**-**	-
Total other movements in equity for the period		**39,854**	2,962	**39,772**	2,963
Total equity		**191,045**	147,102	**188,643**	145,124

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

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2009	Note*	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
Cash flows from operating activities					
Interest received		**150,818**	122,036	**150,860**	122,089
Other non interest income received		**27,719**	22,477	**22,417**	18,932
Interest and other costs of finance paid		**(105,377)**	(67,425)	**(105,429)**	(67,430)
Payments to suppliers and employees		**(56,148)**	(47,680)	**(51,585)**	(45,374)
Net change in settlement clearing accounts		**(1,802)**	6,474	**(1,802)**	6,474
Income tax paid		**(8,710)**	(5,669)	**(8,400)**	(5,349)
Net cash from operating activities	24(a)	**6,500**	30,213	**6,061**	29,342
Cash flows from investing activities					
Net increase in placements with other financial institutions		**(31,241)**	(43,043)	**(31,151)**	(42,944)
Net increase in loans, advances and other receivables		**(64,184)**	(160,434)	**(64,385)**	(160,434)
Repayment of amounts loaned to controlled entities		**-**	-	**27**	416
Payment for other investments		**-**	-	**-**	(175)
Proceeds from return of capital on other investments		**-**	-	**-**	(1,006)
Payment for property, plant and equipment	13	**(1,797)**	(2,307)	**(1,792)**	(2,137)
Proceeds from sale of property, plant and equipment		**10**	12	**8**	12
Payment for intangible assets	14	**(314)**	(169)	**(314)**	(138)
Payments on redemption of share capital		**(49)**	-	**(44)**	-
Payment for expenses directly attributable to business combination and recognised directly in equity		**(4,590)**	-	**(4,590)**	-
Increase in cash balances via business combination	11	**20,408**	-	**17,666**	-
Payment for businesses		**(100)**	(562)	**-**	-
Net cash used in investing activities		**(81,857)**	(206,503)	**(84,575)**	(206,406)
Cash flows from financing activities					
Proceeds from securitisation of loans		**-**	46,215	**-**	-
Net increase in deposits from members		**199,499**	140,839	**200,247**	159,898
Net (decrease)/increase in other borrowings		**(123,689)**	2,614	**(121,268)**	49,629
Net increase/(decrease) in deposits from other financial institutions		**1,810**	-	**1,810**	(19,084)
Net cash from financing activities		**77,620**	189,668	**80,789**	190,443
Net increase in cash and cash equivalents		**2,263**	13,378	**2,275**	13,379
Cash and cash equivalents at the beginning of the financial year		**12,445**	(933)	**12,445**	(934)
Cash and cash equivalents at the end of the financial year	24(b)	**14,708**	12,445	**14,720**	12,445

* 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 2009 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 29 August 2009.

(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 certain 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.

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.

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

- *2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- *2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- *2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- *2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items*
- *2008-9 Amendments to AASB 1049 for Consistency with AASB 101*

(c) New Accounting Standards Not Yet Adopted

The Australian Accounting Standards Board issued AASB 3 Business Combinations for application in financial years beginning on or after 1 July 2007. The Consolidated Entity has elected not to early adopt AASB 3. Consequently, the Consolidated Entity has elected not to early adopt AASB 127, AASB 2008-3, AASB 2008-11 and AASB 2008-13. These standards become mandatory for the Consolidated Entity's 30 June 2010 financial reports.

The Australian Accounting Standards Board has issued:

- *AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments for application in financial years beginning on or after 1 January 2009[§];*
- *AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project for application in financial years beginning on or after 1 July 2009[§];*

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards Not Yet Adopted (continued)

- *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 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17] for application in financial years beginning on or after 1 July 2009§, and*
- *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¤.*

The Consolidated Entity has elected not to early adopt the above standards but they will be mandatory for the Consolidated Entity's 30 June 2010§ and 30 June 2011¤ financial reports.

These standards are not expected to have any material impact on the Consolidated Entity's financial report upon initial application. AASB 3 will be applied prospectively and therefore there will be no impact on prior periods. If early adopted in this financial report, AASB 3 would have required all business combination expenses to have been expensed through the Income Statement ($0.714m taken directly to reserves for the year ended 30 June 2009) and AASB 2009-2 would have required additional disclosures about financial instrument fair value measurements and liquidity risk.

(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

Mergers with other mutual entities are accounted for by recognising the recognised 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 additional costs directly attributable to the merger, is taken directly to equity as a Capital Reserve.

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

(h) Classification of Financial Information

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

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

(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.

(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, and the hedged risk of the hedged item, are recognised in the Income Statement. Hedge accounting is discontinued when the hedge instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss 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

1. Summary of Significant Accounting Policies (continued)

(j) Derivative Financial Instruments (continued)

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 on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(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 Income Statement.

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

(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.

During the financial year ended 30 June 2009, 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.

(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 directly in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. These assets are subject to annual testing as to whether there is objective evidence of impairment (refer note 1(n)). 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

The collectability of loans is assessed on a regular basis and provisions for impaired loans are made in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, Board policy and APRA Prudential Standards. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

Impairment provisions against Loans and Receivables are only raised for "incurred losses" (once objective evidence is obtained that a loss event has occurred) not anticipated future losses.
Loan impairment is calculated as the difference between the carrying amount and the present value of future cash flows discounted at the loan's original effective

1. Summary of Significant Accounting Policies (continued)

(s) Loans and Advances (continued)

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 Income Statement and reported with Impairment Losses. Recovery of loans previously written off is recognised in the Income Statement 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 provision calculated in accordance with Prudential Standard APS 220 and the prescribed provisioning requirements set down in AGN 220.3 and a dynamic arrears-based arrears loss calculation, as described below.

Specific Provision

The specific provision against impaired loans exists to provide for loans that are 120 days or more in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows. The dynamic arrears-based loss provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default.

Collective Provision

The 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 17). 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 30 June 2009. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(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 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Credit Union obtains control and until such time as the Credit Union ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(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.

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

2009	2008
40 years	40 years

Fit-out and leasehold improvements

2009	2008
4 to 5 years	4 to 5 years

Plant and equipment

2009	2008
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 dividend has been declared.

Rendering of services

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

Interest revenue

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

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.

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
2 REVENUE				
Revenue from operations consisted of the following items:				
Interest revenue	**152,073**	121,134	**152,114**	121,188
Fair value adjustment on interest rate swaps	**(4,257)**	1,302	**(4,257)**	1,302
Other income				
Fees and commissions				
- Loan fee income	**4,243**	1,670	**4,243**	1,670
- Securitised loan management fees	**488**	76	**488**	76
- Wealth management income	**2,597**	2,798	**-**	-
- Accounting and taxation income	**2,539**	2,575	**-**	-
- Member fee income	**8,983**	8,022	**8,983**	8,022
- Other fee income	**1,020**	1,137	**1,020**	1,137
- Insurance commissions	**3,176**	3,167	**3,176**	2,792
- Other commissions	**1,949**	1,658	**1,814**	1,614
Income from property	**99**	71	**129**	77
Net gain on disposal of property, plant and equipment	**-**	7	**-**	7
Recovery of loans and advances previously written off	**510**	503	**510**	503
Other	**2,211**	613	**2,064**	598
Total Other income	**27,815**	22,297	**22,427**	16,496
Total revenue	**175,631**	144,733	**170,284**	138,986

3 EXPENSES				
Profit before income tax expense has been arrived at after charging the following expenses:				
Interest Expense	**101,659**	71,538	**101,711**	71,575
Bad debts written off	**1,095**	637	**1,080**	607
Increase in impairment provisions	**49**	(15)	**44**	(9)
Impairment adjustment - Goodwill	**178**	35	**-**	-
Impairment losses	**1,322**	657	**1,124**	598
Business combination costs	**3,876**	-	**3,876**	-
Other expenses				
Depreciation				
- Plant and equipment	**1,158**	928	**1,114**	879
- Building	**98**	97	**98**	97
- Leasehold improvements	**1,609**	1,009	**1,535**	933
	2,865	2,034	**2,747**	1,909
Amortisation				
- Software	**520**	196	**495**	166
Staff costs	**28,251**	22,383	**25,130**	19,328
Contributions to defined contribution superannuation funds	**2,444**	1,979	**2,047**	1,536
Provision for employee entitlements	**1,015**	703	**886**	598

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
3 EXPENSES (CONTINUED)				
General administrative expenses				
- Fee and commission expense	**8,674**	8,215	**8,674**	8,215
- Information technology	**4,601**	3,415	**4,482**	3,296
- Occupancy	**1,880**	1,336	**1,768**	1,270
- Marketing	**2,533**	2,305	**2,479**	2,237
- Printing and Stationery	**636**	578	**566**	498
- Communication	**2,324**	1,604	**2,245**	1,523
Other operating expenses	**3,315**	3,342	**3,064**	3,133
Operating lease rentals	**4,842**	3,733	**4,522**	3,405
Net loss on disposal of property, plant and equipment	**13**	-	**13**	-
Provision for losses associated with HIH Insurance	**-**	1	**-**	1
Total Other expenses	**63,913**	51,824	**59,118**	47,115
Total Non interest expense	**69,111**	52,481	**64,118**	47,713
Total expenses	**170,770**	124,019	**165,829**	119,288

4 INCOME TAXES

(a) Income tax recognised in the income statement

Tax expense comprises:

Current tax expense				
Current year	**2,998**	6,079	**2,831**	5,754
Adjustments recognised in the current year in relation to prior years	**-**	(197)	**-**	(237)
	2,998	5,882	**2,831**	5,517
Deferred tax expense				
Origination and reversal of temporary differences	**(2,226)**	(359)	**(2,123)**	(424)
Total tax expense	**772**	5,523	**708**	5,093
Attributable to:				
Continuing operations	**772**	5,523	**708**	5,093
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows :				
Profit from operations	**4,861**	20,714	**4,455**	19,698
Income tax expense calculated at 30% (2008: 30%)	**1,458**	6,214	**1,336**	5,910
Non deductible expenses	**4,022**	2,408	**3,739**	2,196
Non-assessable income	**(219)**	(808)	**(155)**	(808)
Other deductible expenditure	**(3,185)**	(2,053)	**(3,011)**	(1,897)
Other assessable income	**922**	318	**922**	318
Change in recognised temporary differences	**(2,226)**	(359)	**(2,123)**	(424)
Overprovision for current year	**-**	-	**-**	35
	(686)	(494)	**(628)**	(580)
Under / (Over) provision of income tax in previous year	**-**	(197)	**-**	(237)
Income tax expense	**772**	5,523	**708**	5,093

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
4 INCOME TAXES (CONTINUED)				
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:	**-**	-	**-**	-
(c) Current Tax Balances				
Current Tax Assets comprise:				
Tax refund receivable	**3,076**	-	**3,035**	-
	3,076	-	**3,035**	-
Current Tax Liabilities comprise:				
Income tax payable	**-**	2,862	**-**	2,766
	-	2,862	**-**	2,766
(d) Deferred Tax Balances				
Gross deferred tax assets comprise:				
Other receivables	**236**	191	**213**	174
Net Loans and advances to members	**508**	1,698	**508**	1,698
Other financial assets	**4,655**	-	**4,655**	-
Property, plant and equipment	**1,805**	865	**1,662**	739
Intangible assets	**739**	-	**739**	-
Goodwill	**53**	-	**-**	-
Trade and Other payables	**265**	286	**258**	282
Employee benefits	**1,654**	1,260	**1,502**	1,139
Other	**595**	82	**593**	81
	10,510	4,382	**10,130**	4,113
Gross deferred tax liabilities comprise:				
Prepayments	**1**	1	**-**	1
Net Loans and advances to members	**3,835**	-	**3,835**	-
Other financial assets	**-**	1,859	**-**	1,859
Investment securities	**1,589**	1,270	**1,589**	1,270
Property, plant and equipment	**451**	442	**451**	442
Intangible assets	**758**	16	**755**	14
	6,634	3,588	**6,630**	3,586
Net deferred tax assets	**3,876**	794	**3,500**	527
(e) Franking Credits				
Adjusted franking account balance (tax paid basis)			**40,530**	32,129

5 CASH AND CASH EQUIVALENTS

Cash on hand	**11,334**	6,855	**11,334**	6,855
Deposits at call	**3,374**	5,590	**3,386**	5,590
	14,708	12,445	**14,720**	12,445

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
6 PREPAYMENTS AND OTHER RECEIVABLES				
Prepayments and other receivables	**2,183**	6,544	**1,539**	5,961
Allowance for impairment	**(657)**	(637)	**(580)**	(580)
	1,526	5,907	**959**	5,381
Interest receivable	**364**	-	**91**	-
Amount receivable from controlled entities	**-**	-	**480**	507
	1,890	5,907	**1,530**	5,888
7 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	**114,423**	16,217	**114,423**	16,168
Bank negotiated certificates of deposit and bonds	**221,052**	175,971	**221,052**	175,971
Other deposits	**358**	133	**-**	-
Term deposits	**1,200**	1,762	**1,200**	1,762
	337,033	194,083	**336,675**	193,901
8 NET LOANS AND ADVANCES TO MEMBERS				
Revolving credit loans	**199,944**	142,001	**199,944**	142,001
Term loans	**1,972,491**	1,286,592	**1,972,491**	1,286,592
Gross loans and advances	**2,172,435**	1,428,593	**2,172,435**	1,428,593
Provision for impairment	**(1,692)**	(573)	**(1,692)**	(573)
Net loans and advances	**2,170,743**	1,428,020	**2,170,743**	1,428,020
(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	**1,068,107**	1,038,374	**1,068,107**	1,038,374
- Western Australia	**666,307**	5,241	**666,307**	5,241
- Australian Capital Territory	**318,901**	293,507	**318,901**	293,507
- New South Wales	**65,390**	56,559	**65,390**	56,559
- Other	**53,730**	34,912	**53,730**	34,912
Gross loans and advances	**2,172,435**	1,428,593	**2,172,435**	1,428,593

8 NET LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(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 19 – Borrowings.

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

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 19 – 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.

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
On-Balance sheet securitised loans (Waratah & Jasper)	**112,982**	136,008	**112,982**	136,008
Off-Balance sheet securitised loans (Integris)	**93,322**	13,205	**93,322**	13,205

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	**112**	163	**112**	163
Bad debts written off	**(1,080)**	(607)	**(1,080)**	(607)
Acquired through business combinations	**840**	-	**840**	-
Impaired loan expense	**895**	556	**895**	556
Closing specific provision for impairment	**767**	112	**767**	112
Collective provision for impairment				
Balance at beginning of financial year	**461**	419	**461**	419
Acquired through business combinations	**235**	-	**235**	-
Impaired loan expense	**229**	42	**229**	42
Closing collective provision for impairment	**925**	461	**925**	461
Total provision for impairment	**1,692**	573	**1,692**	573

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
9 IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)				
Past-due loan balances				
With provision for impairment	**14,364**	7,930	**14,364**	7,930
Provision for impairment	**(1,692)**	(573)	**(1,692)**	(573)
Without provision for impairment	**27,631**	21,119	**27,631**	21,119
Net past-due loans	**40,303**	28,476	**40,303**	28,476
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	**34**	28	**34**	28
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**36**	8	**36**	8

10 OTHER FINANCIAL ASSETS

At fair value:				
Interest rate swaps	**(15,518)**	6,395	**(15,518)**	6,395

11 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.

It is not practical to disclose the amount of the transferring entities' profit or loss since their respective acquisition dates, since this is indistinguishable in the Credit Union's accounts. Had these business combinations been effected at 1 July 2008, the revenue of the Consolidated Entity would have been approximately $200.5 million, and net profit after tax approximately $3.4 million.

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Details of business combinations are as follows:				
Consideration				
Cash	**-**	458	**-**	-
Deferred Purchase Consideration	**-**	115	**-**	-
	-	573	**-**	-

11 BUSINESS COMBINATIONS (CONTINUED)

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Fair Value of Net Assets Acquired				
Assets				
Cash and cash equivalents	**20,408**	-	**17,666**	-
Prepayments and other receivables	**2,173**	-	**1,895**	-
Placements with other financial institutions	**110,455**	-	**110,455**	-
Net Loans and advances to members	**662,006**	-	**586,063**	-
Other financial assets	**-**	-	**-**	-
Investment securities	**2,078**	-	**3,078**	-
Property, plant and equipment	**1,639**	-	**1,643**	-
Intangible assets	**387**	-	**387**	-
Goodwill	**-**	-	**-**	-
Current tax assets	**266**	-	**266**	-
Deferred tax assets	**1,135**	-	**1,135**	-
Liabilities				
Deposits from other financial institutions	**17,018**	-	**17,018**	-
Deposits from members	**621,380**	-	**621,688**	-
Trade and Other payables	**14,314**	-	**15,086**	-
Borrowings	**106,460**	-	**27,500**	-
Provisions	**-**	-	**-**	-
Employee benefits	**383**	-	**383**	-
Current tax liabilities	**-**	-	**-**	-
Deferred tax liabilities	**319**	-	**319**	-
Net Assets Acquired	**40,673**	-	**40,594**	-
Equity				
D Class shares	**1,006**	-	**1,011**	-
General reserve for credit losses	**2,517**	-	**2,517**	-
Retained earnings	**37,150**	-	**37,066**	-
Net Assets less Equity Acquired	**-**	-	**-**	-
Goodwill on Acquisition	**-**	573	**-**	-

12 INVESTMENT SECURITIES

Unlisted shares at cost				
- Controlled entities	**-**	-	**3,475**	2,475
- Available-for-sale investment securities	**1,494**	1,494	**1,494**	1,494
	1,494	1,494	**4,969**	3,969
Unlisted shares at fair value				
- Available-for-sale investment securities	**11,233**	9,145	**11,233**	9,145
	11,233	9,145	**11,233**	9,145
Total investment securities	**12,717**	10,639	**16,192**	13,114

12 INVESTMENT SECURITIES (CONTINUED)

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 purchase price applicable to this transaction has been applied to the Consolidated Entity's entire holding as the shares' fair value.

Investment in controlled entities

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

	CONSOLIDATED ENTITY INTEREST	
	2009	2008
Name	**%**	%
Eastwoods Wealth Management Pty Ltd	**100**	100
Eastwoods Accounting and Taxation Pty Ltd	**100**	100
Eastwoods Group Pty 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**	-
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**	-
Jasper Warehouse Trust	**100**	-

Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Finance Brokers Pty Ltd and Eastwoods Wealth Management Pty Ltd are wholly owned by Eastwoods Group Pty Ltd. Community CPS Foundation Ltd is a public company limited by guarantee with the Credit Union being the sole $100 guarantor. UCU Services Pty Ltd was a controlled entity of United Credit Union Ltd ("United") and joined the Consolidated Entity upon the merger of the Credit Union with United on 1 November 2008.

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

13 PROPERTY, PLANT AND EQUIPMENT

	Note	LAND & BUILDINGS AT DEEMED COST $'000	FIT-OUT & LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT & EQUIPMENT AT COST $'000	TOTAL $'000
Consolidated					
Gross Carrying Amount					
Balance at 1 July 2007		3,829	7,273	8,822	19,924
Additions		64	1,147	1,096	2,307
Disposals		-	-	(152)	(152)
Balance at 30 June 2008		3,893	8,420	9,766	22,079
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**
Accumulated Depreciation					
Balance at 1 July 2007		128	3,565	6,718	10,411
Disposals		-	-	(147)	(147)
Depreciation Expense	3	97	1,009	928	2,034
Balance at 30 June 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**
Net Book Value					
As at 30 June 2008		3,668	3,846	2,267	9,781
As at 30 June 2009		**3,580**	**4,356**	**2,401**	**10,337**

	Note	LAND & BUILDINGS AT DEEMED COST $'000	FIT-OUT & LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT & EQUIPMENT AT COST $'000	TOTAL $'000
Credit Union					
Gross Carrying Amount					
Balance at 1 July 2007		3,829	6,831	8,462	19,122
Additions		64	1,038	1,035	2,137
Disposals		-	-	(149)	(149)
Balance at 30 June 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**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	LAND & BUILDINGS AT DEEMED COST $'000	FIT-OUT & LEASEHOLD IMPROVEMENTS AT COST $'000	PLANT & EQUIPMENT AT COST $'000	TOTAL $'000
Accumulated Depreciation					
Balance at 1 July 2007		128	3,255	6,441	9,824
Disposals		-	-	(144)	(144)
Depreciation Expense	3	97	933	879	1,909
Balance at 30 June 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**
Net Book Value					
As at 30 June 2008		3,668	3,681	2,173	9,521
As at 30 June 2009		**3,580**	**4,262**	**2,348**	**10,190**

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 30 June 2009 by Mr F.P. Brodrick F.A.P.I. to determine the fair value of the land and buildings as at financial year end. The valuation was performed on the basis of the Credit Union occupying the majority of the building and a sub-lease being in place and valued the property at $4.80m (2008: $5.25m.)
Capital expenditure commitments for plant and equipment contracted for but not provided for and payable within one year $96,827 (2008:$96,827). There are no capital commitments payable after one year (2008: $Nil).

14 INTANGIBLE ASSETS

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
Gross Carrying Amount - Capitalised Software					
Balance at beginning of the financial year		**2,112**	1,943	**1,976**	1,838
Acquisitions through business combinations		**3,515**	-	**3,515**	-
Additions		**314**	169	**314**	138
Disposals		**(9)**	-	**(9)**	-
Balance at end of financial year		**5,932**	2,112	**5,796**	1,976
Accumulated Amortisation					
Balance at beginning of the financial year		**1,846**	1,650	**1,758**	1,592
Acquisitions through business combinations		**3,128**	-	**3,128**	-
Disposals		**(5)**	-	**(6)**	-
Amortisation Expense	3	**520**	196	**495**	166
Balance at end of financial year		**5,489**	1,846	**5,375**	1,758
Net Book Value					
Balance at beginning of the financial year		**266**	293	**218**	246
Balance at end of financial year		**443**	266	**421**	218

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
15 GOODWILL				
Balance at beginning of the financial year	**3,547**	3,009	**-**	-
Reduction upon final settlement of a prior year acquisition	**(14)**	-	**-**	-
Additional amounts recognised from business combinations occurring during the year	**-**	573	**-**	-
Impairment adjustment	**(178)**	(35)	**-**	-
Balance at end of financial year	**3,355**	3,547	**-**	-

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.

16 DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

Interest bearing deposits	**5,375**	3,566	**5,375**	3,566

17 DEPOSITS FROM MEMBERS

Withdrawable member shares	**753**	617	**753**	617
Deposits from controlled entities at call	**-**	-	**1,282**	933
Call deposits	**1,093,674**	781,362	**1,093,674**	781,362
Term deposits	**1,114,791**	583,906	**1,115,499**	583,906
	2,209,218	1,365,885	**2,211,208**	1,366,818

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 2009 is 171,658 (2008: 143,910)

(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.

18 TRADE AND OTHER PAYABLES

Unearned loan fee obligation	**827**	837	**827**	837
Trade and other creditors	**12,279**	11,415	**12,023**	11,113
	13,106	12,252	**12,850**	11,950

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
19 BORROWINGS				
Subordinated Debt	**5 ,000**	-	**5 ,000**	-
Securitised Loan Funding	**112,982**	136,008	**112,982**	136,008
	117,982	136,008	**117,982**	136,008

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.

The securitisation funding line with Waratah Finance Pty Ltd is secured against the convertible notes issued in the name of Waratah which is ultimately backed by the cashflows from the loans assigned under securitisation. The facility expires in May 2010 but provides for annual extensions by mutual consent. Should the 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 and has been disclosed accordingly at Note 32 (c).

20 PROVISIONS

Provision for member interest adjustments				
Balance at beginning of financial year	**-**	-	**-**	-
Provisions assumed upon mutual entity merger	**420**	-	**420**	-
Balance at end of financial year	**420**	-	**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. The methodology for calculating these adjustments and the associated Consumer Credit Code issues are currently before the WA Commissioner for Consumer and Employment Protection and WA State Administrative Tribunal, respectively, and the liability is expected to be settled by 31 December 2009.

21 SHARE CAPITAL

D Class shares				
Balance at beginning of financial year	**-**	-	**-**	-
Acquired through business combinations	**1,006**	-	**1,011**	-
Redeemed out of profits during the year	**(44)**	-	**(44)**	-
Balance at end of financial year	**962**	-	**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 2009, there were 966,900 D Class shares on issue fully paid to $1 per share.

22 RESERVES

Asset realisation reserve				
Balance at beginning of financial year	**1,703**	1,703	**1,703**	1,703
Balance at end of financial year	**1,703**	1,703	**1,703**	1,703
Asset Revaluation reserve				
Balance at beginning of financial year	**2,962**	-	**2,962**	-
Gain on fair value adjustment of Cuscal shares	**-**	2,962	**-**	2,962
Balance at end of financial year	**2,962**	2,962	**2,962**	2,962

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
22 RESERVES (CONTINUED)				
Redeemed member share reserve				
Balance at beginning of financial year	**132**	106	**132**	106
Acquired through business combinations	**999**	-	**999**	-
Transfer from retained profits on share redemption	**115**	26	**115**	26
Balance at end of financial year	**1,246**	132	**1,246**	132
General reserve for credit losses				
Balance at beginning of financial year	**2,519**	3,393	**2,519**	3,393
Acquired through business combinations	**1,517**	-	**1,517**	-
Transfer (to)/from retained profits	**1,690**	(874)	**1,690**	(874)
Balance at end of financial year	**5,726**	2,519	**5,726**	2,519
Transfer of business reserve				
Balance at beginning of financial year	**39,313**	39,313	**39,313**	39,313
Acquired through business combinations	**37,066**	-	**37,066**	-
Costs directly attributable to business combination	**(714)**	-	**(714)**	-
Balance at end of financial year	**75,665**	39,313	**75,665**	39,313
Total Reserves	**87,302**	46,629	**87,302**	46,629

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 member 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.

23 RETAINED EARNINGS

Balance at beginning of financial year	**100,473**	84,434	**98,495**	83,042
Transfer from/(to) general reserve for credit losses	**(1,690)**	874	**(1,690)**	874
Transfer to redeemed member share reserve	**(115)**	(26)	**(115)**	(26)
Acquired through business combinations	**86**	-	**-**	-
Net Profit attributable to members	**4,089**	15,191	**3,746**	14,605
Dividends declared	**(62)**	-	**(62)**	-
Balance at end of financial year	**102,781**	100,473	**100,374**	98,495

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
24 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of profit to net cash flows from operating activities:				
Profit for the period	**4,089**	15,191	**3,684**	14,605
Impairment losses	**1,322**	657	**1,124**	598
Depreciation and amortisation of non current assets	**3,385**	2,230	**3,242**	2,075
Business combination costs classified as cash flows from investing activities	**3,876**	-	**3,876**	-
Net (Gain) / Loss on sale of plant and equipment	**13**	(7)	**13**	(7)
Changes in assets and liabilities				
Decrease / (Increase) in value of investment deposits	**-**	3	**-**	-
Decrease / (Increase) in interest receivable	**(1,255)**	902	**(1,255)**	902
Decrease / (Increase) in prepayments and other receivables	**6,174**	2,341	**6,313**	2,301
Decrease / (Increase) in other financial assets	**4,257**	(1,302)	**4,257**	(1,302)
Decrease / (Increase) in deferred tax assets	**(4,993)**	(1,397)	**(4,882)**	(1,464)
Increase / (Decrease) in interest payable	**(3,656)**	4,145	**(3,656)**	4,144
Increase / (Decrease) in employee entitlements	**928**	480	**828**	392
Increase / (Decrease) in current tax liability	**(5,672)**	335	**(5,536)**	292
Increase / (Decrease) in deferred tax liability	**2,727**	915	**2,725**	915
Increase / (Decrease) in other creditors	**(4,695)**	5,720	**(4,734)**	5,891
Net cash from operating activities	**6,500**	30,213	**6,061**	29,342

(b) Reconciliation of cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments readily convertible to cash within one working day, net of outstanding overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows;

Cash and cash equivalents (Note 5)	**14,708**	12,445	**14,720**	12,445
Closing cash balance	**14,708**	12,445	**14,720**	12,445

(c) Cashflows presented on a net basis

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

i) member deposits to and withdrawals from deposit accounts

ii) borrowings and repayments on loans, advances and other receivables

iii) membership shares purchased and redeemed

iv) dealings with other financial institutions

(d) Financing facilities

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

Overdraft facility - Cuscal Ltd				
Approved limit (committed)	**10,000**	10,000	**10,000**	10,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**10,000**	10,000	**10,000**	10,000
Loan securitisation funding - Waratah Finance Pty Ltd				
Approved limit (uncommitted)	**125,000**	150,000	**125,000**	150,000
Balance at end of financial year	**112,984**	136,008	**112,984**	136,008
Unused credit at end of financial year	**12,016**	13,992	**12,016**	13,992

24 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	CREDIT UNION 2009 $'000	CREDIT UNION 2008 $'000
Standby facilities - as below				
Approved limit (committed)	**500**	10,500	**500**	10,500
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**500**	10,500	**500**	10,500
Wholesale funding facility - Cuscal Ltd				
Approved limit (uncommitted)	**-**	60,000	**-**	60,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**-**	60,000	**-**	60,000

The Cuscal standby facility has an approved limit of $500,000 and is a committed facility that can be drawn within 24 hours. Repayments are required at the maturity of the agreed term and the facility is secured by a floating charge over the Credit Union's assets.
Each Wholesale Funding drawdown is taken for a fixed term at a fixed rate and secured by a charge over the Credit Union's assets. Repayments are required at the maturity of the agreed term.

The Westpac facility and all facilities with Cuscal Ltd are reviewed annually and therefore contractually mature within 1 year. The securitisation funding line with Waratah Finance Pty Ltd expires in May 2010 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.

25 OPERATING LEASES

Non-cancellable operating lease payments				
Less than 1 year	**5,654**	3,692	**5,310**	3,500
Between 1 and 5 years	**15,114**	8,883	**13,831**	8,839
Beyond 5 years	**2,090**	320	**2,090**	320
	22,858	12,895	**21,231**	12,659
Non-cancellable operating lease commitments receivable				
Less than 1 year	**110**	9	**142**	42
Between 1 and 5 years	**246**	-	**383**	144
Beyond 5 years	**-**	-	**-**	-
	356	9	**525**	186

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 $4,841,762 (2008 $3,616,099). 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 $132,891 (2008 $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.

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING LEASES (CONTINUED)

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 $99,360 (2008 $71,446).

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
26 EMPLOYEE BENEFITS				
(a) Employee entitlements				
Provision for employee benefits - current				
- Annual leave	**2,180**	1,617	**1,930**	1,390
- Long service leave - current	**376**	309	**376**	309
	2,556	1,926	**2,306**	1,699
Provision for employee benefits - non current				
- Long service leave - non current	**2,957**	2,276	**2,704**	2,098
Total provision for employee benefits	**5,513**	4,202	**5,010**	3,797
Accrued Staff costs included in other payables (Note 18)	**1,068**	586	**1,004**	509
Aggregate employee benefit and related on-cost liabilities	**6,581**	4,788	**6,012**	4,306
	No.	No.	No.	No.
(b) Number of Full Time Equivalent Employees at year end	**465**	369	**425**	325

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Approved but undrawn loans	**42,269**	16,984	**42,269**	16,984
Approved but undrawn credit limits	**184,567**	143,946	**184,567**	143,946
	226,836	160,930	**226,836**	160,930

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, and is currently required to invest at least 80% of high quality liquid assets with this entity.

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

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

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

	CONSOLIDATED		CREDIT UNION	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
29 AUDITOR'S REMUNERATION				
Amounts received or due and receivable by the auditors of the Consolidated Entity :				
- auditing the financial report	**141**	119	**111**	95
- APRA audit activities	**31**	29	**31**	29
- auditing the AFSL Returns	**8**	7	**5**	3
- taxation services	**50**	57	**50**	57
	230	212	**197**	184

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 (from 1 November 2008)
C M Doogan
G J Green
B G Hanna

Non-Executive directors (continued)
C A Nance (from 1 November 2008)
A M O'Donnell
F H Raymond
R V Ryan
H L Webster

Executives
K A Benger (Chief Executive Officer)
R O Keogh (Deputy Chief Executive Officer)

	CONSOLIDATED		CREDIT UNION	
	2009 $	2008 $	**2009 $**	2008 $
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	**850,430**	934,021	**850,430**	934,021
Post employment benefits	**487,281**	441,750	**487,281**	441,750
Termination benefits	**-**	152,723	**-**	152,723
	1,337,711	1,528,494	**1,337,711**	1,528,494

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	**3,898,205**	1,234,744	**3,898,205**	1,234,744

Loans totalling $1,338,292 (2008:$1,131,146) were made to key management personnel during the year.
During the year key management personnel repaid $658,865 (2008 $1,068,014) 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 $249,910 (2008 $322,230).

	CONSOLIDATED		CREDIT UNION	
	2009 $	2008 $	**2009 $**	2008 $
30 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)				
Deposits from key management personnel				
Deposit balances	**2,602,642**	2,455,984	**2,602,642**	2,455,984

Financial instrument transactions between key management personnel and the Credit Union during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions materially no more favourable than those given to other employees or members generally.
These terms and conditions have not been breached and no amounts have been written down or recorded as allowances as the balances are considered fully collectible.

Other transactions with key management personnel - equity instruments

Each key management member holds one Member share in the Credit Union.
B G Hanna holds one B class share in Eastwoods Accounting and Taxation Pty Ltd.
No other directors hold shares in any controlled entity of the Credit Union.

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 12 to the financial statements.

Other related party transactions - transactions within the wholly-owned group

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

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Notes 6 and 17 to the financial statements.
Other transactions that occurred during the financial year between entities in the wholly-owned group were;
- advancement of loans at commercial rates of interest during the year (net of repayments) to Eastwoods Wealth Management Pty Ltd -$20,951 (2008: $427,104), Eastwoods Accounting & Taxation Pty Ltd -$5,360 (2008: $499,242) and Eastwoods Finance Brokers Pty Ltd $NIL (2008: $41,124);
- interest charged on the loans during the year to Eastwoods Wealth Management Pty Ltd $NIL (2008:$NIL), Eastwoods Accounting & Taxation Pty Ltd $41,275 (2008:$119,457) and Eastwoods Finance Brokers Pty Ltd $NIL (2008:$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 $98,666 (2008:$240,000) 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 $37,521 (2008:$48,475) was charged by Eastwoods Group Pty 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.

(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	
	2009	2008
	%	%
Liquidity holdings	**14.54**	14.74

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk Management (continued)

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 - 1yr	1 - 5 yr	> 5 yr	No maturity specified	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
Other financial assets	-	(61)	(2,387)	(13,070)	-	-	(15,518)
Investment securities	-	-	-	-	-	12,717	12,717
Total financial assets	378,429	96,584	116,785	293,489	1,612,037	25,941	2,523,265
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	13,106
Borrowings	-	-	-	5,000	112,982	-	117,982
Total financial liabilities	1,098,427	793,860	280,815	46,117	112,982	13,481	2,345,682
Commitments to extend credit	226,836	-	-	-	-	-	226,836
i) Financial assets - 2008							
Cash	6,855	-	-	-	-	-	6,855
Deposits at call	5,590	-	-	-	-	-	5,590
Prepayments and other receivables	-	5,593	-	-	-	-	5,593
Placements with other financial institutions	-	136,149	54,783	3,151	-	1	194,084
Loans and advances to members	142,001	1,406	7,376	155,273	1,122,537	-	1,428,593
Other financial assets	-	50	658	5,687	-	-	6,395
Investment securities	-	-	-	-	-	10,639	10,639
Total financial assets	154,446	143,198	62,817	164,111	1,122,537	10,640	1,657,749
ii) Financial liabilities - 2008							
Deposits from other financial institutions	-	2,548	1,018	-	-	-	3,566
Deposits from members	781,979	244,130	331,727	8,049	-	-	1,365,885
Other payables	-	11,413	549	290	-	-	12,252
Borrowings	23,174	797	-	-	112,037	-	136,008
Total financial liabilities	805,153	258,888	333,294	8,339	112,037	-	1,517,711
Commitments to extend credit	160,931	-	-	-	-	-	160,931

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 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 2009 or 2008.

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Exposure to credit risk				
Carrying Amount				
Individually impaired:				
- Mortgage secured	**3,517**	493	**-**	-
- Other loans	**630**	142	**-**	-
Gross amount	**4,147**	635	**-**	-
Less: Allowance for impairment	**767**	112	**-**	-
Carrying amount	**3,380**	523	**-**	-
Collectively impaired:				
- Mortgage secured	**2,737**	536	**-**	-
- Other loans	**1,655**	1,137	**-**	-
- Overdrawn and overlimit savings	**5,825**	5,623	**-**	-
Gross amount	**10,217**	7,296	-	-
Less: Allowance for impairment	**925**	461	**-**	-
Carrying amount	**9,292**	6,835	**-**	-
Past due but not impaired				
- less than 30 days	**26,181**	21,119	**-**	-
- 30 days +	**-**	-	**-**	-
Carrying amount	**26,181**	21,119	**-**	-
Neither past due nor impaired				
Carrying amount	**2,131,890**	1,399,543	**337,033**	194,083
Total carrying amount	**2,170,743**	1,428,020	**337,033**	194,083

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 2009 the return was 2.48% percent (2008: 10.8%). 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 100 and 200 basis points. The net interest income approach is derived from the same modelling software utilising simulated income projections. A rudimentary gap analysis methodology is also employed. Refer to Note 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.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Interest rate risk management (continued)

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

Financial Instruments	Variable int. rate	Fixed interest rate maturing in : < 1 yr	1 - 2 yr	2 - 3 yr	3 - 4 yr	4 - 5 yr	> 5 yr	Non-interest bearing	Total	Weighted av.effective int. rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
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%
i) Financial assets - 2008										
Cash	-	-	-	-	-	-	-	6,855	6,855	n/a
Deposits at call	5,590	-	-	-	-	-	-	-	5,590	3.60%
Prepayments and other receivables	-	-	-	-	-	-	-	5,593	5,593	n/a
Placements with other financial institutions	-	191,271	1,000	-	-	-	-	1,812	194,083	8.07%
Loans and advances to members	445,765	351,375	301,858	201,303	70,362	55,724	2,206	-	1,428,593	8.38%
Investment securities	-	-	-	-	-	-	-	10,639	10,639	n/a
Total financial assets	451,355	542,646	302,858	201,303	70,362	55,724	2,206	24,899	1,651,353	
ii) Financial liabilities - 2008										
Deposits from other financial institutions	-	3,500	-	-	-	-	-	66	3,566	8.37%
Deposits from members	520,226	652,967	93,909	87,475	190	50	-	11,068	1,365,885	5.49%
Other payables	-	-	-	-	-	-	-	12,252	12,252	n/a
Borrowings	-	136,008	-	-	-	-	-	-	136,008	9.28%
Total financial liabilities	520,226	792,475	93,909	87,475	190	50	-	23,386	1,517,711	
Interest rate swaps - notional principal	-	316,828	(114,426)	(118,759)	(35,309)	(48,334)	-	-	-	6.71%

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.

The Credit Union provides mortgage secured loans to its members at interest rates that can be fixed for terms of one to five years. The member retains an option to break their loan contract during the fixed rate period upon payment of the prescribed fee. When market interest rates fall significantly, this fee may only partially offset the costs incurred by the Credit Union as a result of the contract being broken. If all members with fixed rate mortgage secured loans were to break their fixed rate contract at 30 June 2009 and revert to the Credit Union's prevailing standard variable rate, its net interest income over the subsequent five years would reduce by an estimated $7.3m, in aggregate.

(i) Market risk sensivitity 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 2009				30 JUNE 2008			
	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	**-0.63%**	**0.66%**	**-0.73%**	**0.84%**	-2.67%	2.71%	-5.01%	5.28%
Maximum for the period	**-1.92%**	**1.97%**	**-3.44%**	**3.70%**	-3.30%	3.15%	-6.16%	6.15%
Minimum for the period	**0.04%**	**-0.04%**	**0.72%**	**-0.63%**	-2.23%	2.30%	-4.10%	4.39%
Net Interest Revenue Sensitivity								
Average for the period	**2.43%**	**-2.42%**	**5.43%**	**-5.47%**	1.15%	-1.13%	2.69%	-2.62%
Maximum for the period	**3.71%**	**-3.69%**	**8.09%**	**-8.03%**	1.58%	-1.56%	3.62%	-3.53%
Minimum for the period	**1.81%**	**-1.79%**	**4.11%**	**-4.00%**	0.94%	-0.92%	2.10%	-2.16%

(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	
	2009	2008	**2009**	2008	**2009**	2008
	%	%	**$'000**	$'000	**$'000**	$'000
Outstanding fixed for floating contracts						
Less than 1 year	**6.84%**	6.09%	**(2,448)**	708	**98,187**	77,614
1 to 2 years	**7.25%**	6.61%	**(6,877)**	1,936	**138,613**	114,426
2 to 5 years	**6.98%**	7.01%	**(6,193)**	3,751	**98,457**	202,402
5 years and more	**-**	-	**-**	-	**-**	-
			(15,518)	6,395	**335,257**	394,442

	CONSOLIDATED		CREDIT UNION	
	2009 $	2008 $	**2009 $**	2008 $
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	**(17,999)**	2,509	**(17,999)**	2,509
- Net gains/(losses) on fair value hedged items	**17,999**	(2,509)	**17,999**	(2,509)
- Total hedge ineffectiveness (including de-designated hedges)	**(2,175)**	952	**(2,175)**	952
- Net gains/(losses) on derivatives not hedge accounted	**(132)**	-	**(132)**	-
- Amortisation of quarantined fair value amounts on de-designated hedged items	**(1,950)**	350	**(1,950)**	350
Total fair value movements recognised in the Income Statement	**(4,257)**	1,302	**(4,257)**	1,302

(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 $'000	At fair value $'000	Held-to-maturity $'000	Loans and Receivables $'000	Other at amortised cost $'000	Total Carrying Amount $'000	Fair Value $'000
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**
Other financial assets	**10**	**-**	**(15,518)**	**-**	**-**	**-**	**(15,518)**	**(15,518)**
Investment Securities	**12**	**12,717**	**-**	**-**	**-**	**-**	**12,717**	**12,717**
Deposits from other financial institutions	**16**	**-**	**-**	**-**	**-**	**5,375**	**5,375**	**5,389**
Deposit from members	**17**	**-**	**-**	**-**	**-**	**2,209,219**	**2,209,219**	**2,204,463**
Other payables	**18**	**-**	**-**	**-**	**-**	**13,106**	**13,106**	**13,106**
Borrowings	**19**	**-**	**-**	**-**	**-**	**117,982**	**117,982**	**117,982**
30 June 2008								
Cash and cash equivalents	5	-	-	-	12,445	-	12,445	12,445
Prepayments and other receivables	6	-	-	-	5,593	-	5,593	5,593
Placements with other financial institutions	7	-	-	194,083	-	-	194,083	193,261
Loans and advances to members	8,9	-	-	-	1,428,020	-	1,428,020	1,409,521
Other financial assets	10	-	6,395	-	-	-	6,395	6,395
Investment Securities	12	10,639	-	-	-	-	10,639	10,639
Deposits from other financial institutions	16	-	-	-	-	3,566	3,566	3,635
Deposit from members	17	-	-	-	-	1,365,885	1,365,885	1,359,324
Other payables	18	-	-	-	-	12,252	12,252	12,252
Borrowings	19					136,008	136,008	136,008

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

	TOTAL CARRYING AMOUNT AS PER BALANCE SHEETS		AGGREGATE NET FAIR VALUE	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
32 FINANCIAL INSTRUMENTS (CONTINUED)				
(I) Fair value of financial instruments (continued)				
i) Financial assets				
Cash and liquid assets	**14,708**	12,445	**14,708**	12,445
Prepayments and other receivables	**1,890**	5,593	**1,890**	5,593
Placements with other financial institutions	**337,033**	194,083	**333,981**	193,261
Loans and advances to members	**2,170,743**	1,428,020	**2,188,794**	1,409,521
Other financial assets (interest rate swaps)	**(15,518)**	6,395	**(15,518)**	6,395
Investment securities	**12,717**	10,639	**12,717**	10,639
Total financial assets	**2,521,573**	1,657,175	**2,536,572**	1,637,854
ii) Financial liabilities				
Deposits from other financial institutions	**5,375**	3,566	**5,389**	3,635
Deposits from members	**2,209,219**	1,365,885	**2,204,463**	1,359,324
Other payables	**13,106**	12,252	**13,106**	12,252
Borrowings	**117,982**	136,008	**117,982**	136,008
Total financial liabilities	**2,345,682**	1,517,711	**2,340,940**	1,511,219

	CONSOLIDATED	
	2009 %	2008 %
33 CAPITAL ADEQUACY		
APRA calculation (minimum 8%)	**15.86**	17.20

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.

34 CONTINGENT LIABILITIES (CONTINUED)

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 $467,628 (2008 $102,478).
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 PROPOSED TRANSFER OF BUSINESS

In May 2009 the Credit Union signed a Memorandum of Understanding with Companion Credit Union Limited ("Companion") to accept a voluntary total transfer of its business to the Credit Union. Companion is a credit union based in New South Wales with more than 11,000 members and over $260m in assets. This proposed transfer was submitted to the Australian Prudential Regulation Authority for regulatory approval in August 2009 and is expected to be put to the members of Companion at a General Meeting in November 2009.

36 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 2009.

GLOSSARY 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).

Annual Report Production Credits

Showpony Advertising

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

Registered Offices

Adelaide	44 Waymouth Street, Adelaide SA 5000
Canberra	105 Mawson Drive, Mawson ACT 2607
Perth	430 Roberts Road, Subiaco WA 6008
Phone	13 25 85
Fax	Adelaide (08) 8231 3060
	Canberra (02) 6286 0560
	Perth (08) 9381 4741
Email	member@communitycps.com.au
Internet	www.communitycps.com.au

Community CPS Personal Financial Centres

Australian Capital Territory

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

New South Wales

Batemans Bay	2 Orient Street
Queanbeyan	Riverside Plaza

South Australia

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

Western Australia (trading as United Community)

Belmont	327 Abernethy Road
Booragoon	Gateway Business Centre
Cannington	Westfield Carousel Shopping Centre
Fremantle	11 Queen Street
Joondalup	3/11 Boas Avenue
Kalgoorlie	347 Hannan Street
Karratha	Centro Karratha Shopping Centre
Karrinyup	Karrinyup Shopping Centre
Mandurah	2/314 Pinjarra Road
Morley	60 Russell Street
Paraburdoo	Paraburdoo Shopping Centre
Rockingham	8 Livingstone Road
Subiaco	430 Roberts Road
Tom Price	East End Shopping Centre

Eastwoods Wealth Management and Eastwoods Accounting and Taxation

62 The Parade, Norwood SA 5067

BSB 805-022
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