PCU Annual Report 2008

For You, Your Family, Your Future.

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Mission Statement

The Police Credit Union is a community of Members, Directors and Staff who together form an important and integral part of the life of Police, family and associated community groups.

Directors and Staff operate in the interest of all Members according to the following key values:

- A flexible and caring response to Members' needs;
- Honouring excellence in relationships between and among Members, Directors and Staff; and
- Personal honesty and integrity.

We provide personal attention to the financial well-being of each Member through flexible products and services in a competitive environment combined with prudential financial management in pursuing appropriate levels of growth.

We work together in building the Police Credit Union to become the best in Member service, range of relevant products and services, management practices and financial strength.

Key Statistics of the Credit Union

	2008	2007
Membership	70,738	70,257
Deposits $000's	755,998	721,279
Loans $000's	755,883	743,320
Total Assets $000's	880,737	858,453
Reserves $000's	93,101	84,096
Capital Adequacy	18.17%	16.01%

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June, 2008.

DIRECTORS' DISCLOSURES

The names of Directors in office at the date of this report, or who held office during the course of the financial year, are:

Kenneth Edward Moroney	(Chairman)
David Charles Walton	(Deputy Chairman)
Paul Thomas Biscoe	
Raff Del Vecchio	(Appointed 24th April 2008)
Geoffrey Richard Green	
Anthony Raymond Lauer	
Graham James Loughlin	(Appointed 24th April 2008)
Terry Francis Seery	(Retired 29th February 2008)
Lloyd William Taylor	

MEETINGS ATTENDED

Name	Board		Audit Committee		Other Committees	
	Meetings Attended	Eligable to attend	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held
Moroney*	10	13	2	2	6	10
Walton	13	13	5	5	3	3
Biscoe**	12	13	1	1	11	12
Del Vecchio^	2	2	-	-	-	-
Green***	12	13	3	5	6	8
Lauer	13	13	4	4	7	7
Loughlin^^	2	2	2	2	-	-
Seery#	9	9	1	1	1	1
Taylor	13	13	5	5	7	8

* Mr Moroney was granted one leave of absence
** Mr Biscoe was granted one leave of absence
^ Mr Del Vecchio was appointed 24th April 2008
*** Mr Green was granted one leave of absence
^^ Mr Loughlin was appointed 24th April 2008
# Mr Seery retired from the Board effective 29th February 2008

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in note 31 of the financial report.

INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an Officer of the Credit Union. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

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

SHARE OPTIONS

The Credit Union has not issued any options over shares. All shares issued by the Credit Union are withdrawable shares.

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were providing retail financial services to Members in the form of taking deposits and giving financial accommodation. There were no significant changes in the principal activities during the year.

OPERATING RESULTS

Our Credit Union's profit after providing for income tax and before Minority Equity Interest amounted to $8,733,306. The previous year's comparable result was $8,096,760. This being an improvement of $636,546 or 7.86%. Assets during the year increased by $22.2M from $858.5M to $880.7M. The year's growth had no negative impact on the capital adequacy ratio, which increased from 16.01% to 18.17%. At 18.17% the capital adequacy ratio remains well above the statutory minimum of 8%.

These results were achieved in an environment of intense competition which continues to squeeze the operating margin. They reflect the continuing support of the Membership for the products and services offered by the Credit Union and the ongoing attention given by both Board and Management to Member service, relevant products and the control of costs. It is envisaged that the results for the year ending 30 June, 2009 will be in line with this year's. This reflects improved operating efficiencies which will offset the continuing squeeze on the operating margin.

DIVIDENDS

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

REVIEW OF OPERATIONS

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

During the year a number of significant events took place: -

- **Recognition of staff.** Each year a number of staff are recognised as "Star Achievers" for going beyond what is considered normal levels of service to Members (and in support of other staff in their duties). The process of becoming a Star Achiever is that all staff are invited to nominate one of their peers. A panel then considers all nominations. This year we are proud that the following staff were awarded the Star Achievers for 2008:

  Gail Cirillo – Parramatta Branch;
  Rebecca Finn – Administrative Services;
  Jackie Gray – Head Office;
  Craig McGinniskin – Newcastle Branch and;
  Teresa Scarfo - Business Development Officer

- **Continued association with Police Legacy.** The Credit Union during the year continued to be recognised by Legacy as a "Level 1 Supporter". There are only two Level 1 Supporters, the other being the Police Association of New South Wales. Police Credit Union is extremely proud to be associated with such a worthy organisation.

- **Director's Retirement.** Terry Seery retired from the Board. Terry served the Members for over thirty-six years as a Director. The Directors would like to acknowledge Terry's valuable contribution and wish him and his wife (Brenda) a long and happy retirement.

- **Director Appointments.** There were two Board appointments made, one to replace Terry Seery and the other being a new position of "Board Appointed Director". The Board appointed Raff Del-Vecchio to the former and Graham Loughlin to the latter. The position of "Board Appointed Director" was created to widen the Board's background and skill base. Graham Loughlin has provided a different perspective to the Board Room, which is proving beneficial.

- **Auditor Replacement.** This year sees another long serving person leave. Mr. Kevin Thomas, who has been the Credit Union's External Auditor for **thirty-three** years, finishes his relationship with the Credit Union with the pending signing of the Auditor Report for the year ended 30 June 2008. This came about with the introduction of APS 510 from the Australian Prudential Regulation Authority, which restricts the period that an individual can conduct/play a significant role in an Audit. At a General Meeting of Members on the 29th August 2008, Mr Kevin Thomas was replaced as Auditor by Mr. Neville Sinclair of BDO Kendalls. The Board would like to record their gratitude to Mr. Kevin Thomas for his long and dedicated service to the Members.

- **Credit Crisis.** In the last report, the Board raised the Credit Crisis as an event that occurred after balance date. The Credit Crisis remains a relevant occurrence that continues to affect financial markets world-wide. The Credit Union has not noticeably been affected as funds for loans that the Credit Union makes are from Member deposits. However, the rates paid to Members for deposits have increased greater than movements in the official cash rate. The impact of the increase spread paid to Members is offset primarily by the Credit Union's strong capital position, which is demonstrated by income earning assets exceeding expense-paying liabilities by $97.5 million as at 30 June 2008.

- **Family Fun Day.** This year there were two held at Luna Park, North Sydney. In all, over 600 Members took the opportunity to enjoy these wonderful family days.

- **Re-location.** The relocation of our Direct Operation from 309 Pitt Street, Sydney to the Credit Union's Head Office premises at Level 27, 1 Market Street Sydney on the 28th April 2008. This move ended the Credit Union's long association with 309 Pitt Street. The move provides a higher standard of accommodation for staff and at the same time provides annual operating saving of approximately $225,000.

- **HMC Credit Union Merger.** A Memorandum of Understanding was signed on the 24th April 2008 with HMC Staff Credit Union Limited (HMC) with the purpose of HMC merging with Police Credit Union. HMC provide financial services to employees of the Australian Customs Service and their families. It is planned that the merger will take place on 1st December 2008. This is subject to approval by HMC Members and the Australian Prudential Regulation Authority. Since April due diligence has been undertaken and planning for the merger is well advanced. Police Credit Union has over $880 million in Assets and 70,000 Members while HMC has $30 million in Assets and 2,700 Members. The Board envisages that benefits will flow from the merger by way of at least one additional branch and some internal synergies being created. Your Directors look forward to welcoming HMC Members.

- **Continuous Operational Improvement.** Management has maintained its focus on continuous internal improvements through re-engineering of underlying processes aimed at improvng Member service and internal productivity. The desired outcomes are to grow whilst limiting the need for additional capital, keep cost increases to a minimum and meet price competition without significantly impacting upon profitability. Four major projects were finalised during the year.

- **Capital Growth.** As mentioned under the title of "Operating Results", capital adequacy increased from 16.01% to 18.17%. This increase was a result of two factors, the first being commencement of the Basel II capital adequacy reform, which regulators introduced to relate more precisely an institution's level of capital to the risk inherent in its assets and operations. As a resulting of Basel II the Credit Union's capital adequacy ratio improved by approximately 0.75%. The remainder of the improvement was due to net profit increasing at a stronger rate than the risk-weighted value of assets and the operational risk factor.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER BALANCE DATE

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years, except for:-

- **Price Competition.** Police Credit Union provides an excellent level of service, which allows it to compete on more than price alone. Having said this, the Board and Management are mindful that competition cannot be ignored and that price certainly is a factor in Members' consideration of their ongoing relationship with the Credit Union. However, being a mutual organisation and not having to provide dividends for shareholders does allow room to pass on pricing reflective in the market place.

- **Additional Products.** Before Christmas 2008 the Credit Union will launch a First Home Owners Savings Account. This account will conform to the Federal Government's initiative to assist eligible persons to save for their first home. For Members who are eligible and are or intend to commence saving for their first home this product will provide greater assistance than a standard savings product, as there are potentially Federal Government subsidies and potentially a lower taxation rate which will be applicable on the interest earned on the account.

- **Port Macquarie Branch.** It is scheduled that during October 2008 teller facilities will commence at the Credit Union's Port Macquarie Office. This will convert this office to a full service office. The Board is pleased with the progress of the office to date and with the additional service being provided, it is anticipated that a greater share of Members' business will be obtained.

- **New Branch Office.** The final location is still being determined for a new branch office within the Sydney metropolitan area. It is expected that the Office will be opened by April 2009. The primary aim of the Office is to service current Police, retired Police and their families. With the growing strength of the Credit Union, the Board is committed to reinvesting in the Credit Union for the benefit of Members.

LIKELY DEVELOPMENTS AND RESULTS

The likely developments in the operations of the Credit Union and the expected results of those operations in the financial year subsequent to the year ended 30 June 2008 are as follows: -

- The Board of Directors anticipate that the profit will be in the vicinity of 0.7%- 0.9% return on average assets. This is in line with the results for the year ended 30 June 2008.

- Planned capital expenditure on infrastructure amounts to $2.7M for the year ending 30 June 2009. This covers software development, one new branch and expansion of the Credit Union's ATM fleet and general equipment upgrades.

  No other matter, circumstances or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:-

  (i) The operations of the Credit Union;

  (ii) The results of those operations; or

  (iii)The state of affairs of the Credit Union

  In the financial years subsequent to this financial year.

The auditors have provided the declaration of independence to the Board as prescribed by the *Corporations Act 2001* as set out on this page.

AUDITOR'S INDEPENDENCE

As auditor of The Police Department Employees' Credit Union Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions;

(i) the auditor independence requirements of the Corporations Act in relation to the audit, and

(ii) any applicable code of professional conduct in relation to the audit.

Kevin J Thomas
Chartered Accountant
(Registered Company Auditor)
25th September, 2008

INFORMATION ON DIRECTORS AND SECRETARY

Mr K E Moroney	Chairman
AO, APM	Credit Committee
	Corporate Governance Committee
Age	63
Qualifications	Doctor of the University, Hons.Causa (CSU)
	Master of Arts (McQU)
	Dip. Justice Administration (CSU)
	Grad. Dip. Management (McQU)
Other Qualifications	Officer in the Order of Australia (General Division)
	Former Commissioner of NSW Police
	Former Deputy President of the Police Association of NSW
	Life Member of Police Association of NSW
	Holder of Australian Police Medal for Distinguished Service
	Member, Australian Mutuals Institute
	Board Member since 1994
Other responsibilties include-	
	Chair, Board of Directors, NSW Police Credit Union
	Chair of the A.N.P.R. Steering Committee, Federal Attorney General's Department
	Chair and Presiding Officer, Board of Studies, Australian Institute of Police Management
	Member of the State Parole Authority.
	Member of the State Council of St Johns Ambulance NSW.
	Member of the Conduct Division of the Judicial Commission of NSW
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr D C Walton	Deputy Chairman
	Chairman Audit Committee
	Corporate Governance Committee
Age	43
Qualifications	Bachelor of Business
	Master of Management & Leadership
	Company Directors Course Diploma, AICD
	Fellow, Australian Institute of Company Directors
	Member, Australian Mutuals Institute
Experience	Detective Inspector of Police
	NSW Police Fraud Squad experience
	Casual Academic Staff - Charles Sturt University
	(Graduate School of Policing and Faculty of Arts)
	Auditor, Police Provident Fund
	Auditor, Police RSL Sub-Branch
	Board Member since 2001
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr P T Biscoe	Director
	Credit Committee
Age	57
Qualifications	Member of the Australian Mutuals Institute
Experience	President of the Retired Police Association
	Police Legacy Legator
	Police RSL Sub-Branch Member
	Board Member since 2000
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr R Del Vecchio	Director
Age	39
Qualifications	Bachelor of Policing
	Post Graduate Diploma in Criminology
Experience	Current Head of Administrative Services at Police Association of NSW
	Co-author of ACTU publication on Financial Best Practices in
	Trade Unions – nationally published
	Committee member of the Police Superannuation Advisory Board
	Member of the Australian Mutuals Institute
	Senior management positions within Financial Services Organisations –
	specialising in fraud identification, risk management and card operations
	Board Member since April 2008
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr G R Green	Director Audit Committee Corporate Governance Committee
Age	63
Qualifications	L.L.B. (Hons) Barrister of the Supreme Court of NSW FAMI (Fellow Australasian Mutuals Institute)
Experience	Former Secretary Legal of the Police Association of NSW and former Senior Vice President Life Member of Police Association of NSW Member of Retired Police Association Board Member since 1989
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr A R Lauer	Director Corporate Governance Committee Credit Committee Audit Committee
Age	72
Qualifications	Diploma in Criminology (The University of Sydney 1973) Graduate NSW Police Senior Executive (Merit) Course (Australian Police College 1986) Graduate Senior Executive Police Officer Course (Australian Police Staff College 1987) Graduate Seventeenth National Executive Institute (Federal Bureau of Investigation Academy, Quantico, Virginia, USA, 1994) Honorary Fellow (NSW Police Academy 1996) Associate Fellow (Australian Mutuals Institute 1996)
Experience	Career Police Officer, 1955 - 1996 President of Police Association of NSW, 1979 - 1982 Commissioner of Police 1991 – 1996 Board Member since 1997
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr G J Loughlin	Appointed Director Audit Committee
Age	58
Qualifications	B.A.(Hons) (Adelaide) Grad.Cert.Mgt (Monash-Mt Eliza) ACID, ACSA
Experience	2004 - Manager Group Strategic Development & Company Secretary DataDot Technology Limited 1981 - 2001 General Manager, Credit Union Services Corporation (Australia) Limited 1989 – 2001 Non-Executive Director, Data Advantage Limited 1986 – 1990 Member, Australian Housing Council 1985 – 1991 Member, Australian Payments System Council 1981 – 1985 Non-Executive Director, Jetset Tours (SA) Pty Ltd 1981- 1985 Member, SA Credit Union Stabilization Board 1979 – 1981 Executive Assistant, SA Premier and Treasurer Appointed Director April 2008
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr T F Seery	Director (Retired 29 February 2008) Audit Committee Corporate Governance Committee
Age	63
Qualifications	FAMI (Fellow Australasian Mutuals Institute) FAICD (Fellow Australian Institute of Company Directors)
Experience	Former Inspector of Police Chairman, Northern Associates Branch of the Police Association Councillor of Credit Union Employers Association Board Member since 1972
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr L W Taylor	Director Audit Committee Credit Committee Corporate Governance Committee
Age	68
Qualifications	Mediator – ACDC FAMI (Fellow Australasian Mutuals Institute)
Experience	Former President of the Federation of Police Credit Unionswwf Convenor, Juvenile Justice Deputy Chairman, 1992-1996, Chairman 1996-2001 Former Secretary Administration of the Police Association of NSW Former President of the Police Association of NSW Life Member of Police Association of NSW Life Member of Police Federation of Australia and New Zealand Board of Management – Retired Police Association Member - Police Education Advisory Committee - 1988 - 1996 Board Member since 1988
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr B A Williams	Secretary
Qualifications	Master of Business in Finance FCIS
Experience	36 years of experience in banking and finance
Directorships	Credit Union Financial Support System Limited Chelsea Wealth Management Pty Limited

ACKNOWLEDGMENTS

In concluding this Report, the Board wishes to acknowledge its appreciation of Bruce A Williams, Chief Executive Officer, the Management and staff of the Credit Union without whose expertise and commitment the achievements of the past year would not have been achieved.

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

Kenneth E Moroney
Chairman
29th September 2008

David C Walton
Deputy Chairman

The Police Department Employees’ Credit Union Limited

DIRECTORS’ DECLARATION

The Directors of The Police Department Employees’ Credit Union Limited declare that:-

1 The financial statements and notes related thereto:-
   a) Comply with Accounting Standards and the Corporations Act 2001; and
   b) Give a true and fair view of the financial position as at 30 June 2008 and the performance for the year ended on that date.

2 In the Directors’ opinion 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. This declaration is made in accordance with a resolution of the Board of Directors.

Kenneth E Moroney
Chairman
29th September 2008

David C Walton
Deputy Chairman

To the Members of The Police Department Employees' Credit Union Limited.

Report on the Financial Report

I have audited the accompanying financial report of The Police Department Employees' Credit Union Limited, and its subsidiaries (the consolidated entity) for the year ended 30 June 2008. This comprises the balance sheet, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standard ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on our audit. I have conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of The Police Department Employees' Credit Union Limited, would be the same terms if provided to the directors at the time that this auditor's report was made.

Auditor's Opinion

In my opinion

a. the financial report of The Police Department Employees' Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

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

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Kevin J Thomas
Chartered Accountant
(Registered Company Auditor)
30th September 2008

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Interest Revenue	2a	69,714,679	63,421,174	69,242,265	62,288,818
Borrowing Costs	2b	38,755,267	34,375,126	38,326,104	33,353,914
Net Interest Revenue		30,959,412	29,046,048	30,916,161	28,934,904
Other revenue from ordinary activities	3	8,398,412	7,820,134	7,943,700	7,468,656
Impairment losses on Loan Receivables from Members	4a	838,446	726,114	838,446	726,114
Fee and commission		5,077,405	5,131,246	5,055,260	5,087,648
General Administration					
- Personal expenses		10,977,091	10,139,583	10,977,091	9,960,985
- Depreciation and amortisation		2,645,930	2,467,805	2,605,147	2,444,993
- Lease expenses		1,256,748	851,538	1,190,661	820,569
- Other administration expenses		2,261,176	2,080,059	2,035,451	2,058,098
Other operating expenses		3,945,581	3,912,072	3,924,475	3,780,673
Operating Profit before Income Tax		12,355,447	11,557,765	12,233,330	11,524,480
Income Tax Expense	5	3,622,141	3,461,005	3,610,690	3,461,005
Operating Profit after Income Tax		**8,733,306**	**8,096,760**	**8,622,640**	**8,063,475**
Minority Equity Interest Adjustment		(19,367)	(4,161)	-	-
Profit attributable to Members of the parent entity		8,713,939	8,092,599	8,622,640	8,063,475

The accompanying notes form part of these accounts and are to be read in conjunction therewith.

Credit Union	Capital Account	Retained Profits	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2006	239,180	42,212,517	2,468,042	-	1,430,212	29,597,000	75,946,951
Operating profit for the year	-	8,063,475	-	-	-	-	8,063,475
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	20,240	(20,240)	-	-	-	-	-
- Reserve for Credit Losses	-	-	(554)	-	-	-	(554)
- Capital Profits Reserve	-	-	-	-	-	-	-
Movement in value on available for sale assets	-	-	-	170,581	-	-	170,581
Balance 30 June 2007	**259,420**	**49,055,752**	**2,467,488**	**170,581**	**1,430,212**	**30,797,000**	**84,180,453**
Operating Profit for the year	-	8,622,640	-	-	-	-	8,622,640
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	17,850	(17,850)					-
- Reserves for Credit Losses	-	-	148,638	-	-	-	148,638
Movement in value on land and buildings	-	-	-	122,984	-	-	122,984
Balance 30 June 2008	**277,270**	**56,460,542**	**2,616,126**	**293,565**	**1,430,212**	**31,997,000**	**93,074,715**

Consolidated	Capital Account	Retained Profits	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2006	239,180	42,109,159	2,468,042	-	1,430,212	29,582,435	75,829,028
Operating profit for the year	-	8,096,760	-	-	-	-	8,096,760
Profit attributable to minority shareholders	-	(4,161)	-	-	-	4,161	-
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	20,240	(20,240)	-	-	-	-	-
- Reserve for Credit Losses	-	-	(554)	-	-	-	(554)
- Capital Profits Reserve	-	-	-	-	-	-	-
Movement in value on available for sale assets	-	-	-	170,581	-	-	170,581
Balance 30 June 2007	**259,420**	**48,981,518**	**2,467,488**	**170,581**	**1,430,212**	**30,786,596**	**84,095,815**
Operating Profit for the year	-	8,733,306	-	-	-	-	8,733,306
Profit attributable to minority shareholders	-	(19,367)	-	-	-	19,199	(168)
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	17,850	(17,850)	-	-	-	-	-
- Reserves for Credit Losses	-	-	148,638	-	-	-	148,638
Movement in value on land and buildings	-	-	-	122,984	-	-	122,984
Balance 30 June 2008	**277,270**	**56,477,607**	**2,616,126**	**293,565**	**1,430,212**	**32,005,795**	**93,100,575**

AS AT 30 JUNE 2008

	Note	Consolidated 2008	Consolidated 2007	Credit Union 2008	Credit Union 2007
ASSETS		**$**	**$**	**$**	**$**
Cash and Liquid Assets	**6**	11,316,740	20,739,517	11,275,078	19,566,305
Receivables due from other Financial Institutions	**7**	14,509,763	74,500,000	14,509,763	74,500,000
Accrued Receivables	**8**	1,892,612	1,665,541	1,858,351	1,623,553
Investment Securities	**9**	88,525,481	9,000,000	88,525,481	9,000,000
Loans and Advances	**10 & 11**	754,850,319	742,306,734	752,310,964	732,951,281
Available for Sale Investments	**12**	3,063,292	3,063,292	3,063,325	3,063,299
Property Plant and Equipment	**13**	3,929,723	4,587,377	3,929,723	4,585,217
Intangible Assets	**14**	1,392,780	2,074,333	1,392,780	2,074,333
Taxation Assets	**15**	842,566	516,148	842,566	516,148
Derivative Fair Value		413,873	-	413,873	-
TOTAL ASSETS		**880,737,149**	**858,452,942**	**878,121,904**	**847,880,136**
LIABILITIES					
Payables to other Financial Institutions	**16**	14,000,000	30,000,000	14,000,000	30,000,000
Deposits and Borrowings	**17**	755,998,381	721,279,303	755,998,381	721,279,303
Creditors and other Liabilities	**18**	10,192,197	8,945,243	10,164,330	8,624,120
Provisions	**19**	4,803,408	11,669,183	2,259,834	1,342,336
Taxation Liabilities	**20**	2,642,588	2,463,398	2,624,644	2,453,924
TOTAL LIABILITIES		**787,636,574**	**774,357,127**	**785,047,189**	**763,699,683**
NET ASSETS		**93,100,575**	**84,095,815**	**93,074,715**	**84,180,453**
MEMBER FUNDS					
Capital Account	**21**	277,270	259,420	277,270	259,420
Reserves		36,336,936	34,865,482	36,336,903	34,865,281
Retained Profits		56,477,607	48,981,518	56,460,542	49,055,752
Minority Equity Interest		8,762	(10,605)	-	-
TOTAL MEMBER FUNDS		**93,100,575**	**84,095,815**	**93,074,715**	**84,180,453**

The accompanying notes form part of these accounts and are to be read in conjunction therewith.

1 Statement of Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of Measurement
The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets. The accounting policies are consistent with the prior year unless otherwise stated.

b. Loans to Members
All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans using the effective interest method.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debts is considered unlikely as determined by the Board of Directors.

(i) Interest on Loans - Method of Calculation
Interest charged by the Credit Union on Members' loans funded before the introduction of the Consumer Credit Code on 1st November 1996, other than Overdrafts, are calculated on the basis of charging interest in the initial month from the date the loan is advanced, and thereafter on the first day of the month on the opening balance. On completion of a loan, a full month's interest is charged on the opening balance for the month in which the loan is finalised. For loans funded after 1st November 1996, the interest is calculated on the basis of the daily balance outstanding and is charged in arrears on the last day of each month.

(ii) Non Accrual Loan Interest
While still legally recoverable, interest is not brought to account as income when the Credit Union is informed that the Member has deceased, or on impaired loans where recovery of the debt is considered unlikely as determined by the Board of Directors. APRA has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan, or 15 days for an overlimit overdraft or credit facility.

(iii)Loan Fees
Loan establishment fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan.

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

c. Principles of Consolidation
The consolidated entity's financial statements comprise consolidated accounts of the Credit Union and its controlled entities. The effects of intercompany balances, transactions and unrealised profits arising between the controlled entities and the Credit Union are eliminated on consolidation.

d. Property, Plant and Equipment
Property, Plant and Equipment are stated at the lower of cost less depreciation, or recoverable amount. Fixed Assets are depreciated using the straight line method. The following rates are used:-

Building	2.50%	Office Equipment	20.00%
EDP Equipment	37.50%	Motor Vehicles	25.00%
EDP Software	37.50%	Office Furniture and Fittings	20.00%
Leasehold Improvements	25.00%	Core Banking System	14.29%

Assets less than $1000 are not capitalised.

e. Deposits with other Financial Institutions

Term Deposits with other Financial Institutions are unsecured and have a carrying amount equal to their principal amount. Interest is calculated on the daily balance and paid at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis over the expired period of the term of the investment. Interest receivable, but not yet paid, is included in the amount of receivables in the Balance Sheet.

f. Investments and Securities

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

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on the balance sheet date. The gains and losses in fair value are reflected in equity through the asset revaluation reserve.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account comprises only gains and losses on disposal.

All investments are in Australian currency.

g. Member Savings

(i) Basis for Determination

Member Savings and Term Deposits are quoted at the aggregate amount of monies owing to depositors.

(ii) Interest Payable

Interest is calculated on savings accounts on a daily basis and credited to most account types every six months at the end of June and December. For Term Deposits, interest is calculated on a daily basis at the agreed rate for the appropriate term and is paid as per the conditions of the term account.

h. Provision for Employee Entitlements

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the credit union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the credit union to an employee's superannuation fund and are charged to the income statement as incurred.

i. Loan Impairment

(i) Specific Provision

Losses for impairment loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for doubtful debts is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions in the calculation are set out in Note 11.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

(ii) Reserve for Credit Losses (formerly held as a General Provision)
In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for Members against the prospect that some Members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:
- the level of security taken as collateral; and
- the concentration of loans taken by employment type.

As a result of changes to Accounting Standards prescribed by AIFRS, the General Provision is no longer eligible for recognition as a provision to be offset against the gross balance of loans. The provision for general credit risk in the loan portfolio is now recognised as the Reserve for Credit Losses.

(iii) Renegotiated loans
Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

j. Bad Debts Written Off
Bad debts are written off from time to time as determined by Management and the Board when it is reasonable to expect that the recovery of the debt is unlikely. Loans written off are brought to account as an expense in the Income Statement. Bad debts are written off against the provision for doubtful debts if a provision for impairment had previously been recognised.

k. Income Tax
The income tax expense shown in the income statement is based on the operating profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

l. Derivative Financial Instruments
Under the Prudential Standards, derivative instruments may only be used for hedging purposes. Whenever possible, the Credit Union hedges its risks against interest rate fluctuations by managing its on-balance sheet assets and liabilities. The Credit Union measures derivative instruments at fair value. Changes in fair value are recorded in the income statement.

m. Goods and Services Tax
As a Financial Institution the Credit Union is Input Taxed on all income except other income from commissions and some fees. An Input Taxed supply is not subject to GST collection, and the GST on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

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

Receivables and payables are stated with the amount of GST included where applicable GST is collected.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Balance Sheet.

Cashflows are included in the statement of cashflows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

n. Leasehold on premises

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

A provision is recognised for the estimated make good costs on the operating leases, based on the Net Present Value of the future expenditure at the conclusion of the lease term discounted at 5%. Increases in the provision in future years shall be recognised as part of the interest expense.

o. Intangible Assets

Capitalised software costs that are not an integral part of the associated hardware are classified as intangibles, and are amortised over the useful life of the asset and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation of the intangible asset is recognised as an expense in the Income Statement.

p. Impairment of Assets

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

2 Income Statement

a) Analysis of Interest Revenue

Category of interest bearing assets	Interest Revenue		Average Balance		Average Interest Rate	
	2008	2007	2008	2007	2008	2007
Cash - deposit	780,019	646,656	16,607,438	18,432,645	4.70%	3.56%
Deposits with other Financial Institutions	7,788,895	5,471,346	93,267,622	76,097,796	8.35%	7.19%
Securities - trading	-	-	-	-	-	-
Securities - investment	-	-		-		-
Loans and advances	61,145,765	57,303,172	742,898,684	745,025,705	8.23%	7.69%
Others	-	-	-	-	-	-
Total	**69,714,679**	**63,421,174**	**852,773,744**	**839,556,146**	**8.18%**	**7.55%**

b) Analysis of Interest Expense

Category of interest bearing liabilities	Interest Expense		Average Balance		Average Interest Rate	
	2008	2007	2008	2007	2008	2007
Deposits held from other Financial Institutions	-	-	-	-	-	-
Member Deposits	36,347,155	31,183,531	738,202,917	713,894,153	4.92%	4.37%
Overdraft	57,311	75,081		-		-
Long Term Borrowings	1,961,903	2,095,301	22,000,000	32,500,000	8.92%	6.45%
Others	388,898	1,021,213	6,917,861	15,792,186	5.62%	6.47%
Total	**38,755,267**	**34,375,126**	**767,120,778**	**762,186,339**	**5.05%**	**4.51%**

3 Profit from Ordinary Activities - Revenue

	Consolidated		Credit Union	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Dividend Revenue	298,441	298,441	298,441	298,441
Fee and Commission Revenue				
- Loan Fee Income	1,902,386	1,882,864	1,902,386	1,882,864
- Other Fee Income	3,120,850	3,278,656	3,120,850	3,278,656
- Insurance Commissions	1,220,331	1,229,233	1,220,331	1,229,233
- Other Commissions	1,075,579	933,489	620,867	582,011
Bad Debts Recovered	91,297	57,148	91,297	57,148
Other Revenue				
- Income from Derivative Fair Value	413,873	-	413,873	-
- Other	275,655	140,303	275,655	140,303
Total Revenue from Ordinary Activities	**8,398,412**	**7,820,134**	**7,943,700**	**7,468,656**

4 Profit from Ordinary Activities - Expenses

a. Loan Impairment Losses

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Increase in provision for impairment	200,000	60,000	200,000	60,000
Bad Debts written off directly against profit	638,446	666,114	638,446	666,114
Total Impairment Losses	**838,446**	**726,114**	**838,446**	**726,114**

b. Other Prescribed Expense Disclosures

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Auditor's Renumeration				
- Audit Fees	127,640	108,800	124,640	108,800
- Other Services	9,139	9,574	9,139	9,574
	136,779	**118,374**	**133,779**	**118,374**
Loss on disposal of assets				
- Property, plant and equipment	11,386	-	11,386	-
Net movement in provision for depreciation				
- Buildings	(25,703)	31,330	(25,703)	31,330
- Plant and equipment	1,840,766	972,415	1,840,766	972,415
- Leasehold improvements	(258,732)	257,641	(258,732)	257,641
Net movement in provision for				
- Employee Entitlements	914,833	241,076	914,833	241,076
- Supervision Levy	34,450	41,918	34,450	41,918

5 Income Tax

a. The prima facie tax payable on operating profit is reconciled to the income tax expense in the account as follows:

	Consolidated		Credit Union	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Prima facie tax payable on operating profit before income at 30% (2007 30%)	3,706,634	3,467,330	3,669,999	3,457,344
Add tax effect of expenses not deductible:				
- Building depreciation	-	-	-	-
- Other depreciation	-	-	-	-
- Entertainment	14,535	4,230	14,267	4,230
- Imputation Credit	38,371	38,371	38,371	38,371
- Provision adjustment of Income Tax for previous year	-	(16,467)	-	(6,481)
- Over provision of Deferred Tax Liability for previous year	-	(11,828)	-	(11,828)
- Under Provision	15,956	-	15,956	-
- Under provision of Future Income Tax Benefit for previous year		107,272		107,272
Losses brought forward from prior years	(25,452)			
Rebate on fully franked dividends	(127,903)	(127,903)	(127,903)	(127,903)
	3,622,141	**3,461,005**	**3,610,690**	**3,461,005**
b. Income tax expense comprises amounts set aside as:				
Provision for income tax attributable to current year taxable income	4,097,382	3,087,144	4,085,931	3,087,144
Movement in future income tax benefit	(334,450)	(17,273)	(334,450)	(17,273)
Movement in deferred tax liability account	(140,791)	391,134	(140,791)	391,134
Over provision of income tax for previous year	-	-	-	-
	3,622,141	**3,461,005**	**3,610,690**	**3,461,005**
c. Franking Credits				
The amount of franking credits held by the Credit Union after adjustment for credits arising on tax payable in the current year's profits.	20,013,167	16,412,103	20,013,167	16,412,103

6 Cash and Liquid Assets

Cash on hand	1,155,076	2,230,945	1,141,533	1,057,733
Deposits at call	6,000,000	18,000,000	6,000,000	18,000,000
Cash at Bank	4,161,664	508,572	4,133,545	508,572
	11,316,740	**20,739,517**	**11,275,078**	**19,566,305**

7 Receivables Due From Other Financial Institutions

Deposits - Term	14,509,763	74,500,000	14,509,763	74,500,000

8 Accrued Receivables

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Interest Receivable on deposits with other Financial Institutions	1,315,558	739,285	1,315,558	739,285
Prepayments	181,365	439,580	181,365	439,580
Sundry Debtors	302,206	366,419	267,945	324,431
Amortised Loan Transaction Costs	93,483	120,257	93,483	120,257
	1,892,612	**1,665,541**	**1,858,351**	**1,623,553**

9 Investment Securities

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Bank Bills and Certificates of Deposits	88,525,481	9,000,000	88,525,481	9,000,000

10 Loans and Advances

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
a. Amount Due comprises				
Overdrafts and Revolving Credit Loans	49,421,060	52,475,438	49,421,060	52,475,438
Term Loans	706,461,979	690,844,562	703,922,624	681,489,109
	755,883,039	**743,320,000**	**753,343,684**	**733,964,547**
Less: Provision for Impaired Loans	407,874	356,512	407,874	356,512
Less: Unamortised Loan Origination Fees	624,846	656,754	624,846	656,754
Net Loans and Advances	**754,850,319**	**742,306,734**	**752,310,964**	**732,951,281**
b. Credit Quality - Security held against Loans				
Secured by Mortgage	604,151,129	596,670,570	601,611,774	587,315,117
Secured Other	71,374,734	71,153,341	71,374,734	71,153,341
Unsecured	80,357,176	75,496,089	80,357,176	75,496,089
	755,883,039	**743,320,000**	**753,343,684**	**733,964,547**

It is not practicable to value all collateral as the balance is due to a variety of assets and conditions.
A breakdown of the quantity of the residential mortgage security on a portfolio basis is as follows:
Security held as mortgage against real estate is on the basis of

- loan to valuation ratio of less than 80%	479,427,833
- loan to valuation ratio of more than 80% but mortgage insured	117,782,388
- loan to valuation ratio or more than 80% and not mortgage insured	4,401,553
Total	**601,611,774**

c. Concentration of Loans

(i) Individual loans which exceed 10% of Member Funds in aggregate amount to $0.00 (2007 $0.00)

(ii) Loans to Members are solely in Australia

(iii) Loan purpose dissection:

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
- Residential	566,289,736	550,811,024	563,750,381	541,455,571
- Personal	115,375,445	118,824,591	115,375,445	118,824,591
- Commercial	59,808,360	58,590,205	59,808,360	58,590,205
- Lease	14,409,498	15,094,180	14,409,498	15,094,180
	755,883,039	**743,320,000**	**753,343,684**	**733,964,547**

11 Provision on Impaired Loans

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
a. Total Provision Comprises				
Specific Provision	407,874	356,512	407,874	356,512
Collective Provision	-	-	-	-
	407,874	**356,512**	**407,874**	**356,512**
b. Movement in Specific Provision				
Balance at the beginning of the year	356,512	297,036	356,512	297,036
Add: Transfers from Income Statement	51,362	59,476	51,362	59,476
Deduct: Bad debts written off against provision	-	-	-	-
Deduct: Transfers to Income Statement	-	-	-	-
Balance at end of year	**407,874**	**356,512**	**407,874**	**356,512**
c. The specific loans provision consists of:				
(i) Provision required under the APRA Prudential Standards	407,874	356,512	407,874	356,512
(ii) Additional specific provision	-	-	-	-
	407,874	**356,512**	**407,874**	**356,512**
d. Impaired Loans Written Off				
Amount written off against the provision for impaired loans	-	1,079	-	1,079
Amounts written off directly to expense	638,446	666,114	638,446	666,114
Total Bad debts	638,446	667,193	638,446	667,193
Bad debts recovered in the period	91,297	57,148	91,297	57,148
e. Impaired Loan Disclosures				
Impaired Loans as at Balance Date				
Balance of the impaired loans	912,080	554,244	912,080	554,244
Estimated value of loans which is secured	357,036	47,350	357,036	47,350
Renegotiated Loans not impaired				
Balance of the renegotiated loans	-	-	-	-
Estimated value of loans which is secured	-	-	-	-
Loans upon which interest is not being Accrued				
Loans with provision for impairment	8,620	75,295	8,620	75,295
Less: Specific provision	5,246	31,986	5,246	31,986
Loan with no provision for impairment	-	-	-	-
Total Non Accrual Loans	**3,374**	**43,309**	**3,374**	**43,309**

	Consolidated		Credit Union	
	2008	2007	2008	2007
Reconstructed Loans with no provision for	$	$	$	$
impairment	758,658	655,916	758,658	655,916
Loans with repayments Past Due but not				
impaired (due to security held)	286,811	237,968	286,811	237,968
Assets Acquired via enforcement of security				
(excluding loans reported)				
- Real estate	-	-	-	-
- Other	-	-	-	-
	-	-	-	-
Revenue on Impaired Loans				
(Non Accrual & Restructured)				
Interest and other revenue recognised as revenue	9,979	5,142	9,979	5,142
earned during the year				
Interest and other revenue accrued but not	14,761	8,251	14,761	8,251
recognised as revenue (i.e. forgone) in the year				

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

	2008 Carrying Value	2008 Provision	2007 Carrying Value	2007 Provision
	$	$	$	$
30 up to 90 days in arrears	2,567,391	-	3,060,687	-
90 to 181 days in arrears	656,948	143,148	470,781	93,125
182 to 272 days in arrears	131,850	59,730	198,793	119,276
273 to 364 days in arrears	14,976	11,980	2,238	1,790
365 days and over in arrears	75,803	75,803	41,192	41,193
Overlimit facilities over 14 days	699,401	117,213	598,482	101,128
Total	**4,146,369**	**407,874**	**4,372,173**	**356,512**

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over Motor vehicles or other assets of varying value. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

Key assumptions in determining the provision for impairment

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

12 Available for Sale Investments

	Consolidated		Credit Union	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Cuscal Member Shares (i)	2,387,525	2,387,525	2,387,525	2,387,525
Chelsea Wealth Management Shares	-	-	33	7
Chelsea Wealth Management Pty Ltd (ii)	675,767	675,767	675,767	675,767
	3,063,292	**3,063,292**	**3,063,325**	**3,063,299**

(i) Cuscal provides numerous services to the Credit Union. These are referred to in Notes 30 and 32.

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member Credit Unions and does not have an independent business focus. The shares are not able to be traded and are not redeemable.

The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

(ii) On 1 April 2005 the Credit Union purchased an interest in Chelsea Wealth Management Pty Ltd financial planning practice. The Credit Union was issued with 7 shares of $1 each. This was increased to 33 shares of $1 each on 28th November 2007.

13 Property, Plant and Equipment

	Consolidated 2008	Consolidated 2007	Credit Union 2008	Credit Union 2007
a. Properties at Independent Valuation	1,550,000	1,456,363	1,550,000	1,456,363
Less: Accumulated Depreciation	16,070	41,773	16,070	41,773
Leasehold Improvements at Cost	2,828,979	2,824,768	2,828,979	2,824,768
Less: Accumulated Depreciation	2,521,694	2,262,962	2,521,694	2,262,962
Plant, Equipment & Furniture at Cost	3,711,880	4,250,841	3,711,880	4,250,841
Less: Accumulated Depreciation	2,443,651	2,701,666	2,443,651	2,701,666
Computer Equipment at Cost	2,845,061	4,652,959	2,845,061	4,644,319
Less: Accumulated Depreciation	2,412,775	3,964,259	2,412,775	3,957,779
Motor Vehicles at Cost	507,988	530,848	507,988	530,848
Less: Accumulated Depreciation	119,995	157,742	119,995	157,742
Total Written Down Value	**3,929,723**	**4,587,377**	**3,929,723**	**4,585,217**

b. Land and Buildings - Valuation

The Credit Union has a property at Goulburn with the land valued by an independent valuation as at 31st Dec 2007 at $1,550,000. The increase to valuation over cost has been brought to account in the balance sheet.

	2008		2007	
	Property	Plant & Equipment	Property	Plant & Equipment
Opening Balance 1 July	1,414,590	3,172,787	1,445,920	3,539,592
Purchases		1,006,908	-	1,014,762
Revaluation adjustments	93,637	(36,199)	-	-
Disposal of assets		(159,299)	-	(59,680)
Profit/(Loss) on sale		(11,386)	-	16,279
Depreciation charge	25,703	(1,577,018)	(31,330)	(1,338,166)
Closing Balance 30 June	**1,533,930**	**2,395,793**	**1,414,590**	**3,172,787**

14 Intangible Assets

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Computer Software	6,692,158	6,317,719	6,692,158	6,317,719
Less: Provision for Amortisation	(5,299,378)	(4,243,386)	(5,299,378)	(4,243,386)
	1,392,780	**2,074,333**	**1,392,780**	**2,074,333**

Movement in the intangible asset balances during the year were:

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Opening Balance 1 July	2,074,333	2,494,846	2,074,333	2,494,846
Add: Purchases in the year	374,439	665,484	374,439	665,484
Revaluation increase adjustments	0	0	0	0
Less: Disposal of assets	0	0	0	0
Loss on Sale	0	0	0	0
Depreciation charge	(1,055,992)	(1,085,997)	(1,055,992)	(1,085,997)
Closing Balance 30 June	**1,392,780**	**2,074,333**	**1,392,780**	**2,074,333**

15 Taxation Assets

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Future Income Tax Benefit	842,566	516,148	842,566	516,148
Future Income Tax Benefit Comprises:				
- Provision for Impairment	166,953	106,953	166,953	106,953
- Deferred Loan Origination Costs	28,045	36,077	28,045	36,077
- Provision for Staff Entitlements	647,568	373,118	647,568	373,118
- Other	-	-		-
	842,566	**516,148**	**842,566**	**516,148**

16 Amounts Payable to Other Financial Institutions

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Special Service Provider:				
- Overdraft Secured (Note 29)	-	-	-	-
- Loan (Note 29)	14,000,000	30,000,000	14,000,000	30,000,000
	14,000,000	**30,000,000**	**14,000,000**	**30,000,000**

17 Deposits

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Member Deposits:				
- at call	315,578,442	316,367,864	315,578,442	316,367,864
- term	439,992,939	404,466,589	439,992,939	404,466,589
Total Member Deposits	**755,571,381**	**720,834,453**	**755,571,381**	**720,834,453**
Withdrawable Shares	427,000	444,850	427,000	444,850
	755,998,381	**721,279,303**	**755,998,381**	**721,279,303**

Concentration of Risk

(i) There are no Members who individually have deposits which represent 10% or more of the total liabilities of the Credit Union.

(ii) Details of classes of deposits which represent 10% or more of shareholders' equity of the Credit union are set out below:

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Industry Group				
State Government	181,475,482	176,566,894	181,475,482	176,566,894
Federal Government	48,289,424	45,476,006	48,289,424	45,476,006
Geographic Areas				
Sydney Metropolitan	395,722,507	383,318,873	395,722,507	383,318,373

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Hunter Region	47,206,107	43,600,322	47,206,107	43,600,322
Illawarra Region	24,601,709	15,769,799	24,601,709	15,769,799
Australian Capital Territory	27,779,343	30,489,245	27,779,343	30,489,245
Central Coast Region	33,141,986	31,163,014	33,141,986	31,163,014

18 Creditors and Borrowings

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Creditors and Accruals	1,612,987	1,625,319	1,585,120	1,304,196
Interest Payable on Deposits	8,579,210	7,319,924	8,579,210	7,319,924
	10,192,197	**8,945,243**	**10,164,330**	**8,624,120**

19 Provisions

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Provision for Employees Annual Leave	599,391	701,266	599,391	701,266
Provision for Employee Long Service Leave	821,113	542,460	821,113	542,460
Provision for Securitised Loans	2,543,574	10,326,847	-	-
Other	839,330	98,610	839,330	98,610
	4,803,408	**11,669,183**	**2,259,834**	**1,342,336**
Number of Employees at year-end	138	134	138	134

20 Taxation Liabilities

	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Provisions for Income tax	1,507,614	1,231,262	1,496,163	1,231,262
Provision for Deferred Income Tax	1,128,481	1,222,662	1,128,481	1,222,662
Other	6,493	9,474	-	-
	2,642,588	**2,463,398**	**2,624,644**	**2,453,924**
Provision for Deferred Income Tax Comprises				
- Prepayments	54,410	131,874	54,410	131,874
- Deferred Loan Origination Fees	187,454	197,026	187,454	197,026
- Tax allowances relating to Property, Plant & Equipment	813,511	820,656	813,511	820,656
- Tax allowances relating to Chelsea Wealth Management PTY LTD.	73,106	73,106	73,106	73,106
	1,128,481	**1,222,662**	**1,128,481**	**1,222,662**

21 Capital Reserve Account

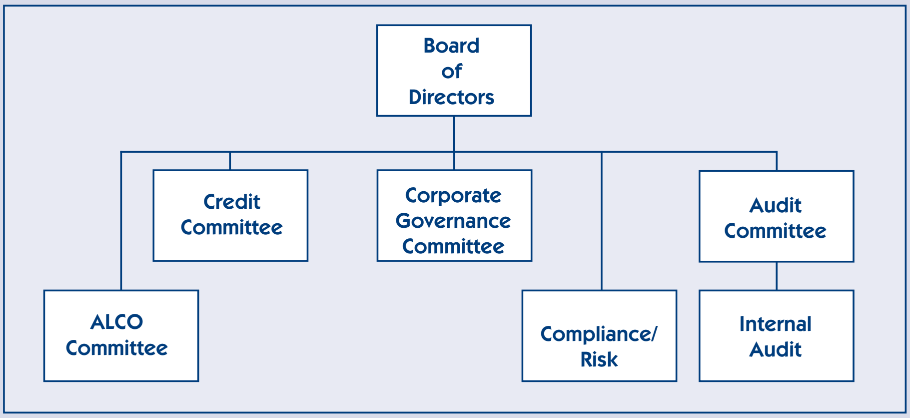
	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Balance - 1 July	259,420	239,180	259,420	239,180
Transfer from retained earnings on share redemptions	17,850	20,240	17,850	20,240
Balance - 30 June	**277,270**	**259,420**	**277,270**	**259,420**

Share Redemption
The accounts represent the amount of redeemable Preference Shares redeemed by the Credit Union since 1 July 1999. The law requires that the redemption of the Shares be made out of profits. Since the value of the Shares have been paid to Members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriate to the account.

22. Financial Risk Management Objectives and Policies

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

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors. The following diagram gives an overview of the structure.



The diagram shows the risk management structure. The main elements of risk governance are as follows:

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

Corporate Governance Committee: This Committee holds at least three meetings each year and the primary objectives of the Committee is:
To ensure that the Credit Union practices good corporate governance primarily by fulfilling its obligations as set out by the Australian Prudential Regulation Authority in Australian Prudential Standards 510 and 520;
To ensure all Directors and persons nominating for the position of Director are of good character and meet the "Fit and Proper" requirements of the Corporate Governance policy;
To recommend to the Board on how best for the Board to achieve Board renewal to ensure that the majority of the Directors are independent and that the Board as a whole possess the required skills of directing the Credit Union; and
To review disputes from Members relating to the Credit Union's policies, procedures, systems or service delivery, which have been unable to be resolved by Management

Audit Committee: Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Board of Directors for their consideration.

Credit Committee – Credit Risk : This Committee meets monthly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The Credit Committee also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be in put in place regarding the authorisation of new loans.

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

All large credit exposure facilities above policy limits are approved by the Credit Committee.

All loans are managed through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or overlimit facilities over 14 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Credit Committee monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. A dedicated credit control team, which reports to the Credit Committee, implements the credit union's credit risk policy. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the balance sheet date.

Asset and Liability Committee (ALCO) - Market Risk: This Committee meets monthly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate and liquidity risk. The daily scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the ALCO Committee.

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

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

Key risk management policies encompassed in the overall risk management framework include :-
- Interest Rate Risk
- Liquidity Management
- Credit Risk Management
- Operations Risk Management including data risk management.

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

A. Market Risk and Hedging Policy
The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO Committee, which reports directly to the Board.

(i) Interest Rate Risk
Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within its Treasury operations. Police Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest Rate Risk in the Banking Book
The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is measured daily, reported to the ALCO monthly, and to the Board via the ALCO Committee monthly.

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

The level of mismatch on the banking book is set out in Note 25. The table set out at note 25 displays the period that each asset and liability will reprice as at the balance date.

Method of Managing Risk
The Credit Union manages its interest rate risk by the use of value at risk models (VAR) and interest rate sensitivity analysis, the detail and assumptions used are set out below.

Hedging
To mitigate this risk the Credit Union has entered into pay fixed/receive floating interest rate swaps. The interest rate risk on fixed rate loans/assets are hedged by purchasing pay fixed/receive floating interest rate swaps.

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

The policy of the Credit Union to manage the risk is to monitor on a monthly basis the changes to maturity profiles within its deposit base and changes in the underlying portfolio mix to ensure that such changes will not have an unacceptable adverse outcome to the Credit Union. The policy of the Credit Union is to use derivatives to hedge against adverse consequences of interest rate risk. The Credit Union's exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

An independent review of the interest rate risk profile is conducted by Strategic Risk International, an independent Risk Management Consultancy.

Based on the calculations as at 30 June 2008, the calculated market value of equity (EVE) is $102.6 million, with a sensitivity of $4.1 million to a 1% change in interest rates.

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

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:
- the interest rate change would be applied equally over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change ;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- variable rate mortgage loans would all reprice to the new interest rate in one month;
- personal loans would reprice at the contracted maturity date;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

B. Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or Member withdrawal demands. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the Member withdrawal demands when requested.

The Credit Union manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Credit Union has a longstanding arrangement with the industry liquidity support company Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Credit Union policy is to apply a minimum of 11% of funds as liquid assets to maintain adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 29 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 24. The ratio of liquid funds over the past year is set out below:

APRA	2008	2007
To total adjusted liabilities		
As at 30 June	14.78%	12.70%
Average for the year	14.96%	12.17%
Minimum during the year	11.87%	11.27%
To total member deposits		
As at 30 June	15.12%	13.14%

C. Credit Risk

Credit risk is the risk that Members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book, investment assets and derivative contracts.

(i) Credit Risk - Loans

The analysis of the Credit Union's loans by class, is as follows:

	2008	2008	2008		2007	2007	2007
Loans to	Carrying Value	Off balance Sheet	Max Exposure		Carrying Value	Off balance Sheet	Max Exposure
	$	$	$		$	$	$
Households	566,289,736	18,326,005	584,615,741		550,811,024	18,425,200	569,236,224
Personal	80,363,883	954,856	81,318,739		81,443,333	546,880	81,990,213
Credit Cards	-	-	-		-	-	-
Overdrafts	49,421,060	46,656,783	96,077,843		52,475,438	46,534,189	99,009,627
Total to natural persons	696,074,679	65,937,644	762,012,323		684,729,795	65,506,269	750,236,064
Corporate borrowers	59,808,360	-	59,808,360		58,590,205	-	58,590,205
Total	**755,883,039**	**65,937,644**	**821,820,683**		**743,320,000**	**65,506,269**	**808,826,269**

Carrying value is the value on the balance sheet. Maximum exposure is the value on the balance sheet plus the undrawn facilities (loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities; credit cards limits). The details are shown in note 28 and a summary is in note 10.c

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in note 10.c.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments) .

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;

- Debt recovery procedures; and
- Review of compliance with the above policies;

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired
A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans is over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement. In estimating these cash flows, Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance sheet provisions are maintained at a level that Management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

The provisions for impaired and past due exposures relate to the loans to Members.
Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.

Details are as set out in Note 11.

Bad debts
Amounts are written-off when collection of the loan or advance is considered to be remote. All write-offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lender's mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral securing loans
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Board policy is where the outstanding loan balance exceeds 80% of the valuation, the mortgage must be 100% mortgage insured secured. Note 10 b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals
Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose

additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in note 10. The Credit Union holds no significant concentrations of exposures to Members.

Concentration risk – industry
The Credit Union has a concentration in the retail lending for members who comprise employees and family in the Policing Industry. This concentration is considered acceptable on the basis that the Credit Union was formed to service these Members, and the employment concentration is not exclusive. Should Members leave the industry the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans.

(ii) Credit Risk - Liquid Investment
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to authorised institutions. Directors have established policies that a maximum of 10% of the capital base (excluding Cuscal) can be invested with any one financial institution at a time.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one Credit Union. Also the relative size of the Credit Union as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed. The Board policy is to maintain a majority of the investments in Cuscal Limited, a company set up to support the member Credit Unions and which has an AAB rating.

D. Operational Risk
Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risk arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of Members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to Member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems, premises or staff.

Fraud
Fraud can arise from Member card PINS, and internet passwords being compromised where not protected adequately by the Member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However in common with all Authorised Financial Institutions, fraud is potentially a real cost to the Credit Union.

IT Systems
The worst case scenario would be the failure of the Credit Union's core banking and IT network to meet Member obligations and service requirements. The Credit Union manages inhouse the IT systems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on the Credit Union by

the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay etc.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

E. Capital Management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components

- Credit risk
- Market risk (Trading Book)
- Operations risk.

The market risk component is not required as the Credit Union is not engaged in a Trading Book for financial instruments.

Capital Resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:

- General Reserves (excluding Reserve for Credit Losses)
- Retained Earnings
- After Tax Current Year Earnings

Tier 2 Capital

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

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A subordinated loan remitted from the Credit Union's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential standard APS 111.
- A general reserve for credit Losses.

The Credit Union's available for sale (AFS) reserve, and an asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

Capital in the Credit Union is made up as follows:

	2008
Tier 1	**$**
Share capital	277,270
Capital reserve	1,430,212
General reserve	31,997,000
Retained earnings	56,460,542
Less prescribed deductions	3,355,825
Net tier 1 capital	**86,809,199**
Tier 2	
Reserve for credit losses	2,616,126
Asset revaluation reserves on property	293,565
Less prescribed deductions	1,193,762
Net tier 2 capital	**1,715,929**
Total Capital	**88,525,128**

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

		Carrying Value $	Risk Weighted Value $
Cash	0%	1,155,076	-
Deposits in highly rated ADI's	20%	100,713,559	20,142,711
Deposits in less highly rated ADI's	50% - 150%	12,455,230	6,227,615
Standard Loans secured against eligible residential mortgages up to 80% LVR	35%	515,763,206	180,517,122
Standard Loans secured against eligible residential mortgages over 80%LVR	50% - 75%	83,447,800	44,040,880
Investments in equity instruments	150%	-	-
Other assets	100%	164,260,616	164,260,616
Total		**877,795,487**	**415,188,944**

The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel II Prudential framework enhancements.

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

2008	2007	2006	2005	2004
18.17%	16.01%	15.61%	14.48%	14.10%

The level of capital ratio can be affected by growth in asset relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Unions capital the Credit Union reviews the ratio monthly and monitors movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 13%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk
This capital component was introduced as from 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Credit Union's three year average net interest income and net non-interest income to the Credit Union's various business lines.

Based on this approach, the Credit Union's operational risk requirement is as follows:
- Operational Risk Regulatory Capital $ 4,284,076

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

Internal Capital Adequacy Management
The Credit Union manages its internal capital levels for both current and future activities annually during the review of the budget and business plan and at times when the Credit Union's risk matrix detects an adverse movement of the Credit Union's risk profile. The outputs are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board.

23. Categories of Financial Instruments

The following information classifies the financial instruments into measurement classes

	Notes	Consolidated 2008 $	Consolidated 2007 $	Credit Union 2008 $	Credit Union 2007 $
Financial assets - carried at amortised cost Cash	6	11,316,740	20,739,517	11,275,078	19,566,305
Receivables					
Receivables from financial institutions	7 & 9	103,035,244	83,500,000	103,035,244	83,500,000
Loans to members	10	754,850,319	742,306,734	752,310,964	732,951,281
Loans to capital investors		-	-	-	-
Total loans and receivables		**869,202,303**	**846,546,251**	**866,621,286**	**836,017,586**
Available for sale investments - carried at cost	12	3,063,292	3,063,292	3,063,325	3,063,299
Fair value through profit and loss Derivatives		413,873	-	413,873	-
TOTAL FINANCIAL ASSETS		**872,679,468**	**849,609,543**	**870,098,484**	**839,080,885**
Financial liabilities					
Short term borrowings	16	14,000,000	30,000,000	14,000,000	30,000,000
Creditors					
Deposits from other institutions		-	-	-	-
Deposits from members	17	755,571,381	720,834,453	755,571,381	720,834,453
Long term borrowings		-	-	-	-
Withdrawable shares		427,000	444,850	427,000	444,850
Total carried at amortised cost		**769,998,381**	**751,279,303**	**769,998,381**	**751,279,303**
Fair value through profit and loss					
Derivatives		-	-	-	-
TOTAL FINANCIAL LIABILITIES		**769,998,381**	**751,279,303**	**769,998,381**	**751,279,303**

24 Maturity Profile of Financial Assets and Liabilities

Monetary assets and liabilities have differing maturity profiles depending on their contractual term, and in the case of loans, the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities currently held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid and is based upon contractual conditions of each loan being strictly complied with (and is subject to change in the event that current repayment conditions are varied).

ASSETS						
Maturity	Receivables from other Financial Institutions		Non Trading Securities Held		Loans & Advances (before Provision)	
	2008	2007	2008	2007	2008	2007
At Call	11,275,078	20,739,517	-	-	-	-
Overdraft	-	-	-	-	49,421,060	52,475,438
Up to 3 Months	65,112,199	83,500,000	-	-	11,017,394	11,433,392
3 to 12 Months	37,923,045	-	-	-	34,676,095	35,902,534
1 to 5 Years	-	-	-	-	161,628,725	169,586,601
Over 5 Years	-	-	-	-	496,600,410	473,922,035
Unspecified	-	-	-	-	-	-
Total	**114,310,322**	**104,239,517**	**-**	**-**	**753,343,684**	**743,320,000**

LIABILITIES				
Maturity	Payable to other Financial Institutions		Member Deposits	
	2008	2007	2008	2007
At Call	-	-	316,005,442	316,812,714
Overdraft	-	-	-	-
Up to 3 Months	14,000,000	30,000,000	221,341,552	212,574,032
3 to 12 Months	-	-	157,333,487	123,337,688
1 to 5 Years	-	-	61,317,900	68,554,869
Over 5 Years	-	-	-	-
Unspecified	-	-	-	-
Total	**14,000,000**	**30,000,000**	**755,998,381**	**721,279,303**

25 Interest Rate Change Profile of Financial Assets and Liabilities

Monetary assets and liabilities have conditions which allow interest rates to be amended either on maturity (Term Deposits and Term Investments) or after adequate notice is given (Loans and Savings). The following table shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

ASSETS						
Maturity	Receivables from other Financial Institutions		Non Trading Securities Held		Loans & Advances (before Provision)	
	2008	2007	2008	2007	2008	2007
Within 1 month	36,364,228	46,239,517	-	-	635,638,528	-
1 to 3 Months	40,023,049	58,000,000	-	-	25,270,625	664,053,846
3 to 12 Months	37,923,045	-	-	-	92,434,531	13,144,662
1 to 5 years	-	-	-	-	-	64,206,523
Over 5 years	-	-	-	-	-	1,914,969
Total	**114,310,322**	**104,239,517**	-	-	**753,343,684**	**743,320,000**
Weighted Average Interest Rate	**7.48%**	**6.43%**	**-**	**-**	**8.63%**	**7.90%**

LIABILITIES				
Maturity	Payable to other Financial Institutions		Member Deposits	
	2008	2007	2008	2007
Overdraft	14,000,000	-	399,649,426	399,165,848
Up to 3 Months	-	30,000,000	159,011,708	156,458,430
3 to 12 Months	-	-	136,019,349	97,100,156
1 to 5 Years	-	-	61,317,898	68,554,869
Over 5 Years	-	-	-	-
Total	**14,000,000**	**30,000,000**	**755,998,381**	**721,279,303**
Weighted Average Interest Rate	**8.28%**	**6.83%**	**6.58%**	**4.56%**

26 Net Fair Value of Financial Assets and Liabilities

Net Fair Value is an estimate of the present market value of each asset or liability and has been calculated to show the difference between the current and future value of funds at the present time. Where the assets/liabilities are short term in nature or reprice frequently, then the net fair value is stated at book value.

The information is only relevant to circumstances at Balance Date and will vary depending on the contractual rates applied

ASSETS						
Maturity	Receivables from other Financial Institutions		Non Trading Securities Held		Loans & Advances (before Provision)	
	2008	2007	2008	2007	2008	2007
Net Fair Value	115,259,412	104,239,517	-	-	752,653,397	742,827,774
Book Value	114,310,322	104,239,517	-	-	753,343,684	743,320,000
Variance	949,090	-	-	-	(690,287)	(492,226)

LIABILITIES				
Maturity	Payable to other Financial Institutions		Member Deposits	
	2008	2007	2008	2007
Net Fair Value	14,009,100	29,943,000	756,001,661	720,404,420
Book Value	14,000,000	30,000,000	755,998,381	721,279,303
Variance	9,100	(57,000)	3,280	(874,883)

27 Expenditure Commitments

a. Future Capital Commitments

The Credit Union has entered into contracts to purchase fixed assets at a value of $564,000 (2007 $810,000). The amount is to be paid over the following periods:

	Consolidated		Credit Union	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Within 1 year	564,000	810,000	564,000	810,000
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
over 5 years	-	-	-	-
	564,000	**810,000**	**564,000**	**810,000**

b. Future Lease Rental Commitments

Future lease rental commitments are $10,796,097 (2007 $9,304,265). Operating lease payments under existing lease arrangements for office accommodation are payable over the following periods:

	Consolidated		Credit Union	
	2008	2007	2008	2007
	$	$	$	$
Within 1 year	1,206,632	1,474,679	1,206,632	1,474,679
1 to 2 years	1,794,852	1,469,297	1,794,852	1,469,297
2 to 5 years	4,623,633	3,538,613	4,623,633	3,538,613
over 5 years	3,170,980	2,821,676	3,170,980	2,821,676
	10,796,097	**9,304,265**	**10,796,097**	**9,304,265**

28 Financial Commitments

a. Loan Commitments

Loans approved but not funded as at 30th June, 2008 total $19,280,861 (2007 $18,972,080).

b. Undrawn Loan Facilities

Loan facilities available to Members for Overdrafts, Credit Card and Redraw Loans are as follows:

Total value of facilities approved	94,900,939	98,034,905	94,900,939	98,034,905
Less: Amount outstanding at balance day	48,244,156	51,500,716	48,244,156	51,500,716
Net undrawn value	**46,656,783**	**46,534,189**	**46,656,783**	**46,534,189**

29 Standby Borrowing Facilities

The Credit Union has the following credit facilities with CUSCAL:

Overdraft				
Approved Limit	12,000,000	12,000,000	12,000,000	12,000,000
Less: Amount drawn	-	-	-	-
Available to Draw	**12,000,000**	**12,000,000**	**12,000,000**	**12,000,000**
Wholesale Funding				
Approved Limit	57,000,000	47,000,000	57,000,000	47,000,000
Less: Amount Drawn	14,000,000	30,000,000	14,000,000	30,000,000
Available to Draw	**43,000,000**	**17,000,000**	**43,000,000**	**17,000,000**

These commitments are contingent on Members maintaining credit standards and on-going repayment terms on amounts drawn. Under the contracts, the Credit Union has the right to withdraw the facilities at any time without notice. Draw down of the loan facility is subject to the availability of funds at Cuscal. Cuscal holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn.

30 Contingent Liabilities

Liquidity Support Scheme

The Credit Union is a Member of the Credit Union Financial Support Scheme Limited (CUFSS), a company established to provide financial support to Member Credit Unions in the event of a liquidity or capital problem arising. As a Member, the Credit Union is committed to maintaining an amount equivalent to 3.2% of total assets as deposits with Cuscal. The maximum call for each Member Credit Union would be 3.2% of the Credit Union's total assets. During the year the value of $7,137 was provided under this scheme. The Credit Union has the opportunity under certain circumstances to draw on this scheme.

Employee Entitlements

The Credit Union has a potential liability for the payment of entitlements to employees consequent on the dismissal of an employee, the amount of which cannot be determined. No amount has been provided, as in the view of the Directors the reasons were justified and the matter is before the industrial relations tribunal for a determination.

31 Disclosures on Key Management Personnel

a. Names and positions held of Key Management Personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Ken Moroney	Chairman
Mr David Walton	Deputy Chairman
Mr Paul Biscoe	Director
Mr Geoff Green	Director
Mr Anthony Lauer	Director
Mr Lloyd Taylor	Director
Mr Graham Loughlin	Director
Mr Raff Del Vecchio	Director
Mr Bruce Williams	Chief Executive Officer
Mr Norm Clancy	General Manager - Operations
Mr Trevor Kerrison	General Manager - Marketing and Human Resources
Mr Anthony Sluiter	Chief Financial Officer

b. Remuneration of Key Management Personnel

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

Key Management Persons have been taken to comprise the Directors and the 4 Members of the Executive Management responsible for the day to day financial and operational management of the Credit Union.

The aggregate Compensation of **Key Management Persons** during the year comprising amounts paid or payable or provided for was as follows:

	2008	2007
	$	$
(i) short term employee benefits	1,293,042	1,151,495
(ii) Post-employment benefits - Superannuation Contributions	229,947	323,473
(iii) other long-term benefits - net increases in Long Service leave provision	32,227	32,783
(iv) termination benefits	1,883,998	1,009,299
Total	**3,439,214**	**2,517,050**

In the above table, remuneration shown as "short term benefits" means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of Fringe Benefits received, but excludes out of pocket expense reimbursements. All remuneration to Directors was approved by the Members at the previous Annual General Meeting of the Credit Union.

Note the AASB 124 standard does not specifically require the separation of the Directors and Executive remuneration.

Other Transactions with Related Parties

The disclosures are made in accordance with AASB 124 and include disclosures relating to a bank's policy for lending to related parties and, in respect of related party transactions, the amount included in:

(i) each of the loans and advances, deposits and acceptances and promissory notes; [disclosures may include the aggregate amounts outstanding at the beginning and end of the period, as well as advances, deposits, repayments and other changes during the period];

(ii) each of the principle types of income, interest expense and commissions paid;

(iii) the amount of the expense recognised in the period for impairment losses on loans and advances and the amount of any allowance at the reporting date; and

(iv) irrevocable commitments and contingencies and commitments arising from off balance sheet items.

c. Loans To Directors and other Key Management Persons

	2008	2007
	$	$
(i) The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to	1,538,644	1,404,280
(ii) The total value of revolving credit facilities to Directors and other Key Management Personnel, as at balance date amounted to:	384,000	349,000
Less amounts drawn down and included in (i)	259,523	271,526
Net balance available	124,477	77,474
(iii) During the year aggregate value of loans dispersed to Directors and other Key Management Personnel amounted to:		
Revolving Credit Facilities	77,298	169,014
Personal Loans	-	-
Term Loans	702,890	14,035
Total	**780,188**	**183,049**
(iv) During the year the aggregate value of Revolving Credit Facility limits granted or increased to Directors and other Key Management Personnel amounted to:	35,000	-
(v) Interest and other revenue earned on Loans and Revolving Credit facilities to Key Management Personnel	97,869	108,990

The Credit Union's policy for lending to Directors and Management is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit with the exception of loans to KMP who are not Directors.

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

KMP who are not Directors received a concessional rate of interest on their loans and facilities. These benefits were subject to Fringe Benefits Tax and are included in the remunerations in 31.b. above.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Persons. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and KMP.

Other transactions between related parties include deposits from Directors, and other KMP are:

Total value Term and Savings Deposits from KMP	312,950	486,100
Total Interest paid on Deposits to KMP	32,926	66,635

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

d. Transactions with Other Related Parties

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

The Credit Union's policy for receiving deposits from related parties is that all transactions are approved and accepted on the same terms and conditions which apply to Members.

There are no benefits paid or payable to the close family members of the Key Management Persons.

There are no service contracts to which Key Management Persons or their close family members are an interested party.

32 Economic Dependency

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

a. CUSCAL Limited

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act 1959.

This entity supplies:

(i) The Credit Union's rights to Visa Card in Australia and provides services in the form of settlement with bankers for ATM, Visa card and cheque transactions, and the production of Visa cards and Redicards for use by Members.

(ii) Supplies financial banking services to the Credit Union. The Credit Union invests a substantial portion of its High Quality Liquid Assets with the entity to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. First Data International Limited (FDI)

This company operates the switching computer used to link Visa and Redicards through Reditellers, and other EFT suppliers to the Credit Union's EDP Systems.

c. Service Contracts

All service contracts are capable of being cancelled within twelve (12) months except FDRA. The total amount paid to FDRA during the year for the provision of switching services amounted to $833,723 (2007 $619,594).

d. Ultradata Australia Pty Limited

This company provides the Credit Union's database software.

e. Australian Settlements Limited

This company provides the Credit Union with settlement services by direct entry processing.

33 Segmental Reporting

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

34 Events Occurring after the Balance Date

There were no events that have occurred since 30 June, 2008 that will have significant impact upon the Credit Union. Reference should be made to the Directors' Report.

35 Superannuation Liabilities

If an employee does not nominate a fund of choice, the Credit Union contributes to two superannuation funds. One being the CUE Super Plan which is an industry fund. This fund is separately administered by Trustees appointed by Credit Union Services Corporation (Australia) Limited. The CUE Super Plan is a contribution accumulation type fund. The Credit Union has no interest in the Superannuation Fund (other than as a contributor to comply with Superannuation Guarantee Levy) and is not liable for the performance of the plan nor the obligations of the plan.

The other fund is a Corporate Master Trust which is administered by MLC Limited. It is a contribution accumulated type fund. The Credit Union has no legal obligation to cover any shortfall in the Fund's obligation to provide benefits to employees on retirement. In the event the Fund is terminated, Members are only entitled to the balance of their account within the fund. As at the date of the last annual review being 30 June 2008, the fund had reserves equal to Members accumulated balances.

The Credit Union is legally obligated to contribute to the Fund as per the Superannuation Guarantee Levy Act and for employees who have a contract of service. These obligations are enforceable. As at the date of this report there is:-

1. No outstanding payments due by the Credit Union.
2. No former employee or any individual associated with a former employee or an entity of a former employee receiving or entitled to receive a benefit under the Corporate Master Trust.

36 Securitisation

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited and Australian Mortgage Securities Limited whereby the Credit Union acts as an agent to manage the loans portfolio on their behalf. The Credit Union bears no credit risk exposure in respect of these loans.

	2008	2007
	$	$
Securitsed Loan Balances	6,262,539	14,438,501

For year ended 30 June 2008	Note	Consolidated 2008	Consolidated 2007	Credit Union 2008	Credit Union 2007
OPERATING ACTIVITIES		**$**	**$**	**$**	**$**
Inflow					
Interest Received		61,145,765	63,312,748	60,673,350	62,180,392
Fees and Commission					
- Dividends Received		298,441	298,441	298,441	298,441
- Other Income		16,063,574	7,701,760	15,608,862	7,350,282
Total Inflow		77,507,780	71,312,949	76,580,653	69,829,115
Less: Outflow					
Interest Paid		37,495,981	33,848,059	37,066,818	32,826,847
Suppliers and Employees		23,584,956	22,646,868	22,922,617	22,238,081
Taxes Paid		2,335,735	2,529,562	2,335,735	2,529,562
Total Outflow		63,416,672	59,024,489	62,325,170	57,594,490
Net Cash from Revenue Activities	3	**14,091,108**	**12,288,460**	**14,255,483**	**12,234,625**
Inflows from Other Operating Activities					
Net Movement in Member Loans		(21,184,757)	(17,693,780)	(20,217,582)	(18,419,717)
Net Movement in Member Shares		(17,850)	(20,240)	(17,850)	(20,240)
Net Movement in Deposits		34,736,928	13,880,600	34,736,928	13,880,600
Net Cash from Operating Activities		**27,625,429**	**8,455,040**	**28,756,979**	**7,675,268**
INVESTING ACTIVITIES					
Inflow					
Investment Redemption		567,483,778	352,319,504	567,483,778	352,319,504
Proceeds from Sale of Fixed Assets		159,299	59,679	159,299	59,679
Total Inflow		567,643,077	352,379,183	567,643,077	352,379,183
Less: Outflow					
Purchase of Investments		587,309,937	355,392,600	587,309,937	355,392,600
Purchase of Fixed Assets		1,381,346	1,672,986	1,381,346	1,672,986
Total Outflow		588,691,283	357,065,586	588,691,283	357,065,586
Net Cash from Investing Activities		**(21,048,206)**	**(4,686,403)**	**(21,048,206)**	**(4,686,403)**
FINANCING ACTIVITIES					
Inflow					
Payables to other Financial Institutions		(16,000,000)	(5,000,000)	(16,000,000)	(5,000,000)
Net Cash from Financing Activities		**(16,000,000)**	**(5,000,000)**	**(16,000,000)**	**(5,000,000)**
Total Net Cash Increase/(Decrease)		**(9,422,777)**	**(1,231,363)**	**(8,291,227)**	**(2,011,135)**
Cash at Beginning of Year		20,739,517	21,970,880	19,566,305	21,577,440
Cash at End of Year	1	**11,316,740**	**20,739,517**	**11,275,078**	**19,566,305**

1. Reconciliation of Cash
Cash includes cash on hand and deposits at call with CUSCAL net of overdraft.

	Consolidated		Credit Union	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Cash as at balance date comprises:				
Cash on Hand	5,316,740	2,739,517	5,275,078	1,566,305
Deposits at Call	6,000,000	18,000,000	6,000,000	18,000,000
Less: Overdraft with CUSCAL		-		-
	11,316,740	**20,739,517**	**11,275,078**	**19,566,305**

2. Member deposits and shares are shown net of deposits and withdrawals.

3. The net cash from Operating Activities is reconciled to the Operating Profit and Extraordinary Item after Income Tax.

Operating Profit & Extraordinary Item after				
Income Tax	8,733,306	8,096,760	8,622,640	8,063,475
Bad Debts Written Off	838,446	726,114	838,446	726,114
Depreciation Expense	2,545,549	2,444,993	2,545,549	2,444,993
Increase in Provision for Employee Entitlements	914,833	241,076	914,833	241,076
Accrued Expenses	1,246,954	389,465	1,555,124	357,369
Loss on Sale of Assets	13,547	(16,279)	11,387	(16,279)
Decrease (Increase) in Prepayments	258,215	(93,464)	258,215	(93,464)
Increase (Decrease) in Unearned Income	(31,908)	(47,950)	(31,908)	(47,950)
Amortised Loan Transaction Costs	26,774	8,322	26,774	8,322
Decrease (Increase) in Sundry Debtors	(509,877)	(20,064)	(532,545)	(20,064)
Increase (Decrease) in Deferred Taxes Payable	(94,181)	408,407	(94,181)	408,407
Provisions for Income Tax	(53,048)	75,244	(61,517)	70,546
Other Provisions	202,498	75,836	202,666	92,080
Net Cash from Operating Activities	**14,091,108**	**12,288,460**	**14,255,483**	**12,234,625**

Compliance Statistics

a. Capital Adequacy
At all times the Credit Union must maintain a minimum of 8% capital adequacy ratio. The capital adequacy ratio is a measure of reserves, general provisions for doubtful debts less an amount equal to the future income tax benefit as a percentage of the risk weighted value of assets. The Credit Union's ratio as at balance date was 18.17% (2007 16.01%).

b. Liquidity
The Credit Union is required to maintain at all times liquid assets at a minimum level of 9% of its liability base in High Quality Liquid Assets. These percentages were exceeded for the whole year. In addition to liquid assets the Credit Union has in place confirmed standby lines available to it. The High Quality Liquid Asset Ratio as at balance date was 14.78% (2007 12.70%).

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Chartered Accountant
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Banking Group Limited
Cuscal Limited
National Australia Bank Limited

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