PCU Annual Report 2009

POLICE CREDIT UNION

For You, Your Family, Your Future.

Table of Contents

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

	2009	2008
Membership	73,681	70,738
Deposits $000's	848,234	755,998
Loans $000's	805,968	755,883
Total Assets $000's	964,793	880,737
Reserves $000's	102,057	93,101
Capital Adequacy	18.13%	18.17%

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June, 2009.

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)
Anthony Raymond Lauer (Deputy Chairman)
Paul Thomas Biscoe
Raff Del Vecchio
Geoffrey Richard Green
Graham James Loughlin
Lloyd William Taylor
David Charles Walton

MEETINGS ATTENDED

Name	Board		Audit Committee		Other Committees	
	Meetings Attended	Eligible to attend	Meetings Attended	Eligible to attend	Meetings Attended	Eligible to attend
Moroney*	10	12	4	4	10	11
Lauer	11	12	3	3	13	15
Biscoe	11	12	1	1	10	12
Del Vecchio	12	12	4	4	5	5
Green	12	12	4	4	3	3
Loughlin	12	12	5	5	5	5
Taylor	12	12	2	2	11	11
Walton	11	12	5	5	4	4

* Mr Moroney was granted two leave of absences

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 Minority Equity Interest amounted to $6,309,275. The previous year's comparable result was $8,713,939. This being a reduction in profit for the year of $2,404,664. The primary contributing factor was the downward movement in the Fair Value of Interest Rate Swaps for the year of $2,268,744. This amount will be written back as profit over the remaining life of the Interest Rate Swaps. The Credit Union only uses the Swaps to hedge a position and all Swaps are held to maturity. Assets increased during the year by $84.1M from $880.7M to $964.8M. The merger of HMC Staff Credit Union assisted growth. Total assets received from the merger amounted to $32.6M. The year's growth had no real impact on the capital adequacy ratio, which decreased from 18.17% to 18.13%. At 18.13% the capital adequacy ratio remains well above the statutory minimum of 8%

These results were achieved in an environment where global financial markets were under stress (and remain so), and the economies of the world in recession or close to it. During the same period intense competition continued. The results reflect the continuing support of the Membership for the products and services offered by the Credit Union and the ongoing attention given by both the 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 2010 will be between the results achieved for 2008 and 2009.

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 2009:

  Krystle Toth – Newcastle Branch;
  Tamara Leavey – Administrative Services;
  Michelle Harrod – Parramatta Branch;
  David Pitt – Assistance Centre; and
  Caroline Bennett - Gosford Branch.

- **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.

- **Australian Government Guarantee.** On the 12th October 2008, the Australian Government announced guarantee arrangements for deposits and wholesale funds held by authorised deposit-taking institutions (ADIs). Police Credit Union is an ADI. The arrangements were designed to promote financial system stability in Australia, by supporting confidence and assisting ADIs to continue to access funding at a time of considerable turbulence in financial markets around the world. Police Credit Union was not particularly affected as the majority of the funds held are from Members and from the Credit Union's own funds built-up over many years of operation. The Government Scheme expires on the 12th October 2011. It is anticipated that financial stability will have returned to the world's financial markets by then. On the 24th October 2008 the Government announced a refinement to the Scheme by limiting the free cover of the guarantee for deposits up to $1 million. Amounts over $1 million can be covered by the guarantee, however, these amounts are subject to an insurance premium.

- **HMC Staff Credit Union Merger.** In last year's report, it was highlighted that the HMC Staff Credit Union (HMC) was to merge with the Credit Union. The merger took place on the 1st February 2009. This was following approval by the HMC Members and the Australian Prudential Regulation Authority (APRA). APRA is the prudential regulator for credit unions, building societies and banks. HMC had approximately $32 million in assets and 2,600 members. Internal synergies have already been achieved and a new branch is being planned. Your Directors welcome the former Members of HMC as Members of the Credit Union.

- **Direct Charging.** On the 3rd March 2009, Direct Charging at ATMs commenced. Direct Charging is the new protocol for ATMs where a fee is charged at the ATM at the time of the transaction. This protocol was sponsored by the Reserve Bank of Australia. The aims of the protocol is to raise competition by increasing more organisations into the market and to remove hidden fees that institutions charged each other when customers access an ATM not owned by their institution. Your Credit Union owns 17 ATMs, which are part of the rediATM network. There were approximately 1,300 ATMs across Australia in the rediATM network. Recently the network was expanded to over 3,100 ATMs by combining the rediATM network with the majority of ATMs owned by the National Australia Bank. ATMs in the network are now branded either "rediATM" or "rediATM NAB". To ensure Members were not disadvantaged by the commencement of Direct Charging, your Credit Union introduced rebates for Members who qualified for *Member Rewards* who use ATMs outside of the Credit Union's network. In addition to this, Members are entitled each month up to 10 fee free ATM transactions within the Credit Union's network. Direct Charging has increased the cost of providing ATM services to Members by approximately $40,000 per month. Your Directors are supportive of ensuring Member services are at least maintained, however, their emphasis is to continuously improve and expand services provided.

- **Port Macquarie Office.** In October 2008 teller facilities were introduced at the Credit Union's Port Macquarie Office. This converted the Office to a full service operation. Indications are that Members are conducting a greater portion of their business with the Credit Union since the upgrade.

- **Additional Products.** Two new products were launched during the year. The first product being the Credit Union's "Safeguard Account". This account protects Members from dishonour and overdrawn fees. It is an excellent access account for children and Members who have difficulty in keeping track of their spending. The second product launched during the year was the "First Home Owners Savings Account". This product conforms to the Federal Government's initiative to assist eligible Members to save for their first home. It potentially attracts a Federal Government subsidy based on the amounts deposited each financial year. In addition there is a lower taxation rate on the interest earned.

- **Family Fun Day.** This year there were three Family Fun Days held. All three were held at Luna Park, North Sydney. In all, over 800 Members took the opportunity to enjoy these wonderful Family Fun Days.

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

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 is certainly 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 marketplace.

- **New Branch Office.** Work is well advanced on opening a new branch office within Customs House at the Sydney International Airport. This Office will be a full service office. It is anticipated that it will be opened prior to March 2010. The primary aim of the Office is to service Customs and Police Officers. 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 2009 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.

- Planned capital expenditure on infrastructure amounts to $0.8M for the year ending 30 June 2010. This covers one new branch office 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.

DECLARATION OF INDEPENDENCE BY NEVILLE SINCLAIR
TO THE DIRECTORS OF THE POLICE DEPARTMENT EMPLOYEES' CREDIT UNION LIMITED

As lead auditor of The Police Department Employees' Credit Union Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of;

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

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

This declaration is in respect of The Police Department Employees' Credit Union Limited.

Neville Sinclair
Director

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

Signed in Sydney this 24th day of September 2009

INFORMATION ON DIRECTORS AND SECRETARY

Mr K E Moroney	Chairman
AO, APM	Corporate Governance Committee (Chairman)
Age	64
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 Graduate F.B.I. Academy Quantico, Virginia Board Member since 1994
Other responsibilties include-	
	Chair , A.N.P.R. Steering Committee, Crimtrac (Federal Attorney General's Dept). Chair, National Case Management Steering Committee, Crimtrac (Federal Attorney General's Dept). Chair and Presiding Officer, Australian Graduate School of Policing, Manly Chair, Board of Management, Leadership Development Centre, NSW Police Member, State Parole Authority Member, Board and State Council St Johns Ambulance NSW Member, Conduct Division, Judicial Authority
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union.

Mr A R Lauer	Deputy Chairman Credit Committee (Chairman) Risk Committee
Age	73
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 P T Biscoe	Director Credit Committee
Age	58
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 Audit Committee Corporate Governance Committee Risk Committee
Age	40
Qualifications	Bachelor of Policing Member Australian Institute of Company Directors Member of Australian Mutuals Institute

	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 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	64
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 G J Loughlin	Appointed Director Audit Committee Corporate Governance Committee Risk Management & Compliance Committee (Chairman)
Age	59
Qualifications	B.A.(Hons) (Adelaide) Grad.Cert.Mgt (Monash-Mt Eliza) MAICD, 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 L W Taylor	Director Credit Committee Risk Committee
Age	69
Qualifications	Mediator – ACDC FAMI (Fellow Australasian Mutuals Institute)
Experience	Former President of the Federation of Police Credit Unions (Aust) 1999-2006 Convenor, Juvenile Justice 1997-2009 Deputy Chairman, 1992-1996, Chairman 1996-2001 Former Audit Chairman - 5 Years 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 Member Police Superannuation Advisory Committee 1986-97 Former Honorary Secretary – Police Legacy Board Member since 1988
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union.

Mr D C Walton	Director Audit Committee (Chairman) Risk Committee
Age	44
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) Volunteer Auditor, Police Provident Fund Volunteer Auditor, Police RSL Sub-Branch Board Member since 2001
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	37 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 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:

K E Moroney

Kenneth E Moroney
Chairman
24th September 2009

Anthony R Lauer
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 2009 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.

K E Moroney

Kenneth E Moroney
Chairman
24th September 2009

Anthony R Lauer
Deputy Chairman

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

We have audited the accompanying financial report of The Police Department Employees' Credit Union Limited, which comprises the balance sheet as at 30 June 2009, and 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 company 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 controls 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 Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

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

(a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

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

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

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd
Chartered Accountants

Neville Sinclair
Director

Signed in Sydney this 25th day of September 2009

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Credit Union	
	Note	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Interest Revenue	2a	70,621,579	69,714,679	70,506,951	69,242,265
Borrowing Costs	2b	41,135,013	38,755,267	41,032,700	38,326,104
Net Interest Revenue		29,486,566	30,959,412	29,474,251	30,916,161
Other revenue from ordinary activities	3	7,793,272	8,398,412	7,431,964	7,943,700
Impairment losses on Loan Receivables from Members	4a	1,396,216	838,446	1,396,216	838,446
Fee and commission		7,762,903	5,077,405	7,757,146	5,055,260
General Administration					
- Personnel expenses		10,630,676	10,977,091	10,630,676	10,977,091
- Depreciation and amortisation		2,294,080	2,645,930	2,294,080	2,605,147
- Lease expenses		1,038,218	1,256,748	948,613	1,190,661
- Other administration expenses		2,737,285	2,261,176	2,424,907	2,035,451
Other operating expenses		3,881,574	3,945,581	3,877,333	3,924,475
Operating Profit before Income Tax		7,538,886	12,355,447	7,577,244	12,233,330
Income Tax Expense	5	1,236,364	3,622,141	1,236,364	3,610,690
Operating Profit after Income Tax		**6,302,522**	**8,733,306**	**6,340,880**	**8,622,640**
Minority Equity Interest Adjustment		6,753	(19,367)	-	-
Profit attributable to Members of the parent entity		6,309,275	8,713,939	6,340,880	8,622,640

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 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)					-
- Reserve for Credit Losses	-	-	148,638	-	-	-	148,638
- Capital Profits Reserve	-	-	-	122,984	-	-	122,984
Movement in value on available for sale assets							
Balance 30 June 2008	**277,270**	**56,460,542**	**2,616,126**	**293,565**	**1,430,212**	**31,997,000**	**93,074,715**
Operating Profit for the year	-	6,340,880	-	-	-	-	6,340,880
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	15,670	(15,670)	-	-	-	-	-
- Reserves for Credit Losses	-	(120,000)	120,000	-	-	-	-
Transfer of Engagements	-	-	110,180	84,106	-	2,459,628	2,653,914
Balance 30 June 2009	**292,940**	**61,465,752**	**2,846,306**	**377,671**	**1,430,212**	**35,656,628**	**102,069,509**

Consolidated	Capital Account	Retained Profits	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 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)	-	-	-	-	-
- Reserve for Credit Losses	-	-	148,638	-	-	-	148,638
- Capital Profits Reserve	-	-	-	122,984	-	-	122,984
Movement in value on available for sale assets							
Balance 30 June 2008	**277,270**	**56,477,607**	**2,616,126**	**293,565**	**1,430,212**	**32,005,795**	**93,100,575**
Operating Profit for the year	-	6,302,522	-	-	-	-	6,302,522
Profit attributable to minority shareholders	-	6,753	-	-	-	(6,713)	40
Transfers to and from Reserves							
- General Reserves	-	(1,200,000)	-	-	-	1,200,000	-
- Capital Account	15,670	(15,670)	-	-	-	-	-
- Reserves for Credit Losses	-	(120,000)	120,000	-	-	-	-
Transfer of Engagements	-	-	110,180	84,106	-	2,459,628	2,653,914
Balance 30 June 2009	**292,940**	**61,451,212**	**2,846,306**	**377,671**	**1,430,212**	**35,658,710**	**102,057,051**

AS AT 30 JUNE 2009

	Note	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
ASSETS		**$**	**$**	**$**	**$**
Cash and Liquid Assets	**6**	7,884,456	11,316,740	7,881,848	11,275,078
Receivables due from other Financial Institutions	**7**	133,486,482	14,509,763	133,486,482	14,509,763
Accrued Receivables	**8**	2,358,949	1,799,129	2,321,402	1,764,868
Investment Securities	**9**	6,200,822	88,525,481	6,200,822	88,525,481
Loans and Advances	**10 & 11**	804,791,745	754,943,802	804,791,745	752,404,447
Available for Sale Investments	**12**	3,183,414	3,063,292	3,183,421	3,063,325
Property Plant and Equipment	**13**	4,339,234	3,929,723	4,339,234	3,929,723
Intangible Assets	**14**	771,569	1,392,780	771,569	1,392,780
Taxation Assets	**15**	1,775,845	842,566	1,775,845	842,566
Derivative Fair Value		-	413,873	-	413,873
TOTAL ASSETS		**964,792,516**	**880,737,149**	**964,752,368**	**878,121,904**
LIABILITIES					
Payables to other Financial Institutions	**16**	-	14,000,000	-	14,000,000
Deposits and Borrowings	**17**	848,234,424	755,998,381	848,234,424	755,998,381
Creditors and other Liabilities	**18**	9,554,020	10,192,197	9,510,564	10,164,330
Provisions	**19**	2,699,643	4,803,408	2,697,643	2,259,834
Taxation Liabilities	**20**	392,507	2,642,588	385,357	2,624,644
Derivative Fair Value		1,854,871	-	1,854,871	-
TOTAL LIABILITIES		**862,735,465**	**787,636,574**	**862,682,859**	**785,047,189**
NET ASSETS		**102,057,051**	**93,100,575**	**102,069,509**	**93,074,715**
MEMBER FUNDS					
Capital Account	**21**	292,940	277,270	292,940	277,270
Reserves		40,310,810	36,336,936	40,310,817	36,336,903
Retained Profits		61,451,212	56,477,607	61,465,752	56,460,542
Minority Equity Interest		2,089	8,762	-	-
TOTAL MEMBER FUNDS		**102,057,051**	**93,100,575**	**102,069,509**	**93,074,715**

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.

q. Business Combinations

The Credit Union has elected to adopt the revised Accounting Standard AASB3 - Business Combinations, which was issued in March 2008 and which is not mandatory until 1 July 2009.

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their market value as at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date.

Since the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised as an increase in Reserves, but only after a reassessment of the identification and measurement of the asset required.

This change in accounting policy was recognised on a prospective basis from 1 July 2008 in accordance with the transitional provisions of the revised standard. The change in policy had the following impact on the financial statements at 30 June 2009:

1. The consideration will be the value of the shares issued by the acquirer to the members of the acquiree representing the value the shares could be redeemed $10
2. The net assets of the acquiree are valued at the fair value of the assets acquired
3. The net excess is reflected as an addition to the equity reserves and are contained in the merged Credit Union Reserve
4. The expenses of the transfer must be expensed by the combined credit union and not offset against the net assets transferred.

The details of the transfers in the year are set out in Note 37.

2 Income Statement

a) Analysis of Interest Revenue

Category of interest bearing assets	Interest Revenue		Average Balance		Average Interest Rate	
	2009	2008	2009	2008	2009	2008
Cash - deposit	568,345	780,019	9,520,832	16,607,438	5.97%	4.70%
Receivables from Financial Institutions	10,378,177	7,788,895	102,611,275	93,267,622	10.11%	8.35%
Securities - trading	-	-	-	-	-	-
Securities - investment	-	-	-	-	-	-
Loans and advances	59,675,057	61,145,765	791,507,353	742,898,684	7.54%	8.23%
Others	-	-	-	-	-	-
Total	**70,621,579**	**69,714,679**	**903,639,460**	**852,773,744**	**7.81%**	**8.18%**

b) Analysis of Interest Expense

Category of interest bearing liabilities	Interest Expense		Average Balance		Average Interest Rate	
	2009	2008	2009	2008	2009	2008
Deposits held from other Financial Institutions	-	-	-	-	-	-
Member Deposits	37,344,798	36,347,155	801,684,408	738,202,917	4.66%	4.92%
Overdraft	52,959	57,311	-	-	-	-
Long Term Borrowings	957,382	1,961,903	7,000,000	22,000,000	13.68%	8.92%
Others	2,779,874	388,898	1,269,672	6,917,861	7.66%	5.62%
Total	**41,135,013**	**38,755,267**	**809,954,080**	**767,120,778**	**4.87%**	**5.05%**

3 Profit from Ordinary Activities - Revenue

	Consolidated		Credit Union	
	2009	2008	2009	2008
	$	$	$	$
Dividend Revenue	816,950	298,441	816,950	298,441
Fee and Commission Revenue				
- Loan Fee Income	2,143,549	1,902,386	2,143,549	1,902,386
- Other Fee Income	2,211,394	3,120,850	2,211,394	3,120,850
- Insurance Commissions	1,462,138	1,220,331	1,462,138	1,220,331
- Other Commissions	933,268	1,075,579	571,960	620,867
Bad Debts Recovered	123,706	91,297	123,706	91,297
Other Revenue				
- Income from Derivative Fair Value	-	413,873	-	413,873
- Other	102,267	275,655	102,267	275,655
Total Revenue from Ordinary Activities	**7,793,272**	**8,398,412**	**7,431,964**	**7,943,700**

4 Profit from Ordinary Activities - Expenses

a. Loan Impairment Losses

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Increase in provision for impairment	428,639	200,000	428,639	200,000
Bad Debts written off directly against profit	967,577	638,446	967,577	638,446
Total Impairment Losses	**1,396,216**	**838,446**	**1,396,216**	**838,446**

b. Other Prescribed Expense Disclosures

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Auditor's Renumeration				
- Audit Fees	150,067	127,640	150,067	124,640
- Other Services	8,276	9,139	8,276	9,139
	158,343	**136,779**	**158,343**	**133,779**
Loss on disposal of assets				
- Property, plant and equipment	3,796	11,386	3,796	11,386
Net movement in provision for depreciation				
- Buildings	32,139	(25,703)	32,139	(25,703)
- Plant and equipment	1,185,592	1,335,705	1,185,592	1,335,705
- Leasehold improvements	220,560	239,159	220,560	239,159
- Intangible Assets	1,134,243	1,055,992	1,134,243	1,055,992
Net movement in provision for				
- Employee Entitlements	525,499	914,833	525,499	914,833
- Supervision Levy	36,658	34,450	36,658	34,450
Other Expense				
- Expense from Derivative Fair Value	2,268,744	-	2,268,744	-

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	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Prima facie tax payable on operating profit before income at 30% (2008 30%)	2,273,173	3,706,634	2,273,173	3,669,999
Add tax effect of expenses not deductible:				
- Building depreciation	9,642	-	9,642	-
- Other depreciation	8,417	-	8,417	-
- Entertainment	15,299	14,535	15,299	14,267
- Imputation Credit	101,608	38,371	101,608	38,371
- Provision adjustment of amortised loan fees and costs	(342,164)	-	(342,164)	-
- Under Provision	-	15,956	-	15,956
- Over provision of Deferred Tax Liability for previous year	(246,416)	-	(246,416)	-
Losses brought forward from prior years	-	(25,452)	-	
Rebate on fully franked dividends	(346,693)	(127,903)	(346,693)	(127,903)
Investment Allowance	(208,657)	-	(208,657)	-
Deductions not allowed in accounting expenses	(27,845)	-	(27,845)	-
	1,236,364	**3,622,141**	**1,236,364**	**3,610,690**
b. Income tax expense comprises amounts set aside as:				
Provision for income tax attributable to current year taxable income	2,939,721	4,097,382	2,939,721	4,085,931
Movement in future income tax benefit	(794,129)	(334,450)	(794,129)	(334,450)
Movement in deferred tax liability account	(928,679)	(140,791)	(928,679)	(140,791)
Over provision of income tax for previous year	19,451	-	19,451	-
	1,236,364	**3,622,141**	**1,236,364**	**3,610,690**

6 Cash and Liquid Assets

Cash on hand	1,565,412	1,155,076	1,562,804	1,141,533
Deposits at call	5,000,000	6,000,000	5,000,000	6,000,000
Cash at Bank	1,319,044	4,161,664	1,319,044	4,133,545
	7,884,456	**11,316,740**	**7,881,848**	**11,275,078**

7 Receivables Due From Other Financial Institutions

Deposits - Term	133,486,482	14,509,763	133,486,482	14,509,763

8 Accrued Receivables

	Consolidated		Credit Union	
	2009	2008	2009	2008
	$	$	$	$
Interest Receivable on deposits with other Financial Institutions	1,454,025	1,315,558	1,454,025	1,315,558
Prepayments	391,647	181,365	391,647	181,365
Sundry Debtors	513,277	302,206	475,730	267,945
	2,358,949	**1,799,129**	**2,321,402**	**1,764,868**

9 Investment Securities

Bank Bills and Certificates of Deposits	6,200,822	88,525,481	6,200,822	88,525,481

10 Loans and Advances

a. Amount Due comprises

Overdrafts and Revolving Credit Loans	48,187,579	49,421,060	48,187,579	49,421,060
Term Loans	757,780,768	706,461,979	757,780,768	703,922,624
	805,968,347	**755,883,039**	**805,968,347**	**753,343,684**
Less: Provision for Impaired Loans	606,333	407,874	606,333	407,874
Less: Unamortised Loan Origination Fees	669,872	624,846	669,872	624,846
Plus: Amortised Loan Transaction Costs	99,603	93,483	99,603	93,483
Net Loans and Advances	**804,791,745**	**754,943,802**	**804,791,745**	**752,404,447**

b. Credit Quality - Security held against Loans

Secured by Mortgage	655,471,827	604,151,129	655,471,827	601,611,774
Secured Other	71,543,915	71,374,734	71,543,915	71,374,734
Unsecured	78,952,605	80,357,176	78,952,605	80,357,176
	805,968,347	**755,883,039**	**805,968,347**	**753,343,684**

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%	501,045,602
- loan to valuation ratio of more than 80% but mortgage insured	141,944,843
- loan to valuation ratio or more than 80% and not mortgage insured	12,481,382
Total	**655,471,827**

c. Concentration of Loans

(i) Individual loans which exceed 10% of Member Funds in aggregate amount to $0.00 (2008 $0.00)

(ii) Loans to Members are solely in Australia

(iii) Loan purpose dissection:

- Residential	624,560,684	566,289,736	624,560,684	563,750,381
- Personal	112,130,169	115,375,445	112,130,169	115,375,445
- Commercial	56,333,716	59,808,360	56,333,716	59,808,360
- Lease	12,943,778	14,409,498	12,943,778	14,409,498
	805,968,347	**755,883,039**	**805,968,347**	**753,343,684**

11 Provision on Impaired Loans

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
a. Total Provision Comprises				
Specific Provision	-	-	-	-
Collective Provision	606,333	407,874	606,333	407,874
	606,333	**407,874**	**606,333**	**407,874**
b. Movement in Specific Provision				
Balance at the beginning of the year	407,874	356,512	407,874	356,512
Add: Transfers from Income Statement	198,459	51,362	198,459	51,362
Deduct: Bad debts written off against provision	-	-	-	-
Deduct: Transfers to Income Statement	-	-	-	-
Balance at end of year	**606,333**	**407,874**	**606,333**	**407,874**
c. The specific loans provision consists of:				
(i) Provision required under the APRA Prudential Standards	606,333	407,874	606,333	407,874
(ii) Additional specific provision	-	-	-	-
	606,333	**407,874**	**606,333**	**407,874**
d. Impaired Loans Written Off				
Amount written off against the provision for impaired loans	-	-		-
Amounts written off directly to expense	967,577	638,446	967,577	638,446
Total Bad debts	967,577	638,446	967,577	638,446
Bad debts recovered in the period	123,706	91,297	123,706	91,297
e. Impaired Loan Disclosures				
Impaired Loans as at Balance Date				
Balance of the impaired loans	948,498	912,080	948,498	912,080
Estimated value of loans which is secured	292,922	357,036	292,922	357,036
Renegotiated Loans not impaired				
Balance of the renegotiated loans	-	-	-	-
Estimated value of loans which is secured	-	-	-	-
Loans upon which interest is not being Accrued				
Personal Loans with provision for impairment	34,344	8,620	34,344	8,620
Less: Specific provision	26,789	5,246	26,789	5,246
Loan with no provision for impairment	-	-	-	-
Total Non Accrual Loans	**7,555**	**3,374**	**7,555**	**3,374**

	Consolidated		Credit Union	
	2009	2008	2009	2008
Reconstructed Loans with no provision for	$	$	$	$
impairment	1,162,102	758,658	1,162,102	758,658
Loans with repayments Past Due but not impaired (due to security held)				
- Real estate	147,229	286,811	147,229	286,811
- Other	-	-	-	-
Assets Acquired via enforcement of security (excluding loans reported)				
- Real estate	-	-	-	-
- Other	-	-	-	-

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

	2009	2009	2008	2008
	Carrying Value	Provision	Carrying Value	Provision
	$	$	$	$
30 up to 90 days in arrears	2,458,696	-	2,567,391	-
90 to 181 days in arrears	236,813	94,725	656,948	143,148
182 to 272 days in arrears	447,484	268,490	131,850	59,730
273 to 364 days in arrears	194,160	37,545	14,976	11,980
365 days and over in arrears	87,026	87,026	75,803	75,803
Overlimit facilities over 14 days	574,930	118,547	699,401	117,213
Total	**3,999,109**	**606,333**	**4,146,369**	**407,874**

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	
	2009	2008	2009	2008
	$	$	$	$
Cuscal Member Shares (i)	2,507,621	2,387,525	2,507,621	2,387,525
Chelsea Wealth Management Shares	-	-	33	33
Chelsea Wealth Management Pty Ltd (ii)	675,793	675,767	675,767	675,767
	3,183,414	**3,063,292**	**3,183,421**	**3,063,325**

(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

a. Property, Plant and Equipment Annual

Fixed assets				
Land at cost	264,440	264,440	264,440	264,440
Buildings at cost	1,735,560	1,285,560	1,735,560	1,285,560
Less: Provisions for depreciation	48,209	16,070	48,209	16,070
Total Buildings	**1,687,351**	**1,269,490**	**1,687,351**	**1,269,490**
Total Land and Buildings	**1,951,791**	**1,533,930**	**1,951,791**	**1,533,930**
Plant and Equipment at cost	8,310,979	7,064,929	8,310,979	7,064,929
Less: Provision for depreciation	6,074,315	4,976,421	6,074,315	4,976,421
Total Plant and Equipment	**2,236,664**	**2,088,508**	**2,236,664**	**2,088,508**
Capitalised leasehold improvements at cost	2,598,378	2,828,979	2,598,378	2,828,979
Less: Provision for depreciation	2,447,599	2,521,694	2,447,599	2,521,694
Total Capitalised Leasehold Improvements	**150,779**	**307,285**	**150,779**	**307,285**
Closing Balance 30 June	**4,339,234**	**3,929,723**	**4,339,234**	**3,929,723**

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.

	2009			2008		
	Property	Plant & Equipment	Leasehold Improvement	Property	Plant & Equipment	Leasehold Improvement
Opening Balance 1 July	1,533,930	2,088,508	307,285	1,414,590	2,610,981	561,806
Add: Purchases in the year	450,000	1,399,721	83,628	-	1,002,698	4,210
Revaluation increase adjustments	-	-	-	93,637	(36,199)	-
Less: Disposal of assets	-	(81,750)	-	-	(159,299)	-
Loss on Sale	-	(3,796)	-	-	(11,386)	-
Depreciation charge	(32,139)	(1,166,019)	(240,134)	25,703	(1,318,287)	(258,731)
Closing Balance 30 June	**1,951,791**	**2,236,664**	**150,779**	**1,533,930**	**2,088,508**	**307,285**

14 Intangible Assets

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Computer Software	6,334,529	6,692,158	6,334,529	6,692,158
Less: Provision for Amortisation	(5,562,960)	(5,299,378)	(5,562,960)	(5,299,378)
	771,569	**1,392,780**	**771,569**	**1,392,780**

Movement in the intangible asset balances during the year were:

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Opening Balance 1 July	1,392,780	2,074,333	1,392,780	2,074,333
Add: Purchases in the year	513,032	374,439	513,032	374,439
Depreciation charge	(1,134,243)	(1,055,992)	(1,134,243)	(1,055,992)
Closing Balance 30 June	**771,569**	**1,392,780**	**771,569**	**1,392,780**

15 Taxation Assets

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Deferred Tax Asset	1,775,845	842,566	1,775,845	842,566
Deferred Tax Asset Comprises:				
- Provision for Impairment	181,900	166,953	181,900	166,953
- Deferred Loan Origination Costs/Fees	200,962	28,045	200,962	28,045
- Provision for Staff Entitlements	805,217	647,568	805,217	647,568
- Fair Value of derivatives	556,461	-	556,461	-
- Other	31,305	-	31,305	-
	1,775,845	**842,566**	**1,775,845**	**842,566**

16 Amounts Payable to Other Financial Institutions

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Special Service Provider:				
- Overdraft Secured (Note 29)	-	-	-	-
- Loan (Note 29)	-	14,000,000	-	14,000,000
	-	**14,000,000**	-	**14,000,000**

17 Deposits

	Consolidated 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Member Deposits:				
- at call	360,630,398	315,578,442	360,630,398	315,578,442
- term	487,167,036	439,992,939	487,167,036	439,992,939
Total Member Deposits	**847,797,434**	**755,571,381**	**847,797,434**	**755,571,381**
Withdrawable Shares	436,990	427,000	436,990	427,000
	848,234,424	**755,998,381**	**848,234,424**	**755,998,381**

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 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Industry Group				
State Government	220,829,473	181,475,482	220,829,473	181,475,482
Federal Government	51,532,433	48,289,424	51,532,433	48,289,424
Geographic Areas				
Sydney Metropolitan	449,102,462	395,722,507	449,102,462	395,722,507

	Consolidated		Credit Union	
	2009	2008	2009	2008
	$	$	$	$
Hunter Region	50,410,097	47,206,107	50,410,097	47,206,107
Illawarra Region	23,724,451	24,601,709	23,724,451	24,601,709
Australian Capital Territory	32,198,129	27,779,343	32,198,129	27,779,343
Central Coast Region	36,174,651	33,141,986	36,174,651	33,141,986

18 Creditors and Borrowings

Creditors and Accruals	2,261,960	1,612,987	2,218,504	1,585,120
Interest Payable on Deposits	7,292,060	8,579,210	7,292,060	8,579,210
	9,554,020	**10,192,197**	**9,510,564**	**10,164,330**

19 Provisions

Provision for:				
Employee Annual Leave	659,837	599,391	657,837	599,391
Employee Long Service Leave	809,895	451,479	809,895	451,479
Employee Sick Leave	405,657	369,634	405,657	369,634
Directors' Serverance and Retirement Benefit	808,669	738,055	808,669	738,055
Securitised Loans	-	2,543,574	-	-
Other	15,585	101,275	15,585	101,275
	2,699,643	**4,803,408**	**2,697,643**	**2,259,834**

20 Taxation Liabilities

Provisions for Income tax	31,702	1,507,614	31,702	1,496,163
Provision for Deferred Income Tax	353,655	1,128,481	353,655	1,128,481
Other	7,150	6,493	-	-
	392,507	**2,642,588**	**385,357**	**2,624,644**
Provision for Deferred Income Tax Comprises				
- Prepayments	117,494	54,410	117,494	54,410
- Deferred Loan Origination Fees/Costs	29,881	187,454	29,881	187,454
- Tax allowances relating to Property, Plant & Equipment	133,174	813,511	133,174	813,511
- Tax allowances relating to Chelsea Wealth Management PTY LTD.	73,106	73,106	73,106	73,106
	353,655	**1,128,481**	**353,655**	**1,128,481**

21 Capital Reserve Account

Balance - 1 July	277,270	259,420	277,270	259,420
Transfer from retained earnings on share redemptions	15,670	17,850	15,670	17,850
Balance - 30 June	**292,940**	**277,270**	**292,940**	**277,270**

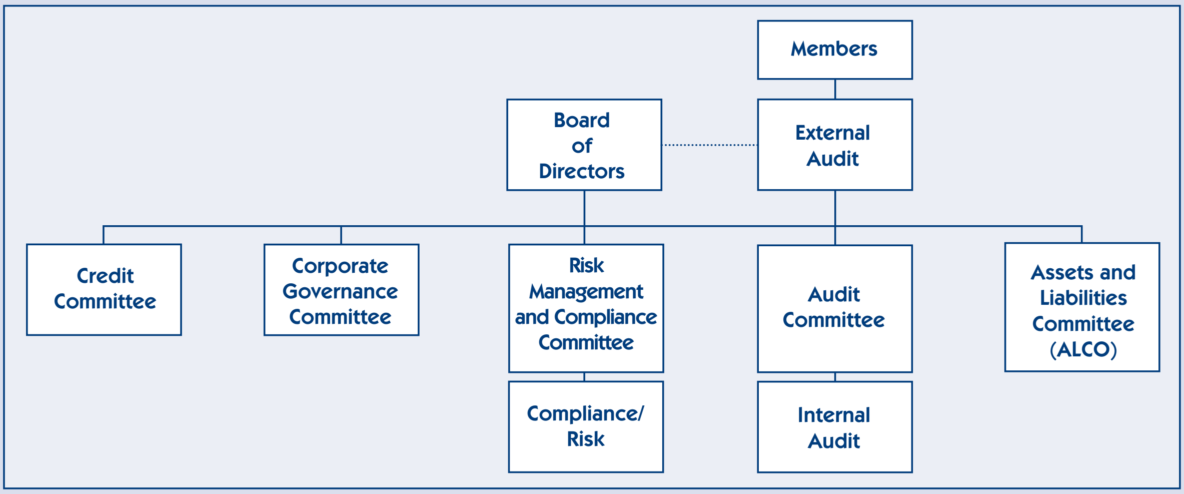
Share Redemption
The accounts represent the amount of redeemable Preference Shares redeemed by the Credit Union since 1 July 1999. The law requires that the redemption of the Shares be made out of profits. Since the value of the Shares have been paid to Members in accordance with the terms and conditions 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, liquidity risk and operational risk. Authority flows from the Board of Directors. In addition to this, the internal risk management structure is strengthened by the interaction with external audit. The Audit Committee is responsible for reviewing the external audit plan and the progress against the plan each year, and ensuring that issues raised are dealt with in an adequate and timely manner. Over and above the aforementioned the external auditor reports to Members by the way of the Auditor's Report in which the auditor expresses an opinion on the annual accounts. Please refer to the Auditor's Report for the full details.

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 are:
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: This Committee's 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.

Risk Management and Compliance Committee: The Risk Committee assists the Board by providing an objective non-executive review of the effectiveness of the Risk Management Policy. This Committee holds at least four meetings each year and the primary objective of the Committee is to establish and periodically review the Risk Management Policy and to formulate and regularly review the Credit Unions risk profile and risk appetite. In addition, the Committee reviews risk management practices and internal controls having regard to material business risk. These risks include:

- Credit Risk, Liquidity Risk and Market Risk
- Operations Risk (data, legal, fraud, insurance etc);
- Financial Reporting Risk
- Other identified risks such as Compliance Risk, Reputation Risk, Staffing Risk

The Committee monitors the annual risk assessment.

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. As at 30 June 2009 the notional principle amounts of the interest rate swap contracts is $35,000,000. The fair value reflected in the Balance Sheet is ($1,854,871). The valuation of the derivative transactions is based on mid-market levels as of the close of business on 30 June 2009. The valuations are derived from proprietary models based upon well recognised financial principles and reasonable estimates about relevant future market conditions.

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 2009, the calculated market value of equity (EVE) is $103.8 million, with a sensitivity of $4.3 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	2009	2008
To total adjusted liabilities		
As at 30 June	15.11%	14.78%
Average for the year	15.91%	14.96%
Minimum during the year	13.11%	11.87%
To total Member deposits		
As at 30 June	17.40%	15.12%

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:

	2009		
	Carrying Value	**Off Balance Sheet**	**Maximum Exposure**
Residential	622,911,263	23,263,283	646,174,546
Personal	78,535,799	804,560	79,340,359
Credit Cards	12,031,498	13,026,002	25,057,500
Overdrafts	36,156,071	37,010,190	73,166,261
Total to Natural Persons	**749,634,631**	**74,104,035**	**823,738,666**
Commercial	56,333,716	-	56,333,716
Total	**805,968,347**	**74,104,035**	**880,072,382**

	2008		
	Carrying Value	**Off Balance Sheet**	**Maximum Exposure**
Residential	566,289,736	18,326,005	584,615,741
Personal	80,363,883	954,856	81,318,739
Credit Cards	11,267,827	10,803,043	22,070,870
Overdrafts	38,153,233	34,676,836	72,830,069
Total to Natural Persons	**696,074,679**	**64,760,740**	**760,835,419**
Commercial	59,808,360	-	59,808,360
Total	**755,883,039**	**64,760,740**	**820,643,779**

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 up to 30% 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:

	2009
Tier 1	**$**
Share capital	292,940
Capital reserve	1,430,212
General reserve	33,197,000
Retained earnings	63,912,931
Less prescribed deductions	4,222,973
Net tier 1 capital	**94,610,110**
Tier 2	
Reserve for credit losses	2,846,306
Asset revaluation reserves on property	169,952
Less prescribed deductions	1,253,810
Net tier 2 capital	**1,762,448**
Total Capital	**96,372,558**

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%	1,562,804	-
Deposits in highly rated ADI's	20%	85,162,980	17,032,596
Deposits in less highly rated ADI's	50% - 150%	60,843,370	30,421,685
Standard Loans secured against eligible residential mortgages up to 80% LVR	35%	557,338,093	195,068,333
Standard Loans secured against eligible residential mortgages over 80%LVR	50% - 75%	95,126,658	51,059,126
Investments in equity instruments	150%	-	-
Other assets	100%	237,994,179	237,994,179
Total		**1,038,028,084**	**531,575,919**

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

2009	2008	2007	2006	2005
18.13%	18.17%	16.01%	15.61%	14.48%

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 $ 4,293,065

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 2009 $	Consolidated 2008 $	Credit Union 2009 $	Credit Union 2008 $
Financial Assets					
Cash	6	7,884,456	11,316,740	7,881,848	11,275,078
Interest Receivable on Deposits	8	1,454,025	1,315,558	1,454,025	1,315,558
Receivables from Financial Institutions	7&9	139,687,305	103,035,244	139,687,305	103,035,244
Loans to Members	10	804,791,745	754,943,802	804,791,745	752,404,447
Total Loans and Receivables		**953,817,531**	**870,611,344**	**953,814,923**	**868,030,327**
Available for Sale Investments	12	3,183,414	3,063,292	3,183,421	3,063,325
Fair Value of Derivatives		-	413,873	-	413,873
TOTAL FINANCIAL ASSETS		**957,000,945**	**874,088,509**	**956,998,344**	**871,507,525**
Financial Liabilities					
Short Term Borrowings	16	-	14,000,000	-	14,000,000
Creditors - Interest Payable on Deposits	18	7,292,060	8,579,210	7,292,060	8,579,210
Deposits from Members	17	847,797,434	755,571,381	847,797,434	755,571,381
Withdrawable Shares	17	436,990	427,000	436,990	427,000
Total Carried at Amortised Cost		**855,526,484**	**778,577,591**	**855,526,484**	**778,577,591**
Fair Value of Derivatives		1,854,871	-	1,854,871	-
TOTAL FINANCIAL LIABILITIES		**857,381,355**	**778,577,591**	**857,381,355**	**778,577,591**

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 on the next page shows the period in which different monetary assets and liabilities 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 based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. **Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the balance sheet.**

2009						
	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
ASSETS						
Cash	7,884,456	7,884,456	-	-	-	7,884,456
Receivables from Financial Institutions	139,687,304	66,487,386	73,527,008	2,897,411	-	142,911,805
Overdrafts	48,187,579	48,187,579	-	-	-	48,187,579
Loans and Advances	757,780,768	24,410,192	73,230,576	390,563,070	587,124,212	1,075,328,050
On Balance Sheet Financial Assets	**953,540,107**	**146,969,613**	**146,757,584**	**393,460,481**	**587,124,212**	**1,274,311,890**
Interest Rate Swaps	35,000,000	35,248,541	-	-	-	35,248,541
Total Financial Assets	**988,540,107**	**182,218,154**	**146,757,584**	**393,460,481**	**587,124,212**	**1,309,560,431**
LIABILITES						
Deposits from Members - At Call	361,067,388	361,067,388	-	-	-	361,067,388
Deposits from Members - Fixed Term	487,167,036	314,079,176	110,376,838	77,257,813	-	501,713,827
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	**848,234,424**	**675,146,564**	**110,376,838**	**77,257,813**	**-**	**862,781,215**
Undrawn Loan Commitments	74,104,035	74,104,035	-	-	-	74,104,035
Interest Rate Swaps	35,000,000	-	-	38,907,127	-	38,907,127
Total Financial Liabilities	**957,338,459**	**749,250,599**	**110,376,838**	**116,164,940**	**-**	**975,792,377**

2008						
	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
ASSETS						
Cash	11,316,740	11,316,740	-	-	-	11,316,740
Receivables from Financial Institutions	103,035,244	66,487,907	39,420,462	-	-	105,908,369
Overdrafts	49,421,060	49,421,060	-	-	-	49,421,060
Loans and Advances	706,461,979	25,973,775	77,921,325	415,580,400	542,575,897	1,062,051,397
On Balance Sheet Financial Assets	**870,235,023**	**153,199,482**	**117,341,787**	**415,580,400**	**542,575,897**	**1,228,697,566**
Interest Rate Swaps	30,000,000	30,594,927	-	-	-	30,594,927
Total Financial Assets	**900,235,023**	**183,794,409**	**117,341,787**	**415,580,400**	**542,575,897**	**1,259,292,493**
LIABILITES						
Deposits from Members - At Call	316,005,442	316,005,442	-	-	-	316,005,442
Deposits from Members - Fixed Term	439,992,939	234,343,495	153,512,114	70,500,134	-	458,355,743
Borrowings	14,000,000	14,150,561	-	-	-	14,150,561
On Balance Sheet Financial Liabilities	**769,998,381**	**564,499,498**	**153,512,114**	**70,500,134**	**-**	**788,511,746**
Undrawn Loan Commitments	64,760,740	64,760,740	-	-	-	64,760,740
Interest Rate Swaps	30,000,000	-	-	35,364,530	-	35,364,530
Total Financial Liabilities	**864,759,121**	**629,260,238**	**153,512,114**	**105,864,664**	**-**	**888,637,016**

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.

2009

	Average Rate	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
ASSETS						
Cash	0.50%	7,884,456	-	-	-	7,884,456
Receivables from Financial Institutions	3.96%	-	65,234,667	71,952,637	2,500,000	139,687,304
Overdrafts	8.45%	48,187,579	-	-	-	48,187,579
Loans and Advances	6.74%	652,573,684	16,111,727	17,559,391	71,535,966	757,780,768
On Balance Sheet Financial Assets	**6.37%**	**708,645,719**	**81,346,394**	**89,512,028**	**74,035,966**	**953,540,107**
Interest Rate Swaps	5.37%	-	35,000,000	-	-	35,000,000
Total Financial Assets	**6.33%**	**708,645,719**	**116,346,394**	**89,512,028**	**74,035,966**	**988,540,107**
LIABILITES						
Deposits from Members - At Call	1.24%	361,067,388	-	-	-	361,067,388
Deposits from Members - Fixed Term	4.86%	-	297,917,682	119,558,084	69,691,270	487,167,036
Borrowings	0.00%	-	-	-	-	-
On Balance Sheet Financial Liabilities	**3.32%**	**361,067,388**	**297,917,682**	**119,558,084**	**69,691,270**	**848,234,424**
Undrawn Loan Commitments	8.47%	74,104,035	-	-	-	74,104.035
Interest Rate Swaps	7.14%	-	-	-	35,000,000	35,000,000
Total Financial Liabilities	**3.86%**	**435,171,423**	**297,917,682**	**119,558,084**	**104,691,270**	**957,338,459**

2008

	Average Rate	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
ASSETS						
Cash	3.60%	11,316,740	-	-	-	11,316,740
Receivables from Financial Institutions	7.91%	-	65,112,199	35,983,643	-	101,095,842
Overdrafts	10.08%	49,421,060	-	-	-	49,421,060
Loans and Advances	8.63%	581,724,495	4,492,972	22,909,633	94,795,524	703,922,624
On Balance Sheet Financial Assets	**8.56%**	**642,462,295**	**69,605,171**	**58,893,276**	**94,795,524**	**865,756,266**
Interest Rate Swaps	5.40%	-	30,000,000	-	-	30,000,000
Total Financial Assets	**8.46%**	**642,462,295**	**99,605,171**	**58,893,276**	**94,795,524**	**895,756,266**
LIABILITES						
Deposits from Members - At Call	2.86%	316,005,442	-	-	-	316,005,442
Deposits from Members - Fixed Term	7.55%	-	221,341,558	157,333,484	61,317,898	439,992,939
Borrowings	8.25%	14,000,000	-	-	-	14,000,000
On Balance Sheet Financial Liabilities	**5.64%**	**330,005,442**	**221,341,558**	**157,333,484**	**61,317,898**	**769,998,381**
Undrawn Loan Commitments	10.35%	64,760,740	-	-	-	64,760,740
Interest Rate Swaps	5.18%	-	-	-	30,000,000	30,000,000
Total Financial Liabilities	**5.97%**	**394,766,182**	**221,341,558**	**157,333,484**	**91,317,898**	**864,759,121**

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 to each asset and liability. No assets held are regularly traded by the Credit Union.

ASSETS				
Maturity	**Receivables from other Financial Institutions**		**Loans & Advances (before Provision)**	
	2009	2008	2009	2008
Net Fair Value	138,497,268	115,259,412	805,630,142	752,653,397
Book Value	139,802,605	114,310,322	805,968,347	753,343,684
Variance	(1,305,337)	949,090	(338,205)	(690,287)

LIABILITIES						
Maturity	**Payable to other Financial Institutions**		**Member Deposits**		**Interest Rate Swaps**	
	2009	2008	2009	2008	2009	2008
Net Fair Value	-	14,009,100	849,529,192	756,001,661	33,145,129	30,413,873
Book Value	-	14,000,000	848,234,424	755,998,381	35,000,000	30,000,000
Variance	-	9,100	1,294,768	3,280	(1,854,871)	413,873

27 Expenditure Commitments

a. Future Capital Commitments

The Credit Union has entered into contracts to purchase fixed assets at a value of $667,530 (2008 $564,000). The amount is to be paid over the following periods:

	Consolidated		**Credit Union**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Within 1 year	667,530	564,000	667,530	564,000
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
over 5 years	-	-	-	-
	667,530	**564,000**	**667,530**	**564,000**

b. Future Lease Rental Commitments

Future lease rental commitments are $7,180,782 (2008 $10,796,097). Operating lease payments under existing lease arrangements for office accommodation are payable over the following periods:

	Consolidated		**Credit Union**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Within 1 year	1,574,329	1,206,632	1,574,329	1,206,632
1 to 2 years	1,516,169	1,794,852	1,516,169	1,794,852
2 to 5 years	3,311,075	4,623,633	3,311,075	4,623,633
over 5 years	779,209	3,170,980	779,209	3,170,980
	7,180,782	**10,796,097**	**7,180,782**	**10,796,097**

28 Financial Commitments

a. Loan Commitments

Loans approved but not funded as at 30th June, 2009 total $24,067,843 (2008 $19,280,861).

b. Undrawn Loan Facilities

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

	Consolidated		Credit Union	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Total value of facilities approved	98,223,771	94,900,939	98,223,771	94,900,939
Less: Amount outstanding at balance day	48,187,579	49,421,060	48,187,579	49,421,060
Net undrawn value	**50,036,192**	**45,479,879**	**50,036,192**	**45,479,879**

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	-	57,000,000
Less: Amount Drawn	-	14,000,000	-	14,000,000
Available to Draw	**-**	**43,000,000**	**-**	**43,000,000**

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. 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. At the time of this report there are no matters outstanding. 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 determination.

31 Disclosures on Key Management Personnel

a. 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:

	2009	**2008**
	$	**$**
(i) short term employee benefits	1,480,685	1,293,042
(ii) Post-employment benefits - Superannuation Contributions	163,917	229,947
(iii) other long-term benefits - net increases in Long Service leave provision	12,361	32,227
(iv) termination benefits	-	103,800
Total	**1,656,963**	**1,659,016**

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.

b. Loans To Directors and other Key Management Persons

	2009	2008
	$	**$**
(i) The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to	1,416,887	1,538,644
(ii) The total value of revolving credit facilities to Directors and other Key Management Personnel, as at balance date amounted to:	375,000	375,000
Less amounts drawn down and included in (i)	228,268	259,523
Net balance available	146,732	115,477
(iii) During the year aggregate value of loans dispersed to Directors and other Key Management Personnel amounted to:		
Revolving Credit Facilities	165,858	77,298
Personal Loans	-	-
Term Loans	4,511	702,890
Total	**170,369**	**780,188**
(iv) During the year the aggregate value of Revolving Credit Facility limits granted or increased to Directors and other Key Management Personnel amounted to:	-	28,000
(v) Interest and other revenue earned on Loans and Revolving Credit facilities to Key Management Personnel	96,954	97,869

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.

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	368,952	312,950
Total Interest paid on Deposits to KMP	4,724	32,926

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.

c. 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. ABACUS Limited
ABACUS 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 FDI. The total amount paid to FDI during the year for the provision of switching services amounted to $508,162 (2008 $833,723).

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, 2009 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 2009, 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.

	2009	2008
	$	$
Securitsed Loan Balances	9,456,158	3,723,185

37 Merger with HMC Staff Credit Union Ltd

The Credit Union accepted a transfer of engagements from HMC Staff Credit Union Ltd as of close of business on 31 January 2009. The effect of the transfer of engagements was that all members of HMC Staff Credit Union Ltd exchanged shares in HMC Staff Credit Union Ltd for shares in The Police Department Employees' Credit Union Ltd. All assets and liabilities of HMC Staff Credit Union Ltd were absorbed into The Police Department Employees' Credit Union Ltd.

The primary reason for the transfer was detailed in the member's general meeting information pack which was to consolidate the mutual interests of both Credit Unions into an organisation better capable of withstanding the economic pressures and regulatory requirements.

There was no goodwill which arose in the transfer as HMC Staff Credit Union Ltd had surplus net assets in excess of the value of the shares issued by the Credit Union.

The costs of the Credit Union was represented by the issue of 2,525 shares to the members of HMC Staff Credit Union Ltd. While the fair value of the shares on a winding up may exceed the withdrawable value, the members of HMC Staff Credit Union Ltd are only entitled to the withdrawable value of the shares. The value of the shares issued was therefore retained at the withdrawable value of $10.

Other prescribed disclosures are as follows

a. There are no contingent consideration or indemnification of assets

b. The costs of the merger have been expensed. These costs amounted to $42,087

c. The amounts recognised as of the acquisition date 31 January 2009 for each major class of assets acquired and liabilities assumed.

	Gross Contractual Amounts Receivable	Fair Value
	$	$
ASSETS		
Cash	258,309	258,309
Receivables from ADI's	8,200,000	8,200,000
Other receivables		
Loans to Members	23,331,352	23,331,352
Fixed Assets	486,825	486,825
Equity investments	120,202	120,202
Intangible Assets	13,080	13,080
Other Assets	173,584	173,584
Deferred Tax Assets	46,616	46,616
Total Assets	**32,629,968**	**32,629,968**
LIABILITIES		
Member deposits	29,038,683	29,038,683
Staff leave provisions	66,804	66,804
Creditors and accruals	823,052	823,052
Taxation Liabilities	47,515	47,515
Total Liabilities	**29,976,054**	**29,976,054**
Net Assets	**2,653,914**	**2,653,914**

For year ended 30 June 2009	Note	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
OPERATING ACTIVITIES		$	$	$	$
Inflow					
Interest Received		59,675,059	61,145,765	59,560,431	60,673,350
Fees and Commission					
- Dividends Received		816,950	298,441	816,950	298,441
- Other Income		17,748,080	16,063,574	17,386,772	15,608,862
Total Inflow		78,240,089	77,507,780	77,764,153	76,580,653
Less: Outflow					
Interest Paid		42,422,164	37,495,981	42,319,851	37,066,818
Suppliers and Employees		26,924,627	23,584,956	26,516,170	22,922,617
Taxes Paid		2,625,778	2,335,735	2,625,778	2,335,735
Total Outflow		71,972,569	63,416,672	71,461,799	62,325,170
Net Cash from Revenue Activities	3	**6,267,520**	**14,091,108**	**6,302,354**	**14,255,483**
Inflows from Other Operating Activities					
Net Movement in Member Loans		(53,721,718)	(21,184,757)	(53,717,498)	(20,217,582)
Net Movement in Member Shares		9,990	(17,850)	9,990	(17,850)
Net Movement in Deposits		92,226,053	34,736,928	92,226,053	34,736,928
Net Cash from Operating Activities		**44,781,845**	**27,625,429**	**44,820,899**	**28,756,979**
INVESTING ACTIVITIES					
Inflow					
Investment Redemption		354,713,107	567,483,778	354,713,107	567,483,778
Net Assets on Transfer of Engagements		2,653,914	-	2,653,914	-
Proceeds from Sale of Fixed Assets		81,750	159,299	81,750	159,299
Total Inflow		357,448,771	567,643,077	357,448,771	567,643,077
Less: Outflow					
Purchase of Investments		389,216,519	587,309,937	389,216,519	587,309,937
Purchase of Fixed Assets		2,446,381	1,381,346	2,446,381	1,381,346
Total Outflow		391,662,900	588,691,283	391,662,900	588,691,283
Net Cash from Investing Activities		**(34,214,129)**	**(21,048,206)**	**(34,214,129)**	**(21,048,206)**
FINANCING ACTIVITIES					
Inflow					
Payables to other Financial Institutions		(14,000,000)	(16,000,000)	(14,000,000)	(16,000,000)
Net Cash from Financing Activities		**(14,000,000)**	**(16,000,000)**	**(14,000,000)**	**(16,000,000)**
Total Net Cash Increase/(Decrease)		**(3,432,284)**	**(9,422,777)**	**(3,393,230)**	**(8,291,227)**
Cash at Beginning of Year		11,316,740	20,739,517	11,275,078	19,566,305
Cash at End of Year	1	**7,884,456**	**11,316,740**	**7,881,848**	**11,275,078**

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

	Consolidated		Credit Union	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash as at balance date comprises:				
Cash on Hand	2,884,456	5,316,740	2,881,848	5,275,078
Deposits at Call	5,000,000	6,000,000	5,000,000	6,000,000
Less: Overdraft with Cuscal	-	-	-	-
	7,884,456	**11,316,740**	**7,881,848**	**11,275,078**

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	6,302,522	8,733,306	6,340,880	8,622,640
Bad Debts Written Off	1,092,835	838,446	1,092,835	838,446
Depreciation Expense	2,572,534	2,545,549	2,572,534	2,545,549
Increase in Provision for Employee Entitlements	525,499	914,833	523,498	914,833
Accrued Expenses	(638,175)	1,246,954	(653,764)	1,555,124
Loss on Sale of Assets	3,797	13,547	3,797	11,387
Decrease (Increase) in Prepayments	(210,282)	258,215	(210,282)	258,215
Increase (Decrease) in Unearned Income	45,026	(31,908)	45,026	(31,908)
Amortised Loan Transaction Costs	(6,120)	26,774	(6,120)	26,774
Decrease (Increase) in Sundry Debtors	(349,565)	(509,877)	(346,253)	(532,545)
Increase (Decrease) in Deferred Taxes Payable	(1,708,105)	(94,181)	(1,708,105)	(94,181)
Provisions for Income Tax	(1,475,255)	(53,048)	(1,464,461)	(61,517)
Other Provisions	232,809	202,498	232,769	202,666
Transfer to Reserve for Credit Losses	(120,000)	-	(120,000)	-
Net Cash from Opening Activities	**6,267,520**	**14,091,108**	**6,302,354**	**14,255,483**

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 18.13% (2008 18.17%).

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 15.11% (2008 14.78%).

Auditors
BDO Kendalls (NSW-VIC) Pty Ltd
Level 19
2 Market Street
Sydney NSW 2000

Bankers
Cuscal Limited

Affiliations
Abacus
1 Margaret Street
Sydney NSW 2000
Credit Union Financial
Support Scheme
Federation of Police Credit Unions

Head Office
The Police Department Employees' Credit Union Limited
ABN 95 087 650 799. AFSL No. 240018.
Level 27, 1 Market St Sydney NSW 2000
Phone: 131 PCU (131 728)
Email: info@pcu.com.au

PCU Assistance Centre
Level 27, 1 Market St
Sydney NSW 2000
Phone: 131 PCU (131 728)
Eaglenet: 88899
Email: info@pcu.com.au

PCU Direct
Level 27, 1 Market St
Sydney NSW 2000
Phone: 131 PCU (131 728)
Eaglenet: 88884
Email: direct@pcu.com.au

Sydney
18 Pelican St
Surry Hills NSW 2010
Phone: (02) 8268 2500
Eaglenet: 44850
Email: sydney@pcu.com.au

Gosford
9-11 Mann St
Gosford NSW 2250
Phone: (02) 4320 0200
Eaglenet: 44880
Email: gosford@pcu.com.au

Newcastle
24 Bolton St
Newcastle NSW 2300
Phone: (02) 4908 6200
Eaglenet: 44870
Email: newcastle@pcu.com.au

Canberra
Shop 16, Canberra House
40 Marcus Clarke St,
Canberra ACT 2601
Phone: (02) 6206 7000
Eaglenet: 44860
Email: canberra@pcu.com.au

Customs House
5 Constitution Avenue
Canberra ACT 2601

Goulburn
c/o Police Academy
McDermott Dr Goulburn NSW 2580
Phone: (02) 4827 1000
Eaglenet: 44730
Email: goulburn@pcu.com.au

Penrith
295 High St
Penrith NSW 2750
Phone: (02) 4720 5000
Eaglenet: 44750
Email: penrith@pcu.com.au

Campbelltown
Unit 2/100 Queen Street,
Campbelltown NSW 2560
Phone: (02) 4640 7000
Eaglenet: 88839
Email: campbelltown@pcu.com.au

Port Macquarie
6 - 14 Clarence Street,
Port Macquarie NSW 2444
Phone: (02) 6582 9900
Eaglenet: 44840
Email: portmacq@pcu.com.au

Parramatta
Ground Floor Octagon Building
110 George St Parramatta NSW 2150
Phone: (02) 9841 8200
Eaglenet: 44700
Email: parramatta@pcu.com.au

Wollongong
76 Market St
Wollongong NSW 2500
Phone: (02) 4221 9000
Eaglenet: 44830
Email: wollongong@pcu.com.au

Website:	www.pcu.com.au	www.customscu.com.au
Redidial Telephone Banking:	131 PCU (131 728)	
ABN:	95 087 650 799	
BSB:	815 000	
AFSL No:	240018	

POLICE CREDIT UNION

For You, Your Family, Your Future.

www.pcu.com.au