Teachers Credit Union • Annual report 2007/2008

rewarding you

Rewarding you

Annual report 2007/2008

TEACHERS CREDIT UNION

2007-08 highlights

Opening an
office in the ACT
October 2007

Reaching the milestone of **150,000 members**
November 2007

Reaching
$2 billion in assets
November 2007

Contents

Our vision

Teachers Credit Union will strive to become the preferred financial organisation for Teachers and their families

Chairperson's report

Chairperson's report

John Kouimanos-Chairperson

Over the past year Teachers Credit Union has achieved unprecedented growth of 25% in assets. We were delighted to achieve the milestone of $2 billion in assets by November 2007, and assets reached over $2.4 billion by the end of the financial year. This result can be attributed to another record lending year of $729M, an increase of 24% from last year. Our surplus was $20M and our reserves are now at $216M. These excellent results demonstrate the solid relationship we have with our members. Being a mutual, all members are equal shareholders and benefit from profit being retained to support our products and services.

We celebrated a number of other milestones in the last year. In October 2007 we opened our office in the ACT and in November 2007 we reached 150,000 members. This strong organic growth reinforces our position as the largest credit union in NSW and the 4th largest in Australia. We remain dedicated to serve and preserve our bond of teachers and their families. In May 2008 we conducted our membership satisfaction survey and were once again given a high member satisfaction rating of 93%. We are exceptionally proud of this great achievement and are pleased to know that we continue to provide quality products and services to our members.

Alongside our growth we have seen a strong focus and expansion of our internal audit and risk management functions. This assists the board and management in fulfilling their governance and oversight responsibilities. Additional resources have been directed towards our compliance with the ever increasing regulatory requirements imposed upon us and all other approved deposit taking institutions.

I am looking forward to the year ahead as we face the challenges of the current financial environment along with our expansion into WA. The Board will continue to make decisions to maintain our strong competitive product range and services for our members during this less certain economic period. Teachers Credit Union, like all Australian financial institutions, must accommodate over the coming year changes made by the Reserve Bank of Australia. These include the reforms to ATM usage as well as the likelihood of further changes to interchange fees received by financial institutions. We continue to monitor the effects that these third party changes may have on our administration costs and revenue.

I'd like to express gratitude to our 300 plus staff for the dedicated service they provide to members and the commitment they have displayed when undertaking the many operational changes and innovations during the last year. Special thanks are due to Steve James, our Chief Executive, whose exemplary leadership and enthusiasm is reflected in the results outlined here. Much appreciation is expressed to directors for their dedicated involvement in all aspects of Teachers Credit Union business from attending member functions to undertaking ongoing education and training, and a special thank you to Richard McCauley, our Deputy Chairperson.

It also gives me great pleasure to express sincere thanks to Bob Graham, our outgoing Chairperson, who retired in April this year. Bob first joined the Board of Teachers Credit Union in 1969, became Deputy Chairperson in 1970, a role which he held until 2004 when he became Chairperson. During Bob's tenure he showed exceptional leadership and inspiration in steering us to become the successful organisation we are today. His dedication, skill and good humour has inspired us all.

The Members Committee are a highly committed group whose support and input I value. Their new Chairperson, Graeme Green, will continue to enhance their contribution to our credit union and its members.

We are grateful for our positive relationship with the NSW, ACT and NT Departments of Education and Training, NSW Teachers Federation, Australian Education Union ACT, State Schools Teacher Union of Western Australia and Teachers Federation Health. Finally we highly value the loyalty of our members, which we never take for granted. The challenge for the Board and management is to ensure that our service levels and products reward member loyalty and we continue to foster strong relationships.

John Kouimanos, Chairperson

Chief Executive's report


Steve James-Chief Executive

Teachers Credit Union is a unique financial institution. Like other credit unions and mutuals, our members are fundamental to us, and as our only shareholders they are the direct beneficiaries of our financial performance.

What sets us apart is that we are one of the biggest and most innovative credit unions in Australia. Add to this a loyal and engaged membership who support and embrace new developments, and the result is a dynamic partnership which makes us a leader in the credit union industry. This prominence means we are often the first to adopt new technology, such as multi-factor authentication security measures and EMV chip cards.

Change is a constant in the financial services industry, with new regulatory issues continually posing challenges for us. The other constant is our dedication to maintaining not only a strong financial position and growth, but also an enduring and reciprocal relationship with members. We do this by providing products, services, resources and advice to empower every member to take control of their finances both now and into the future.

This commitment to our stakeholders - members, the education community, our employees, and the environment - is outlined in the Sustainability update section of this report. It features alongside our financial performance since we believe they are inextricably linked. We hope that you find it informative and inspirational, and welcome any feedback.

Achieving all this only happens with teamwork. My sincere thanks to the Board of Directors, Members Committee and all our employees for their dedication and hard work over the past year. I know I speak for them when I say we look forward to another year of achievement, innovation and growth.

Steve James, Chief Executive


Graham Green-Chairperson, Members Committee

Members Committee report

The Members Committee is a group of eight elected members who meet monthly to review any issues referred to it by the Board, providing an additional link between members and the directors.

The Members Committee take part in a wide range of credit union activities, including attending member functions throughout the year. The valuable feedback we receive from members deepens our understanding of issues and concerns affecting members, which we are ultimately able to feed back to management and the Board through our monthly reports.

We would like to thank all the enthusiastic and helpful staff and management of our credit union, especially Steve James, and to the Board for its continued support.

Graeme Green, Chairperson-Members Committee

The year ahead

We will launch a **new website** which will enhance our service to members

We will **open an office in WA** in October 2008 and engage with the WA education community

We will launch our **Future Teacher Scholarship** initiative in September 2008, which will financially assist 4 future teachers per year while they study

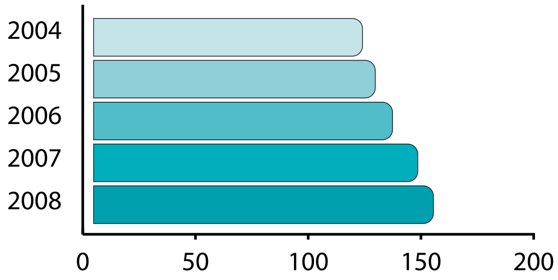
We will make changes to our savings accounts to **make it easier for members** to use their accounts more effectively for transacting, budgeting and saving.

We are currently trialling an **EMV chip card** which we plan to launch at the end of 2008

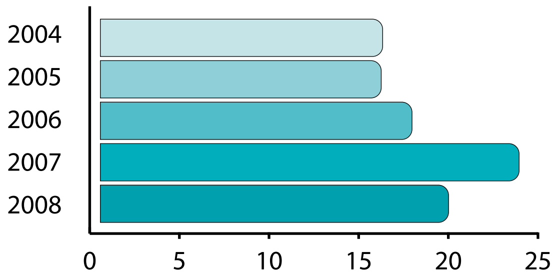
Teachers Credit Union at a glance...

Profit after income tax - The amount of money we generate from operating our products and services minus the cost of providing those products and services, including all taxes.
Loan balances - Total amount of money owed to us by our members as at 30th June 2008, from personal loans, secured loans, credit or debit cards (includes securitised loans in 2006).
Capital adequacy - An industry ratio which measures the strengths of a lending institution. We are well above APRA's minimum requirement of 8%. *The figure for 2008 has been calculated under Basel 2.
Member deposits - Deposits are made up of all savings, investments and shares, excluding interest accrued.
Assets - The total of all Teachers Credit Union assets.
Reserves - Accumulated profits held by us to ensure our ability to safely grow.

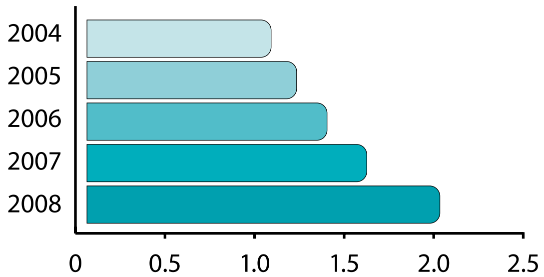
Membership (Thousands)



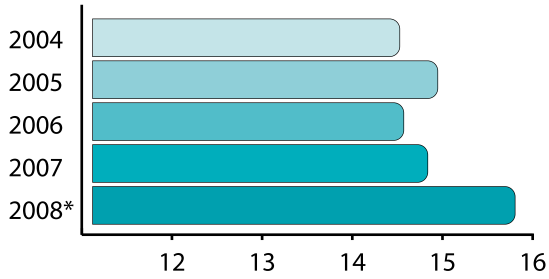
Profit after income tax ($Millions)



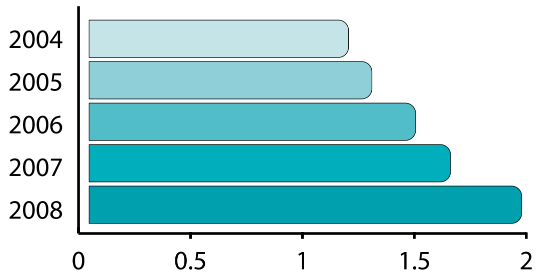
Loan balances ($Billions)



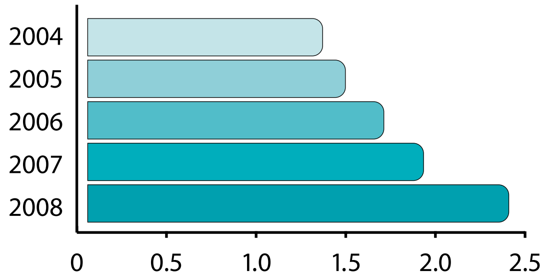
Capital adequacy (Percentage)



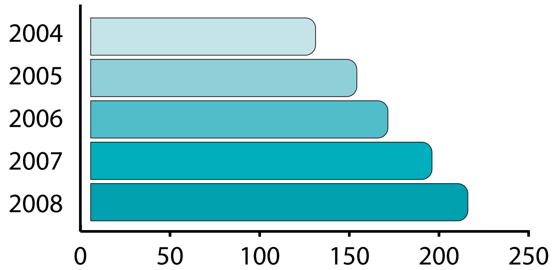
Member deposits ($Billions)



Assets ($Billions)



Reserves ($Millions)



Sustainability update

In June 2007 we released our first sustainability report, our initial endeavour to formalise our Corporate Social Responsibility (CSR) initiatives and set targets for the future. This year we are including this sustainability update as part of our Annual Report to let our stakeholders know, in summary, our progress over the past year and our targets for the future. We have broken this down into 4 sections - Members, Community, Environment and Employees. You can find all our financial information from page 27.

What does CSR mean to us?

As a credit union, social responsibility is firmly ingrained in our culture. That is because credit unions are mutual organisations. Our members are not just customers; they are co-owners (shareholders) of a democratic financial institution. We don't pay dividends to external shareholders but return our profits to members in the form of high quality personal service, improving our products and services and a lower, more sensible approach to fees.

Overall we recognise that success cannot be measured just in terms of profits and growth but how we relate to the community and the ways in which we minimise our environmental impact. As we are a mutual organisation for teachers and their families, it makes it easy for us to target our CSR initiatives for maximum benefit, both for the organisation and our stakeholders. Given this we:

- Concentrate our sponsorship and community initiatives in the education and teaching community, due to our unique role within it
- Are respectful of the environment and aim to actively manage our environmental impact
- Aim to increase awareness of environmental issues and provide assistance for members to act sustainably
- Aim to promote the financial well-being and literacy of members.

Independent assessment

At the end of 2007 we participated privately in the Corporate Responsibility Index (CRI), the only voluntary framework for corporate responsibility in Australia.

Participating in the CRI provided us with tools to enhance our CSR management and identify gaps in our performance across the four key areas of the index: environment, community, marketplace and workplace.

We received our feedback report from CRI in April 2008, following the validation process by Ernst & Young, and have begun implementing suggested improvements, primarily around formalising our business processes. Participating in the index reinforces to our stakeholders our strong organisational commitment to CSR. In addition, our CSR Committee meets quarterly to monitor our progress and guide our initiatives. It is chaired by our Chief Executive, Steve James.

Teachers Credit Union's Internal Audit department has, as far as practical, validated the reliability and integrity of information contained within this sustainability update.

"Teachers Credit Union is a co-operative owned by the members and so keeps the costs at a minimum and passes on realistic charges only. Politically I am committed to money management that supports the people whose money it is."

Cathi Barrale, Dulwich Hill

"I feel a real ownership of Teachers Credit Union. I've always been made to feel important. For example, during a year's teacher exchange overseas, Teachers Credit Union was always there to support me before, during, and after the exchange".

Peter Ryall, Halliday's Point

Rewarding members

Enhanced security for members

"It is so important for us to give our members the confidence to transact online and reduce any concerns they may have about identity theft. Therefore we have a layered approach to online security and we believe we have the right online development roadmap to protect them well into the future."

Brad Hedgman, Deputy Chief Executive, Teachers Credit Union.

As the majority of our members use internet banking to access their accounts, we are constantly looking at new ways to improve its security and safeguard members against potential threats, such as phishing, identity theft and online financial fraud. This year we implemented enhanced security measures for internet banking by introducing two-factor identification measures.

Members can use two-factor authentication, either a security token or SMS-based one-time password, receiving this service free of charge. We have also embarked on a security awareness program to educate members on the importance of security and the choices available to them. There has been a reduced incidence of fraud and transactional queries since deployment.

In the future we aim to protect members against online financial fraud by introducing an advanced transactional rules-based decision system to detect oddities in a member's spending patterns or where an unusual transaction has occurred. At the end of June we had issued over 18,000 security tokens to members and over 1,000 members were using the SMS one time password.

Taking our service on the road

Over 2007-08 we held 48 mobile offices, effectively taking our office to our members, which is essential for our members in country areas. We assisted over 5,500 members at our mobile offices, including in country areas such as Katherine (NT), Parkes, and West Wyalong.

"Teachers Credit Union has always sought to be very accessible by members in remote areas."

Ralph Wood, Narrabri

In addition to mobile offices we delivered 51 free Home Loan and Investment Seminars over the year, and maintained our school and university visits to assist our members.

We are also opening an office in WA by the end of 2008.

Our member satisfaction rating is **93%**[1]

59% of our adult members are teachers or retired teachers

In 2007-08 we:

Doubled our mobile lending team

Opened our bond to include Teachers in other states and their families and Teachers Federation Health members

Held 23 business centres, servicing 1,497 members

Launched our Online Savings Account, one of the leaders in the marketplace for both features and rate

References [1]Member Satisfaction Study.

Rewarding the community

Our community partners

NSW Department of Education and Training Through the NSW Department of Education and Training (DET), we sponsor both the NSW Primary School Sports Association and the Combined High School Sports Association as part of our commitment to the sporting education community. We also sponsor the arts in education, the Art Education Society and Performing Arts, including the School Spectacular. Our sponsorship of the DET's initiatives for the year totalled $187,418.

NSW Exchange Teachers League is a non-profit organisation run by volunteers to assist teachers before and during their teaching exchange, assisting them with the transition and to have the most rewarding experience possible while in Australia or overseas.

Bush Children's Education Foundation (BCEF) provides financial assistance to school aged children living in outback NSW. This year we donated $10,750 to the BCEF, which provided 13 students with a boarding bursary to attend primarily Yanco Agricultural High School which is located near Hay in NSW.

Stewart House Every two weeks of the school year, 90 public school children from designated areas of the state are cared for by Stewart House. In 2007, 1,801 children from 820 NSW government schools attended Stewart House. We have been their major sponsor for 25 years.

Eric Bailey is a motivational speaker who attends schools, encouraging self-motivation, self-esteem and an anti-drug message. Students are captivated by his positive, energetic and truly memorable presentations. In June 2008 we sponsored Eric to attend 9 schools and he spoke to approximately 2,000 children and teachers.

Credit Union Foundation Australia (CUFA) is the not-for-profit arm of the credit union movement. CUFA develops community access to affordable financial services in the Asia Pacific region. In addition, they run programs in Australia for credit union staff to learn about credit union values and community and environmental issues.

Supporting inclusive education in Timor-Leste

Timor-Leste (East Timor) has a large number of their population who do not attend school. This includes children with disabilities who are unable to attend school due to a range of social, cultural and physical barriers, including poverty, status in the community and the costs of schooling.

We invested $5,180 in 2007-08 in assisting the International Council for Education of People with Visual Impairment (ICEVI) to send a team of 3 (see below), to visit Timor. The team provided a train-the-trainer program centred on Braille literacy and alternative communication methods for children with expressive language disorders and difficulties. 28 participants attended, including staff and students from a Timorese non government organisation (NGO) who provide services to adolescents and young adults who are blind. In addition they worked with the Ministry of Education to implement a long-term strategy for inclusive education in Timor.

Amanda Hurst *(right)* has been a Special Education teacher for 20 years and is currently teaching at Cairnsfoot School in Arncliffe, NSW. She has been a member of Teachers Credit Union for 8 years. She is pictured here in Timor with her colleague from ICEVI, Francis Gentle, and their translator.

Supporting teacher development

Supporting the professional development of our teachers is one way we contribute directly to our community. Over the year, we supported 92 teacher, principal and SASS conferences and events, both large and small, in metropolitan and rural areas. This included the NSW Department of Education and Training's Connected Learning Conference, the Illawarra SE Region Principals Conference, and the Goulburn Golf Day. The total value of this sponsorship for the year was $126,748.

Our employees like to help

Over the year employees of Teachers Credit Union raised money for various charities, including Stewart House, the Cancer Council, World Vision and Tear Australia. Last Christmas our employees decided to replace our internal Kris Kringle with an initiative to support The Children's Hospital at Westmead. They raised over $3,000 to purchase toys for the children who were patients over Christmas.

Total spent on community investment **$465,225**

Teacher conferences sponsored **92**

Our employee contribution **$21,759**

Rewarding the environment

Environment targets

2007 target	Progress	What did we do?	2008-09 target
Purchase at least 10% green energy.	Completed	We have purchased 10% accredited green energy for our Homebush Office until June 2010.	Embed this provision in the Rooty Hill energy contract.
Offset the emissions of car travel by our business development officers (BDOs) and mobile lenders.	Completed	We offset 130 tonnes of carbon dioxide in July 2007 through Neco (accredited under the NSW Greenhouse Gas Abatement Scheme).	Maintain this offset for our 2008 fleet. For every new car purchased for our fleet it must achieve at least a 3 star in the Green Vehicle Guide.
To decrease our internal paper consumption by at least 10%.	Attempted	We ran paper saving workshops for all staff in July 2007 which included hands-on demonstrations of technology such as scanners. We also introduced an online fax solution.	Introduce new technology and processes to reduce paper wastage and improve efficiency. Continue to educate staff on paper reduction.
To look into recycling options for other types of waste such as plastic.	Completed	We launched our recycling program in June 2008.	Reduce our waste to landfill by at least 20%. Continue to promote recycling to our employees.
Provide information and an incentive for our members to become more sustainable.	Completed	Through our partner Neco, we provided members with discounts on various eco-products throughout the year, such as worm farms. We also provide members who take out a New Car Loan with a 10% discount coupon for carbon offsets, and members who take out a My First Home Loan with a 10% coupon for Neco's range of products.	Maintain this relationship with Neco for offers for our members and investigate other third parties who can provide an incentive for our members.
Increase our energy efficiency by purchasing the most energy efficient office equipment and regularly promote conserving energy to staff.	Attempted	We promoted energy conservation to new staff and through regular updates on our intranet. However we did not embed energy efficiency in our supply chain considerations.	Reduce energy consumption by 5% per FTE. For all IT equipment replaced, an item with a greater energy efficiency will be purchased.

Online statements

In March 2008 we introduced online statements, an important initiative to reduce paper consumption. By the end of June, 11,039 members had made the switch to online statements.

Teachers Environment Fund

In conjunction with online statements we launched the Teachers Environment Fund. Our objective for this fund is to assist public schools to become more sustainable by funding projects that assist water and energy saving, composting and recycling or tree planting and biodiversity. Our target is to fund at least 6 projects across NSW, ACT, NT and WA over 2008-09.

Engaging our employees

Over the year we have encouraged our employees to play a part in reducing their environmental impact, which remains an ongoing process. For example we:

- Held paper-reduction workshops for all employees, and we continue this education for all new employees
- Held a fundraising event for World Environment Day, raising money for the Teachers Environment Fund
- Provided a mobile phone recycling box in all main employee areas
- Introduced a recycling program with continual tips posted on our intranet
- Offset the emissions of our business development officers and mobile lenders, making their annual car travel carbon neutral
- Encouraged ideas through the Bright Ideas Program on environmental conservation.

Key statistics

Water consumed
4,053 KL, or 11,781 litres per full-time equivalent (FTE) employee

Waste generated
We generated 82.7 tonnes of waste, or 240kg per FTE employee

Paper usage
Over the past year we have been using 50% recycled office paper, helping to reduce our indirect environmental impact

Each FTE employee used 10,106 sheets of paper for internal use

We recycled approximately 42 tonnes of paper

GHG emissions generated
1,854 tonnes, 5.4 tonnes per FTE employee

We reduced our impact by 161 tonnes by switching to 10% green energy at our head office

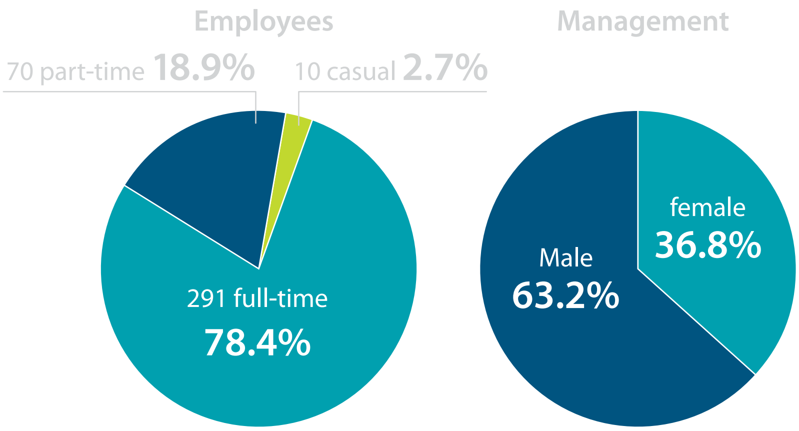
Toner cartridges recycled
358kg diverted from landfill

"I feel rewarded by Teachers Credit Union as I have been recognised for my efforts and ideas which I didn't think would happen as one of their youngest employees. I submitted an idea to the credit union's Bright Ideas Program and not only is my idea being implemented, but I received a $50 Myer voucher and won the quarterly prize for Bright Ideas of $250!"

Brad Kearns,
2007 Trainee, Secured Loans Clerk

Rewarding employees

Employee profile



An Employer of Choice for Women

In March 2008 Teachers Credit Union was named an Employer of Choice for Women by the Equal Opportunity for Women in the Workplace Agency (EOWA). We were one of only 99 organisations across Australia who received the 2008 citation in a year which added six new pre-requisites to the selection process. These pre-requisites include a minimum of 6 weeks paid maternity leave after 12 months of service, the ability for female managers to work part-time and a higher than industry average percentage of female managers. Organisations that obtained the 2008 citation have also shown that gender pay equity has been analysed, that this gap is less than the industry average and that they are working to address any gap identified.

A finalist in the 2007 Australian HR Awards

Teachers Credit Union was recently recognised as a finalist in the Australian HR Awards 2007, in the Employer of Choice category (for less than 1000 employees). This fantastic result indicates our commitment to supporting our employees and enhancing their working environment.

Encouraging leaders

Teachers Credit Union is committed to providing employees with opportunities for professional development and believes that good leadership is critical to developing high performing motivated teams. As a result a new leadership program was implemented in January 2008, providing 6 employees with the experience required to perform team leader/supervisory roles within the organisation.

We received a Silver rating for Workplace in the Corporate Responsibility Index (CRI).

Our employee satisfaction rating is **90%**[2]

Our employee turnover rate is approximately **8%**

94% of staff agreed in our latest employee survey that gender is not a barrier to success at Teachers Credit Union[3]

Occupational Health, Safety and Wellbeing
99% of employees agree that we are committed to providing a safe and healthy workplace

Bright Ideas Program
85 bright ideas received and assessed by the executive

Training and development

- 22% of employees are currently studying
- 9.9% of employees completed a qualification over the year
- 109 study leave days granted

References [2]2008 Staff Satisfaction Study
[3]Employee Satisfaction Study.

Directors' report

Your directors present their report on the credit union for the financial year ended 30th June 2008.

The credit union is a company registered under the Corporations Act 2001.

Information on directors

The names of the directors in office at any time during or since the end of the year are:

J M Kouimanos (Chairperson)

John Kouimanos commenced teaching in 1967 and retired as Head Teacher Social Sciences at Greystanes High School in February 2004. He was a member of the Supervisory Committee for six months and has served as a director since 1974. Mr. Kouimanos is Chairperson of the Risk Committee, a member of the Audit Committee and is an associated fellow member of the Australasian Mutuals Institute.

Qualifications: BA, Dip. Ed.

R J McCauley (Deputy Chairperson)

Richard McCauley commenced teaching in 1957, served as school Principal for 20 years and retired in 1997 from Clovelly Public School. He has been a director since 1974 and was appointed Deputy Chairperson in 2004. He is currently a director of Q T Travel Pty Ltd and a member of the Australasian Mutuals Institute.

Qualifications: Teachers Certificate

B K Carlin

Brian Carlin commenced teaching in 1951 as a Primary Teacher and retired in 1989 as Secondary Head of Department. He continues to work regularly as a casual relief teacher mostly at Hurlstone. He was a member of the Supervisory Committee from 1976 to 1985 and has served as a director since 1985. He is a member of the Development and Education Committee and Chairman of the Marketing, Media and Member Relations Committee. He is also a member of the Australasian Mutuals Institute.

Qualifications: Teachers Certificate, BA

L R Green

Linda Green commenced teaching in 1979 and is currently Principal of Robert Townson Primary School. She served as a member of the Supervisory Committee for two years and was elected to the Board in 1997. Mrs. Green is Chairperson of the Development and Education Committee, a member of the Audit, Risk and Marketing, Media and Member Relations Committees. She is also a member of the Australasian Mutuals Institute.

Qualifications: Dip. Teach, B.Ed (Primary Education)

J G Leete

Jennifer Leete commenced teaching in 1977. Her last teaching position was as Head Teacher Social Sciences at Narrabeen High School. She became an organiser for the NSW Teachers Federation in 1989 and was the Deputy President of the Federation from 1998 to 2005. Ms Leete was elected as a director in October 2005 and is currently employed as a Senior Education Officer in the Professional Learning and Leadership Development Directorate of the DET. She is a member of the Marketing, Media and Member Relations Committee and the Development and Education Committee, and is also a member of the Australasian Mutuals Institute.

Qualifications: BA, Dip. Ed.

G C Lockwood

Graeme Lockwood commenced teaching in 1974 and is currently Head Teacher (Administration) at Normanhurst Boys High School. He served on the Supervisory Committee and Members Committee for many years and was elected to the Board in 2004. He is Chairperson of the Audit Committee, member of the Risk Committee and also a member of the Australasian Mutuals Institute.

Qualifications: Dip.Teach, Grad Dip C.Ed.

S R Jacob

Stuart Jacob commenced teaching in 1966 and retired in 2005 following 18 years as Deputy Principal of East Hills Boys Technology High. He has served on the Supervisory Committee since 1974. He served 6 years as a director from 1991-1997 and was reappointed by the Board in 2008.

Qualifications: B.Ec, Dip. Ed.

Company secretaries

The name of the Company Secretary in office at the end of the year are:

S C James (Chief Executive)

Commenced working for Teachers Credit Union in 1979. Has filled a variety of senior management roles in operations, finance and executive management including the roles of Financial Controller, General Manager Operations and Deputy Chief Executive. As well as attending all Board meetings, is a member of ALCO, Products and Services, Business Continuity Committee, and Marketing, Media and Member Relations Committee. Is currently representing the credit union Industry on the Evolve Committee. Has been involved in numerous national committees since 1980 including Corvis Advisory Committee, CU Fraud Pool, various IT steering committees, Visa Card Advisory Committee, Mandatory Comparison Rates, Capital Committee and Y2K Committee. Fellow of Australasian Mutuals Institute, Graduate Member of Australian Institute of Company Directors, Associate Fellow of Australian Institute of Management.

Qualifications: Master of Business Administration (UWS), Diploma in Company Directors Course (AICD), Advanced Accounting Certificate (TAFE).

B J Hedgman (Deputy Chief Executive)

Commenced working for Teachers Credit Union in 1982. Has filled various accounting and management roles including Finance Manager, Corporate Information Manager, General Manager - Finance and Administration. Is a member of the ALCO and the Products and Services Group. Attends Board Meetings and Audit and Risk Committee Meetings. Has represented the credit union industry at a national level on several Information Technology related groups since 1982. Professional Member National Institute of Accountants, Member of Australasian Mutuals Institute. Is a director of Q T Travel Pty Ltd (Diploma Travel).

Qualifications: Master of Business (UTS), Graduate Certificate in Business and Technology (UNSW), Advanced Accounting Certificate (TAFE).

Directors' board meetings

The number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

Total board meetings: 20		
Board meetings attended by:	J M Koumanos	18
	R J McCauley	19
	B K Carlin	19
	L R Green	19
	J G Leete	19
	G C Lockwood	19
	S R Jacob[1]	1
	RM Graham[2]	16

[1]S R Jacob was appointed to the Board in April 2008.
[2]R M Graham resigned from the Board in April 2008.
Leave of absence was granted where directors were unable to attend Board meetings.

Committees of directors' meetings

The number of meetings held for the committees of directors during the year and the number of meetings attended by each director was as follows:

	Building	Audit	Risk	Marketing Media and Member Relations	Development and Education
Total meetings	**1**	**6**	**6**	**2**	**2**
J M Kouimanos	1	6	6		
R J McCauley	1				
B K Carlin				2	2
L R Green	1	1	1	1	2
J G Leete				1	1
G C Lockwood		6	6		
S R Jacob					
R M Graham		5	5		

Leave of absence was granted where directors were unable to attend any of the above meetings.

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 29 of the financial report.

Indemnifying officers or auditors

Insurance premiums have been paid to insure each of the directors and officers of the credit union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the credit union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities 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.

Financial performance disclosures

Principal activities

The principal activities of the credit union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating results

The net profit of the credit union for the year after providing for income tax was $20.0 million. (2007 $23.9 million).

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 its members did not change significantly from those of the previous 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.

Likely developments and results

No other matter, circumstance 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.

Auditors' independence declaration

The auditors have provided the declaration of independence to the board as prescribed by the Corporations Act 2001 as set out below.

Rounding

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/100 (as amended by 06/51). The credit union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

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:

J M Kouimanos, Chairman

G C Lockwood, Chairman of the Audit Committee
Signed and dated this 9th September 2008

Declaration of independence

As lead auditor of NSW Teachers Credit Union Limited for the year ended 30th June 2008, I declare that to the best of my knowledge and belief, that 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.

Neville Sinclair, Partner
Dated 5th September 2008

BDO Kendalls
Chartered Accountants
Level 19, 2 Market Street
Sydney NSW 2000

Independent auditor's report

To the members of NSW Teachers Credit Union Ltd.

Report on the financial report

We have audited the accompanying financial report of NSW Teachers Credit Union Ltd, which comprises the balance sheet as at 30th June 2008, 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 credit union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting 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, provided to the directors of NSW Teachers Credit Union Ltd., would be in the same terms if provided to the directors at the time that this auditor's report was made.

Auditor's opinion

In our opinion

a. the financial report of NSW Teachers Credit Union Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the company's financial position as at 30th June 2008 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Neville Sinclair, Partner
Dated 10th September 2008

BDO Kendalls
Chartered Accountants
Level 19, 2 Market Street
Sydney NSW 2000

Directors' declaration

The directors of NSW Teachers Credit Union Ltd. declare that:

The financial report comprising balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes and notes related thereto, are in accordance with the Corporations Act 2001, and -

(a) comply with Accounting Standards; and
(b) give a true and fair view of the financial position of the credit union as at 30th June 2008 and performance for the year ended on that date.

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.

Signed on behalf of the Board

J M Kouimanos, Chairman
Signed and dated this 9th September 2008

Financial statements

Contents

Income statement

For the year ended 30th June 2008

		Note	2008 $'000	2007 $'000
Interest revenue		2.a	170,833	136,357
Interest expense		2.c	-100,436	-67,865
Net interest income			70,397	68,492
Fee, commission and other income		2.b	16,658	17,027
Sub total			87,055	85,519
Less:	Non interest expenses			
	- Impairment losses on loans and advances	2.d	-1,992	-1,798
	General administration	2.f		
	- Employees compensation and benefits		-26,410	-21,720
	- Depreciation and amortisation		-3,389	-2,757
	- Transaction expenses		-12,726	-12,722
	- Information technology		-2,967	-2,442
	- Office occupancy		-1,490	-1,271
	- Other administration		-9,659	-8,741
	Total general administration		-56,641	-49,653
Total non interest expenses			-58,633	-51,451
Profit before income tax			28,422	34,068
Income tax expense		3	-8,408	-10,119
Profit after income tax			20,014	23,949

Statement of changes in member equity

For the year ended 30th June 2008

	Capital reserve account $'000	General reserve for credit losses $'000	Retained earnings $'000	Total members' equity $'000
Total at 1st July 2006	112	9,425	162,775	172,312
Movement in value on available for sale assets	0	0	0	0
Sub total	112	9,425	162,775	172,312
Income and expense recognised directly in equity	0	0	0	0
Profit for the year	0	0	23,949	23,949
Total income and expense for year	0	0	23,949	23,949
Transfers to (from) reserves	18	1,499	-1,517	0
Total at 30th June 2007	130	10,924	185,207	196,261

	Capital reserve account $'000	General reserve for credit losses $'000	Retained earnings $'000	Total members' equity $'000
Total at 1st July 2007	130	10,924	185,207	196,261
Movement in value on available for sale assets	0	0	0	0
Sub total	130	10,924	185,207	196,261
Income and expense recognised directly in equity	0	0	0	0
Profit for the year	0	0	20,014	20,014
Total income and expense for year	0	0	20,014	20,014
Transfers to (from) reserves	18	2,567	-2,585	0
Total at 30th June 2008	148	13,491	202,636	216,275

Balance sheet

For the year ended 30th June 2008

	Note	2008 $'000	2007 $'000
Assets			
Cash	4	4,925	4,483
Receivables from financial institutions	5	333,039	270,000
Receivables	6	10,416	8,575
Prepayments		1,269	1,091
Loans and advances to members	7 & 8	2,026,781	1,618,660
Available for sale investments	9	4,296	4,296
Property, plant and equipment	10	22,929	21,482
Taxation assets	11	4,095	3,780
Intangible assets	12	1,236	1,269
Total assets		2,408,986	1,933,636
Liabilities			
Borrowings	13	43,664	2,026
Financial institution deposits		105,883	47,255
Wholesale deposits		46,568	2,131
Retail deposits	14	1,979,352	1,661,478
Creditor accruals and settlement accounts	15	7,922	13,305
Taxation liabilities	16	395	3,648
Provisions	17	8,801	7,461
Deferred tax liability	18	126	71
Total liabilities		2,192,711	1,737,375
Net assets		**216,275**	**196,261**
Members' equity			
Capital reserve account	19	148	130
General reserve for credit losses	20	13,491	10,924
Retained earnings		202,636	185,207
Total members' equity		216,275	196,261

Cash flow statement

For the year ended 30th June 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Interest received		169,734	136,337
Fees and commissions		15,171	14,090
Dividends received		543	547
Other non interest income received		751	2,090
Interest paid on deposits		-92,557	-65,789
Borrowing costs		-1,149	-759
Expenses paid to suppliers and staff		-52,435	-48,161
Income tax paid		-11,935	-7,742
Net increase in loans and advances to members		-409,896	-223,367
Net increase in retail deposits		306,769	168,577
Net cash flows from operating activities	34.b	-75,004	-24,177
Cash flows from investing activities			
Acquisition of property, plant and equipment		-4,101	-3,631
Acquisition of intangible assets		-691	-875
Sale of property, plant and equipment		210	207
Net (increase)/decrease in deposits with other financial institutions		-63,039	1,500
Net cash flows used in investing activities		-67,621	-2,799
Cash flows from financing activities			
Increase in borrowings		38,000	0
Increase in financial institution deposits		57,331	27,043
Increase in wholesale deposits		44,098	2,124
Net cash flows from (used in) financing activities		139,429	29,167
Net increase/(decrease) in cash held		-3,196	2,191
Add opening cash brought forward		2,457	266
Closing cash carried forward	34.a	-739	2,457

Notes to the financial statements

1. Statement of accounting policies

This financial report is prepared for NSW Teachers Credit Union Ltd. as a single entity, for the year ended the 30th June 2008. The report was authorised for issue on 8th September 2008, in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Interpretations of the Australian Accounting Standards Board, 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, except for the treatment of Employee Entitlements stated in Note 1l. and Leasehold make good stated in Note 1m. The accounting policies are consistent with the prior year unless otherwise stated.

b. Loans to members

Basis of recognition

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.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts were written off when identified and are recognised as expenses in the Income Statement.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans are loans and advances, including savings accounts drawn past their approved credit limit, where the recovery of all interest and principal is considered to be reasonably doubtful. Interest charged and not received on this class of loan is not recognised as revenue. APRA has made it mandatory that interest is not recognised as revenue after irregularity exceeds 90 days for a loan facility, or 15 days for an over limit overdraft and credit card facility, or 15 days for overdrawn savings account.

Restructured loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities of comparable risk. Loans, where interest has been stopped or is less than the credit union's average cost of funds, are included in non-accrual loans.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans are loans where payments of principal and/or interest are at least 30 days in arrears that are not non-accrual loans or restructured loans. Full recovery of both principal and interest is expected.

Interest earned

Variable and fixed rate loans Loan interest is calculated on the daily balance outstanding and is charged in arrears on the last day of each month. All home loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

Fixed interest loans Loan interest is calculated at a fixed rate on the daily balance and is charged in arrears on the last day of each month.

Overdrafts Loan interest is calculated on the daily balance outstanding and is charged in arrears on the last day of each month.

Overdrawn savings Loan interest is calculated on the daily balance outstanding and is charged in arrears on the last day of each month.

Credit cards Loan interest is calculated on the outstanding balance, after any interest free period applicable, that has not been paid for by the due date. Interest is charged in arrears on the last day of the statement period.

Balance offset loans Loan interest is calculated on the same basis as variable rate loans but with the daily balance outstanding reduced by 65% of the balance held in the Balance Offset Savings Account for that day.

Loan origination 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. The amounts brought to account are included as part of interest revenue.

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. The amounts brought to account are included as part of interest revenue.

Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

c. Loan impairment

Specific provision

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided 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 used in the calculation are as set out in Note 8.

The APRA Prudential Standards require 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.

Reserve for credit losses

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 risks inherent in the business of the credit union but which are not capable of being specifically identified. It is determined at the rate of 0.60% of the aggregate of all drawn on-balance sheet loans, redraw rights attaching to loans paid in advance and irrevocable credit commitments.

d. Bad debts written off

Loan balances are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are recognised as expenses in the Income Statement.

e. Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation, less impairment losses.

Property, plant and equipment with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the credit union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

- Buildings-40 years
- Leasehold improvements-up to 3 years (term of lease)
- Plant and equipment-2.5 to 7 years.

f. Intangible assets

Under IFRS, items of computer software which are not integral to the computer hardware owned by the credit union are classified as intangible assets, not as part of plant, property and equipment.

Computer software held as intangible assets is amortised over the expected useful life of the software (2.5 years).

g. Receivables from financial institutions

Term deposits, Bank Bills and Negotiable Certificates of Deposit (NCDs) are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the balance sheet.

h. Equity investments and other 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, 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. Investments in shares where no market value is readily available are carried at cost less any provision for amortisation. All investments are in Australian currency.

i. Retail deposits

Basis for determination

Retail savings and term deposits are quoted at the aggregate amount of money owing to depositors.

Interest payable

Savings Savings account interest is calculated on the daily balance and credited monthly.

S14 and S29 Mortgage Breaker accounts Savings balance is offset against the loan account as described in Balance Offset Loans on page 33.

Fixed term deposits Interest on fixed term deposit accounts is calculated on a daily basis at the agreed rate and is paid in accordance with the terms of the deposit. Interest payable is included in the amount of retail deposits in the balance sheet.

j. Wholesale deposits

Basis for determination

Term depsoits are quoted at the aggregate amount of money owing to depositors.

Interest payable

Interest on fixed term deposit accounts is calculated on a daily basis at the agreed rate and is paid in accordance with the terms of the deposit. Interest payable is included in the amount of wholesale deposits in the balance sheet.

k. Financial institution deposits

Basis for determination

Term deposits are quoted at the aggregate amount of money owing to depositors.

Interest payable

Interest on fixed term deposit accounts is calculated on a daily basis at the agreed rate and is paid in accordance with the terms of the deposit. Interest payable is included in the amount of financial institution deposits in the balance sheet.

l. Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings 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 borrowings using the effective interest method.

m. Provision for employee benefits

Provision is made for the company's liability for employee entitlements arising from service rendered by employees to balance date. Employee entitlements expected to be settled within one year, liability for termination of employment contracts and entitlements arising from wages, salaries and annual leave including annual leave loading have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- Other types of employee entitlements are charged against profits on a net basis in their respective categories.

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 the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability. Increases in the provision in future years shall be recognised as part of the interest expense.

o. 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.

p. Goods and services tax (GST)

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 similarly the GST paid 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 (RITC), 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, unless specifically stated otherwise.

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from and payable to the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

q. 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 value of money and the risks specific to the asset. 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.

r. Accounting estimates and judgements

Management have made judgements when applying the credit union's accounting policies with respect to the classification of assets as available for sale.

The detail of the critical accounting estimates and assumptions are set out in Note 8 for the impairment provisions for loans.

2. Income statement

a. Analysis of interest revenue

	2008 $'000	2007 $'000
Interest revenue on assets carried at amortised cost		
Cash - deposits at call	372	333
Receivables from financial institutions	22,113	17,279
Loans and advances to members	148,348	118,735
Other	0	10
Total interest revenue	170,833	136,357

b. Non-interest revenue comprises

	2008 $'000	2007 $'000
Fee and commission revenue		
Loan fee income - other than loan origination fees	1,246	1,030
Other fee income	7,128	5,508
Insurance commissions	2,431	2,802
Other commissions	4,324	4,784
Total fee and commission revenue	15,129	14,124
Other income		
Dividends received on available for sale assets	543	547
Bad debts recovered	404	604
Gain on disposal of assets:		
- Property, plant and equipment	232	207
Transfers from provisions:		
- Impairment losses on loans and advances	0	1,232
- Sick leave	0	31
- Director development	18	0
Miscellaneous revenue	332	282
Total non interest revenue	16,658	17,027

c. Interest expenses

	2008 $'000	2007 $'000
Interest expense on liabilities carried at amortised cost		
Overdraft	335	199
Short term borrowing	877	560
Financial institution deposits	5,843	1,843
Wholesale deposits	1,807	7
Retail deposits	91,573	65,256
Other	1	0
Total interest expenses	100,436	67,865

d. Impairment losses on available for sale assets

	2008 $'000	2007 $'000
Loans and advances		
Increase in provision for impairment	74	0
Bad debts written off directly against profit	1,918	1,798
Total impairment losses	1,992	1,798

e. Individually significant items of expenditure (detail)

There are no items of revenue and expense considered to be significant to the understanding of the credit union's financial performance.

f. Prescribed expense disclosures

	2008 $'000	2007 $'000
Employees costs include		
Personnel costs	23,169	19,644
Superannuation contributions	1,917	1,611
Net movement in provisions for employee annual leave	352	151
Net movement in provisions for employee long service leave	923	314
Net movement in provisions for employee sick leave	49	0
Sub total	26,410	21,720
Depreciation expense comprises		
Buildings	534	531
Plant and equipment	2,542	1,960
Leasehold improvements (incl. Lease make good prov.)	52	27
Written down value of assets disposed	261	239
Sub total	3,389	2,757
Auditor's remuneration (excluding GST)		
Audit fees	125	109
Other services: -taxation	10	4
-compliance	2	0
-other	0	35
Sub total	137	148
Other operating expenses include		
Transaction expenses	12,726	12,722
Information technology	2,967	2,442
Office occupancy	1,490	1,271
Net movement in provisions for director development	0	28
Net movement in provisions for environment fund	10	0
Other administration	9,512	8,565
Sub total	26,705	25,028
Total non interest expense	56,641	49,653

3. Income tax expense

a. The income tax expense comprises amounts set aside as

	2008 $'000	2007 $'000
Provision for income tax-current year	8,618	9,777
Under (over) provision in prior years	-16	8
Increase (decrease) in the deferred tax liability	55	0
Decrease (increase) in the deferred tax asset	-249	334
Income tax expense attributable to profit	8,408	10,119

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows

Profit	28,655	34,301
Prima facie tax payable on profit before income tax at 30%	8,597	10,290
Add: -tax effect of expenses not deductible		
Other non-deductible expenses	59	60
Subtotal	8,656	10,350
Add: - Adjustment to recognise Deferred Tax Assets at 30%	251	-340
- Adjustment to opening Deferred Tax Assets	0	0
Less: - Adjustment to recognise Deferred Tax Liability at 30%	-56	0
- Adjustment to opening Deferred Tax Liability	0	0
- Overprovision of tax in prior year	0	0
- Franking rebate	-233	-233
Current Income tax provision attributable to profit	8,618	9,777

c. Franking credits

Franking credits held by the credit union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	79,341	67,405

4. Cash

	2008 $'000	2007 $'000
Cash on hand and deposits at call	4,925	4,483

5. Receivables from financial institutions

	2008 $'000	2007 $'000
Deposits with industry bodies - Cuscal *(refer Note 29)*	279,939	234,000
Deposits with banks	53,100	36,000
Receivables from financial institutions	333,039	270,000

6. Receivables

	2008 $'000	2007 $'000
Interest receivable on deposits with other financial institutions	2,446	1,294
Sundry debtors and settlement accounts	7,970	7,281
Total receivables	10,416	8,575

7. Loans and advances

a. Amount due comprises

	2008 $'000	2007 $'000
Overdrafts and credit cards	85,342	79,563
Term loans	1,943,725	1,541,560
Overdrawn savings	456	387
Sub total	2,029,523	1,621,510
Add: - Amortised loan origination fees	420	237
Subtotal	2,029,943	1,621,747
Less: - Provision for impaired loans (Note 8)	-3,162	-3,087
Total loans and advances to members	2,026,781	1,618,660

b. Credit quality - security held against loans

Secured by mortgage over business assets	0	0
Secured by mortgage over real estate	1,664,059	1,261,425
Partly secured by goods mortgage	36,823	33,464
Wholly unsecured	328,641	326,621
Total	2,029,523	1,621,510

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition.
A breakdown of the quality 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%	1,217,909	971,139
- Loan to valuation ratio of more than 80% but mortgage insured	168,268	65,906
- Loan to valuation ratio of more than 80% and not mortgage insured	277,882	224,380
Total	1,664,059	1,261,425

c. Concentration of loans

The values discussed below include on balance sheet values and off balance sheet undrawn facilities as described in Note 26.

i) There are no members who individually or collectively have loans, which represent 10% or more of members' equity.

ii) Details of classes of loans, which represent in aggregate, 10% or more of members' equity, are set out below.
This information was derived from the credit union's records of direct entry receipts.

	2008 $'000	2007 $'000
Balance of loans held by memberships who are receiving payments from		
NSW Department of Education and Training	1,098,335	928,894
State Super Financial Services	49,242	41,115
ACT Department of Treasury	25,101	15,192
Catholic Education Office	23,426	14,312
NSW Teachers Credit Union staff	22,104	17,439
Total	1,218,208	1,016,952

	2008 Number	2007 Number
Number of memberships with loans who are receiving payments from		
NSW Department of Education and Training	18,532	18,338
State Super Financial Services	1,623	1,474
ACT Department of Treasury	473	418
Catholic Education Office	300	246
NSW Teachers Credit Union staff	215	194
Total	21,143	20,670

For the purposes of this note, membership includes both shareholding and non-shareholding.

iii) Geographical concentrations - includes loan balances and loan financial commitments in Note 26a, b and c.

	2008 $'000				2007 $'000			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
NSW	1,488,742	808,868	42	2,297,652	1,120,096	775,068	39	1,895,203
Victoria	11,441	7,868	0	19,309	8,095	6,744	0	14,839
Queensland	32,348	18,527	0	50,875	26,184	14,234	0	40,418
South Australia	2,918	1,863	0	4,781	1,876	1,264	0	3,140
Western Australia	1,382	2,787	0	4,169	1,638	2,388	0	4,026
Tasmania	3,431	1,003	0	4,434	2,457	1,112	0	3,569
Northern Territory	6,252	3,540	0	9,792	4,628	3,077	0	7,705
ACT	44,853	21,053	0	65,906	25,594	17,805	0	43,399
Other	2,476	5,494	3	7,973	2,150	4,745	2	6,897
Total	1,593,843	871,003	45	2,464,891	1,192,718	826,437	41	2,019,196

Loans to natural persons	2008 $'000	2007 $'000
Home loans and facilities	1,593,843	1,192,718
Personal loans and facilities	871,003	826,437
Business loans and facilities	45	41
Total	2,464,891	2,019,196

8. Provision on impaired loans

a. Total provision comprises

	2008 $'000	2007 $'000
Collective provision	2,974	3,087
Individual specific provision	188	0
Total provision	3,162	3,087

b. Movement in the provision for impairment

	2008 $'000	2007 $'000
Balance at the beginning of year	3,087	4,319
Add (deduct) -Transfers from (to) income statement	75	-1,232
- Bad debts written off provision	0	0
Balance at end of year	3,162	3,087

c. Impaired loans written off

	2008 $'000	2007 $'000
Amounts written off against the provision for impaired loans	0	0
Amounts written off directly to expense	1,948	1,798
Total bad debts	1,948	1,798
Bad debts recovered in the period	404	604

d. Analysis of loans that are impaired or potentially impaired by class

In the Note below - Carrying value is the amount of the balance sheet
- Impaired loans value is the 'on balance sheet' loan balances and includes non-accrual loans and restructured loans stated in Note 1b.
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans.

	2008 $'000			2007 $'000		
Loans to members	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
Housing	1,420,526	1,489	100	1,037,582	1,729	405
Personal	523,647	4,497	1,838	504,362	6,010	1,763
Credit cards	49,882	1,645	595	44,272	1,687	474
RediCredit	35,455	1,180	626	35,286	877	444
Total-natural persons	2,029,510	8,811	3,159	1,621,502	10,303	3,086
Corporate borrowers	13	5	3	8	2	1
Total	2,029,523	8,816	3,162	1,621,510	10,305	3,087

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.

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

	2008 $'000		2007 $'000	
	Carrying value	Provision	Carrying value	Provision
Less than 30 days	1,816	78	2,107	0
30 to less than 90 days in arrears	965	98	2,702	0
90 to less than 182 days in arrears	2,314	514	1,861	595
182 to less than 273 days in arrears	608	253	975	494
273 to less than 365 days in arrears	293	235	433	346
365 days and over in arrears	859	601	803	678
Overdrawn savings/overlimit facilities over 14 days	1,961	1,383	1,424	974
Total	8,816	3,162	10,305	3,087

The impaired loans are generally not secured against residential property. Some impaired loans are secured by mortgage 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.

f. Assets acquired via enforcement of security

	2008 $'000	2007 $'000
Real estate	0	0
Other	0	0
Total	0	0

There are no assets acquired by the credit union. The policy is to sell the assets via auction at the earliest opportunity after measures to assist the members to repay the debts have been exhausted.

g. Loans with repayments past due but not regarded as impaired

There are loans with a value of $4.9 million past due which not considered to be impaired as the value of related security over residential property is in excess of the loan due. 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.

Loans with repayments past due but not impaired are in arrears as follows:

	2008 $'000				2007 $'000			
	>1 to 2 months	>2 to 3 months	>3 to 6 months	Total	>1 to 2 months	>2 to 3 months	>3 to 6 months	Total
Housing	1,467	279	0	1,746	1,531	519	276	2,326
Personal	1,999	842	0	2,841	2,118	458	0	2,576
Credit Card	91	36	0	127	190	95	0	285
RediCredit	118	65	0	183	235	111	0	346
Total	3,675	1,222	0	4,897	4,074	1,183	276	5,533

h. Loans renegotiated

Some loans that were previously past due or impaired, have been renegotiated by the credit union and are no longer regarded as impaired. Details of these loans are:

	2008 $'000	2007 $'000
Value of renegotiated loans renegotiated during the year and not now regarded as impaired		
Book value of these loans which are well secured	1,284	715
Book value of these loans which are not well secured	609	439
Book value of the renegotiated loans at balance date	1,893	1,154

Well secured loans are secured by registered mortgage over real estate.

i. 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 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 as per APRA Guidance Note AGN 220.3 Prescribed Provisioning.

9. Available for sale investments

	2008 $'000	2007 $'000
Shares in unlisted companies, at cost		
- Credit Union Services Corporation (Aust) Limited	4,295	4,295
- Q.T. Travel Pty. Ltd.	52	73
Total value of investments	4,347	4,368
Less: provisions for amortisation - Q.T. Travel Pty. Ltd.	-51	-72
Total available for sale investments	4,296	4,296

Disclosures on shares held at cost

a. Cuscal Limited (Cuscal)

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. These shares are held to enable the credit union to receive essential banking services. The shares are not readily tradeable 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 type of entities able to own the shares, a market value is not able to be determined readily.

The credit union is not intending to dispose of these shares.

b. Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service

The shareholding in Diploma World Travel Service is measured at cost as its fair value could not be measured reliably. Diploma Travel is operated for credit union members and their families. The original purchase price has been amortised to $1,001 to recognise the shares are held not for their investment value but for the ongoing service to members. The shares are not able to be traded and are not redeemable.

10. Property, plant and equipment

		2008 $'000	2007 $'000
Fixed assets:	- Land, at cost	5,969	4,411
	- Buildings, at cost	21,498	21,707
Less:	- provision for depreciation	-9,706	-9,174
Sub total		11,792	12,533
Total land and buildings		17,761	16,944
Plant and equipment, at cost		17,167	15,156
Less:	- provision for depreciation	-12,129	-10,659
Sub total		5,038	4,497
Capitalised leasehold improvements, at cost		206	68
Less:	- provision for amortisation	-76	-27
Sub total		130	41
Total property, plant and equipment		22,929	21,482

Movement in the assets balances during the year

2008 $'000	Property	Plant & equipment	Leasehold improvement	Total
Opening balance	16,944	4,497	41	21,482
Purchases	1,351	2,533	141	4,025
Revaluation increase	0	0	0	0
Less: - Assets disposed	0	-247	0	-247
- Depreciation charge	-534	-1,745	-52	-2,331
- Revaluation decrease	0	0	0	0
- Impairment loss	0	0	0	0
Closing balance	17,761	5,038	130	22,929
2007 $'000				
Opening balance	16,996	3,063	67	20,126
Purchases	479	3,115	1	3,595
Revaluation increase	0	0	0	0
Less: - Assets disposed	0	-256	0	-256
- Depreciation charge	-531	-1,425	-27	-1,983
- Revaluation decrease	0	0	0	0
- Impairment loss	0	0	0	0
Closing balance	16,944	4,497	41	21,482

11. Taxation assets

Deferred tax assets comprise	2008 $'000	2007 $'000
Accrued expenses not deductible until incurred	102	106
Provisions for impairment on loans	1,033	979
Provisions for employee benefits	2,603	2,265
Provisions for other liabilities	39	51
Depreciation on fixed assets	146	141
Amortisation of intangible assets	0	132
Deferred tax assets	3,923	3,674
GST debtor	172	106
Total taxation assets	4,095	3,780

12. Intangible assets

	2008 $'000	2007 $'000
Computer software, at cost	2,569	1,887
Less: -provision for amortisation	-1,333	-618
Total intangible assets	1,236	1,269
Movement in the assets balances during the year were		
Opening balance	1,269	876
Purchases	682	875
Less: -amortisation charge	-715	-482
Balance at the end of the year	1,236	1,269

13. Borrowings

	2008 $'000	2007 $'000
Loan	38,000	0
Overdraft	5,664	2,026
Total borrowings	43,664	2,026

There were no defaults on interest and capital payments on these liabilities in the current or prior year.

14. Retail deposits

a. Retail deposits

	2008 $'000	2007 $'000
At call	899,769	748,333
Term	1,078,030	911,675
Member withdrawable shares	1,553	1,470
Total retail deposits	1,979,352	1,661,478

b. Concentration of liabilities

i) There are no depositors who, individually or collectively, have deposits which represent 10% or more of total liabilities.

ii) Details of classes of deposits, which represent in aggregate, 10% or more of total liabilities are set out below. This information was derived from the credit union's records of direct entry receipts.

Balance of accounts held by depositors who are receiving payments from	2008 $'000	2008 $'000
NSW Department of Education and Training	543,255	486,712
State Super Financial Services	327,413	256,067
Total	870,668	742,779

Number of depositors who are receiving payments from	2008 Number	2007 Number
NSW Department of Education and Training	44,996	45,166
State Super Financial Services	7,463	6,871
Total	52,459	52,037

iii) Geographical concentrations:

	2008 $'000	2008 $'000
NSW	1,859,289	1,572,294
Victoria	19,938	12,921
Queensland	35,098	25,566
South Australia	2,677	2,097
Western Australia	3,644	2,501
Tasmania	5,136	4,603
Northern Territory	3,266	2,970
ACT	28,040	20,978
Other	20,711	16,078
Total	1,977,799	1,660,008

15. Creditors, accruals and settlement accounts

	2008 $'000	2007 $'000
Creditors and accruals	5,012	6,720
Interest payable on borrowings	40	0
Interest payable on deposits	506	406
Settlement accounts	2,364	6,179
Total creditor accruals and settlement accounts	7,922	13,305

16. Taxation liabilities

	2008 $'000	2007 $'000
Current income tax liability	174	3,507
Accrual for GST payable	0	0
Accrual for other tax liabilities	221	141
Total taxation liabilities	395	3,648
Current income tax liability comprises:		
- Balance, previous year	3,507	1,465
Less: paid	-3,492	-1,473
Over (under) statement in prior year	15	-8
Liability for income tax in current year	8,618	9,777
Less: instalments paid in current year	-8,444	-6,270
Current income tax liability	174	3,507

17. Provisions

	2008 $'000	2007 $'000
Annual leave	2,429	2,076
Long service leave	6,156	5,233
Sick leave	98	50
Lease make good of premises	33	9
Provisions - other	85	93
Total provisions	8,801	7,461

Movement in other provisions during the year were	2008 $'000		2007 $'000	
	Environment fund	Director development	Environment fund	Director development
Opening balance	0	93	0	65
Less paid	0	-36	0	-29
Liability increase	10	18	0	57
Closing balance	10	75	0	93

18. Deferred tax liabilities

	2008 $'000	2007 $'000
Deferred tax liabilities	126	71
Effective interest rate component		
Deferred fees on loan origination	345	481
Less: Deferred transaction costs on loan origination	-219	-410
Net effective interest rate component	126	71

19. Capital reserve account

	2008 $'000	2007 $'000
Opening balance	130	112
Transfer from retained earnings on share redemptions	18	18
Total capital reserve account	148	130

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 has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

20. General reserve for credit losses

	2008 $'000	2007 $'000
General reserve for credit losses	13,491	10,924
Other reserve for credit losses	0	0
Total reserves for credit losses	13,491	10,924

General reserve for credit losses

This reserve is maintained to comply with the Prudential Standards set down by APRA.

Balance at beginning of year	10,924	9,425
Add: increase (decrease) transferred from retained earnings	2,567	1,499
Balance at end of year	13,491	10,924

21. Financial risk management objectives and policies

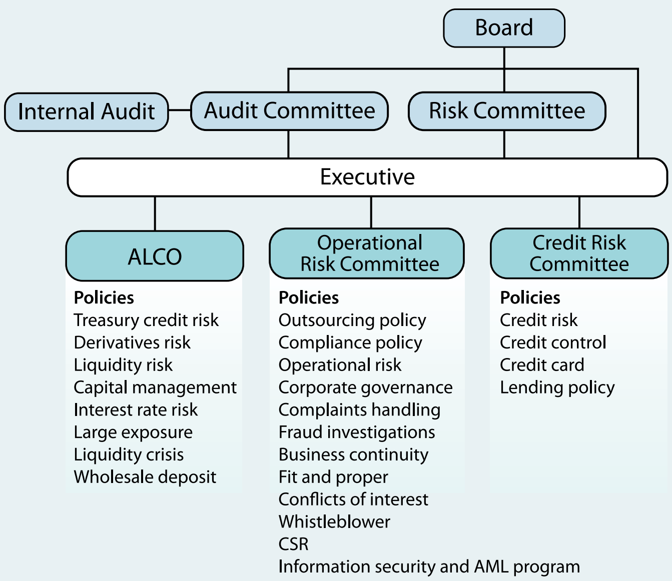
The board has endorsed a policy of compliance and risk management to suit the risk profile of the credit union.

Objectives of our risk management framework

The objectives of the risk management framework at Teachers Credit Union are:

- To develop and maintain a strong system of corporate governance and internal controls as the basis for a robust and secure business and operating environment
- To minimise losses suffered by Teachers Credit Union
- To ensure that all internal policies, procedures, standards and controls are complied with
- To provide a greater level of transparency to the Board of Directors and management
- To ensure Teachers Credit Union follows best practice in risk management
- To increase member confidence in the integrity of Teachers Credit Union
- To meet prudential requirements
- To ensure Teachers Credit Union has adequate capital to provide a buffer against its key risks (credit, operational and financial).

Operational risk management structure



The Board The prime responsibility for the risk management framework rests with the Board of Directors. Operational responsibility is delegated to the relevant board sub-committee and management. The board is responsible for approving the risk management framework and risk policies, and setting the risk appetite. The board will receive relevant, timely and accurate reporting to ensure that the risk management framework is being adhered to.

Board Audit Committee The committee is responsible for the oversight of APRA statutory reporting requirements, as well as other reporting requirements, the compliance program, professional accounting requirements, internal and external audit, and recommending to the board the appointment of the external auditor. The Audit Committee plays a key role in establishing, maintaining and developing the control systems and compliance culture, and maintaining a risk-based methodology for the Internal Audit function for the organisation as a credit union, public company and ADI.

The committee will assist the board in providing an objective non-executive review of the effectiveness of our financial reporting and prudential controls.

Board Risk Committee The Risk Committee is responsible for the oversight of identifying, managing and monitoring risks faced by the credit union and for ensuring that the credit union maintains a culture of risk awareness, identification and management which is embedded at every level of the organisation. It is also responsible for oversight of the compliance program.

The Risk Committee will have at least three members drawn from the directors of the credit union. All members of the committee must be non-executive directors of the credit union and a majority of the members will be independent.

Internal audit The internal audit function evaluates the adequacy, independence and effectiveness of the risk management framework of the credit union.

Executive management team At least one executive manager will sit on each of the management risk committees being Credit Risk Committee, Assets and Liabilities Committee & Operational Risk Committee. The executive team will overview various reports from each of the risk committees and will provide support in implementing recommendations across Teachers Credit Union.

Assets and Liabilities Committee (ALCO) Teachers Credit Union has a management committee to oversee the financial operations of the organisation. The committee recommends policy, sets strategy and monitors compliance regarding:

- Interest rate risk
- Liquidity management and funding
- Investment management
- Profitability and capital management
- Growth.

Management Operational Risk Committee This committee is responsible for reviewing risk and control self-assessment, key risk indicators, loss incident reports in accordance with the Operational Risk Committee Charter.

Management Credit Risk Committee This committee is responsible for reviewing, monitoring and managing risks associated with the credit unions lending functions.

Risk and Compliance Manager The Risk and Compliance Manager is responsible for the overall development and implementation of the operational risk management framework and policies at Teachers Credit Union and providing assistance to board, management and staff in all aspects of risk management. They develop and administer an annual compliance plan consistent with AS3806.

Fraud Control Manager The Fraud Control Manager is responsible for the appropriate management of fraud investigations and prevention through awareness, education, controls and monitoring to reduce the external and internal fraud risk in the organisation by developing, implementing and when necessary activating appropriate Incident Management and Response Plans.

Project Management Office The Project Management Office applies a formalised project framework that recognises the size and complexity of the organisation and projects themselves. This framework is built upon foundations of strategy, structure, methodology and governance.

The strategy seeks to evaluate and assess all projects identified as strategic in nature at the executive level. These projects are assessed according to how well they align to the strategic goals of the credit union.

The project framework is supported by a formal project management office or PMO. The PMO leads all compliance and strategic projects after a project charter has been submitted for approval to the governance body. All projects identified as tactical in nature are managed outside the PMO by project co-ordinators who receive specialised training in project management. The PMO also provides consultation services for these projects where a need is identified.

The methodology used at Teachers Credit Union incorporates and builds upon the project management body of knowledge or PMBOK. PRINCE2 and Six Sigma are also employed depending on the nature and requirements of a project.

A governance body made up from the executive management team formally approves, defers or rejects all projects identified as compliance, strategic or tactical in nature.

Information Technology Advisory Committee Teachers Credit Union is highly dependant upon information technology (IT) in achieving our organisational objectives. Given that IT is such an important strategic tool we have establish an Information Technology Advisory Committee (ITAC) to ensure that we minimise the risks associated with our investment in information technology and that it contributes to the achievement of our organisational goals.

Business Continuity Management In accordance with APRA Prudential Standard APS 232 and good management principles, the credit union has developed a Business Continuity Management plan. Business Continuity Management is defined as a whole of business approach to minimising the downtime and impact on critical business functions of a business interruption event. The objective of Business Continuity Management is to minimise the financial, legal, reputational and other material consequences of a disruption.

The credit union meets the APRA Prudential Standard 232 which requires the credit union to:

- Conduct a risk assessment to identify plausible disruption scenarios
- Conduct a Business Impact Analysis (BIA) to determine financial, legal, reputational and other consequences of a disruption and identify critical business functions, resources and infrastructure
- Consider appropriate recovery strategies based on results of the Business Impact Analysis
- Maintain a written Business Continuity Plan approved by the Board or delegated representatives
- Identify Business Continuity and/or Crisis Management Teams.

Business Continuity Management will be part of the planning phase for new business acquisitions, joint ventures, material outsourcing arrangements and major projects involving the introduction of new business processes and systems.

Occupational, Health and Safety (OH&S) The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless our two most valuable assets are our staff and members. Steps need to be taken to maintain the security and safety when circumstances warrant.

OH&S policies have been established for the protection of members and staff and are reviewed annually for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas
- Use of teller dispensing machines to avoid access to cash
- Cameras in all offices to allow detection of persons
- Security guards and electronically locked doors at all offices.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report annually on the areas of improvement, which may be considered.

We have established an OH&S committee which is represented by employees and management. This committee meets every two months to consider concerns for security or safety raised by employees or the public. All matters of concern are reported to the Chief Executive for actioning. Secure cash handling policies and procedures are in place and injury from lifting heavy weights and RSI are minimised through ongoing education and early instigation of effective rehabilitation plans.

All staff have access to trauma counsellors where required, following an incident which may impair their feeling of safety in the workplace.

Management Management are responsible for implementing the operational risk management framework as determined by the Board of Directors and meeting any KPI's set by the Chief Executive with regards to operational risk.

Staff Every staff member of Teachers Credit Union is responsible for risk management.

Market risk and hedging policy

The credit union is not exposed to currency risk and other price risk. The credit union does not trade in the financial instruments it holds on its books. The credit union is exposed to interest rate risk in the banking book arising from changes in market interest rates.

The policy of the credit union is to maintain a balanced "on book" hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. However, acknowledging that member demand and competition in the different products may not always allow the credit union to achieve a balanced "on book" position, the credit union has a hedging policy in place to ensure appropriate use of derivatives such as interest rate swaps.

The credit union uses a number of techniques to measure and monitor the interest rate risk, these include:

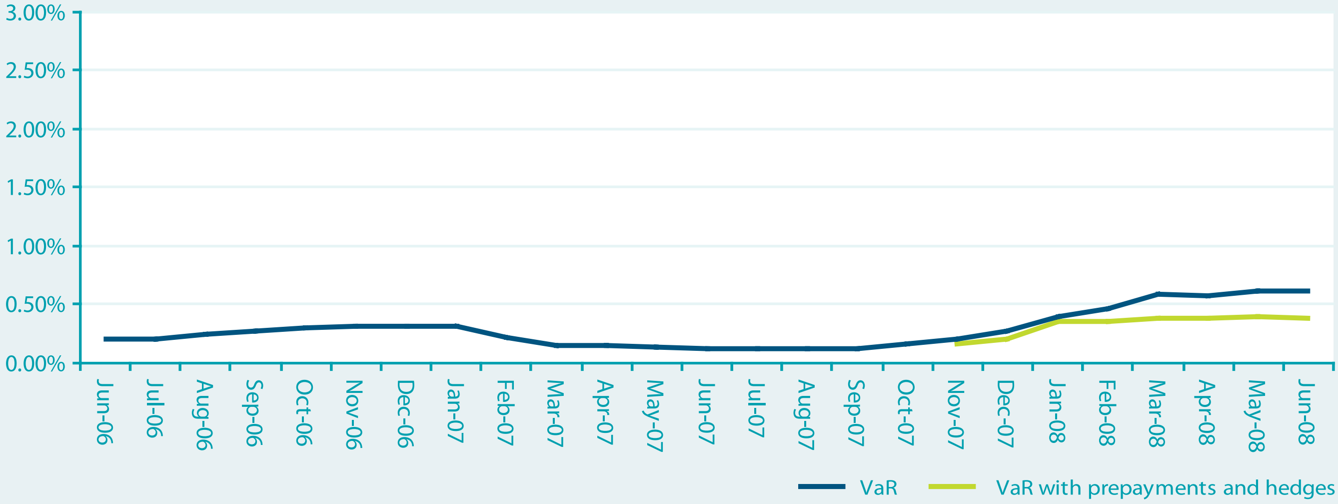
- Short, medium and long term forecasts that are regularly updated
- Monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes
- Monthly Gap analysis
- Monthly Sensitivity analysis (Present Value of a Basis Point or Sensitivity is a measure of the change in the current value of the cash positions on the yield curve by shifting the yield across the curve down 1 basis point)
- Monthly 200 Basis Point Sensitivity as a percentage of Capital
- Monthly Value at Risk analysis (VaR is a statistical measure of the maximum loss expected to be incurred due to a change in market conditions, arising from the currently held positions, given a certain confidence level [99%], observation period [250 working days] and holding period [20 working days] expressed in dollars and as a percentage of capital
- Monthly Value at Risk analysis based on a confidence level [99%], observation period [1500 working days] and holding period [250 working days] expressed in dollars and as a percentage of capital
- Quarterly Accrued Income Simulations including projections based on flat rates, yield curve, and upward and downward shock rates
- Annual benchmarking against industry.

The credit union groups cash flows into buckets based on the likely repricing periods given consideration for both operational and competitive restraints which may differ from the contractual dates as this better reflects the risk in the portfolio. The credit union has set a limit for our Value at Risk as a percentage of Capital. This limit is set with reference to industry benchmarks. The credit union has kept well within those limits throughout the entire year.

The above reports are sourced internally and by contracted consultants and are subject to scrutiny by our Internal Audit Department, who also have used independent consultants to review the accuracy and adequacy of the reporting and controls.

The level of mismatch on the banking book is set out in Note 24. The table set out at Note 24 displays the period that each asset and liability will reprice as at the balance date.

Value at Risk (VaR) as a % of capital
99% confidence interval, 20-day holding period, 250-day observation period



The credit union's exposure to the banking book interest rate risk is not expected to change materially in the next year so existing capital requirements are considered to be an accurate measure of capital needed to mitigate interest rate risk.

Liquidity risk

Liquidity risk is the risk that a Financial Institution 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 treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands and other creditor commitments 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
- Monitoring the prudential liquidity ratio daily.

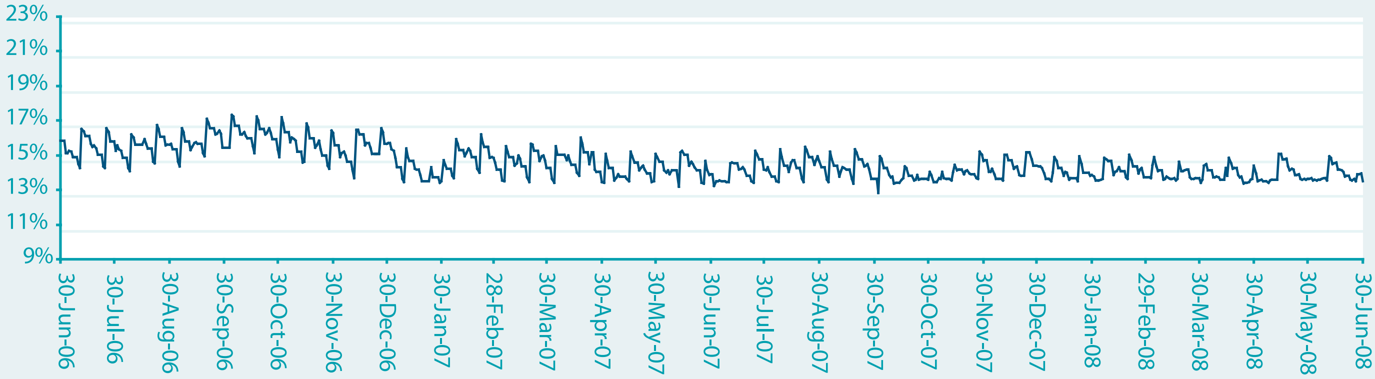
The credit union has set out in Note 23 the maturity profile of the financial liabilities, based on the contractual repayment terms.

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 13% 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 (either from ADIs, retail and wholesale depositors), or borrowing facilities available. Note 26 describes the borrowing facilities as at the balance date. The credit union also participates in a loan securitisation scheme. The credit union has a longstanding arrangement under an approved industry support contract with Credit Union Financial Support Scheme Limited (CUFSS) which can access industry funds to provide support to the credit union should it be necessary at short notice.

"Total Adjusted Liabilities", for the purpose of this Liquidity measurement, is defined as total on-balance sheet liabilities (including equity) and irrevocable commitments, less the capital base defined in accordance with Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.

	2008	2007
Total adjusted liabilities	**2,484,793,428**	**1,996,608,604**
As at 30th June	13.60%	13.75%
Average for the year	14.05%	15.08%
Minimum during the year	12.84%	13.17%

Daily on-balance sheet liquidity



Credit risk

The credit risk of a financial institution is the risk that customer (members), financial institutions and other counterparties will be unable to meet their obligations to the institution which may result in financial losses. Credit risk arises principally from the credit union's loan book, investment assets and derivative contracts.

Credit risk - loans

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; overdraft facilities; credit cards limits). The details are shown in Note 26.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 7b describes the nature of the security held against the loans as at the balance date.

All loans and facilities are within Australia. The geographic distribution is detailed in Note 7c.

Concentrations are described in Note 7c. The credit union has a concentration in the retail lending for members who comprise employees and family in the education industry. This concentration is considered acceptable on the basis that the credit union was formed to service these members, the industry is an essential and stable industry 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.

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, and security requirements
- Limits of acceptable exposure over
  - the value to individual borrowers,
  - maximum loan to valuation ratios with/without lenders mortgage insurance dependant on the type and location of the security
- 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
- 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 loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily monitoring of the loan repayments to detect delays in repayments and recovery action is undertaken. For loans where repayments are doubtful, the exposures to losses arise predominantly in personal loans and revolving credit where facilities are 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.

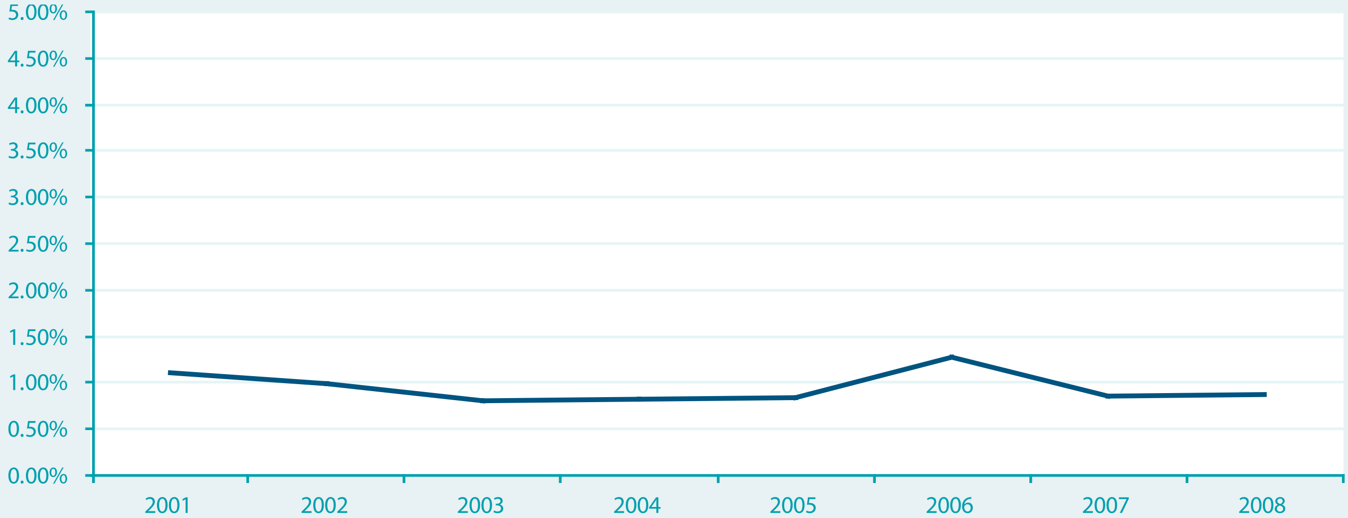
Balance sheet provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the credit union's loan portfolio from homogenous portfolios of assets and individually identified loans.

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 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 8.

Provision/unsecured debt



Bad debts

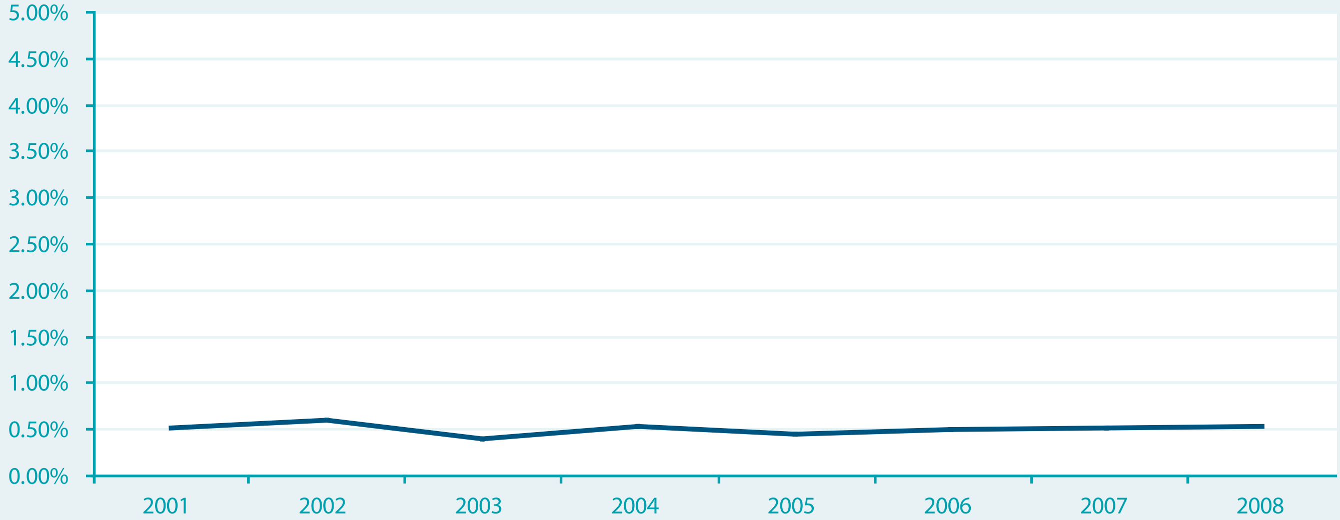
Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place after considering ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

As the credit union has experienced little loss from mortgage secured debt, we monitor losses as a portion of unsecured debt. The loss ratio remains relatively low.

Bad debts written off/unsecured debt

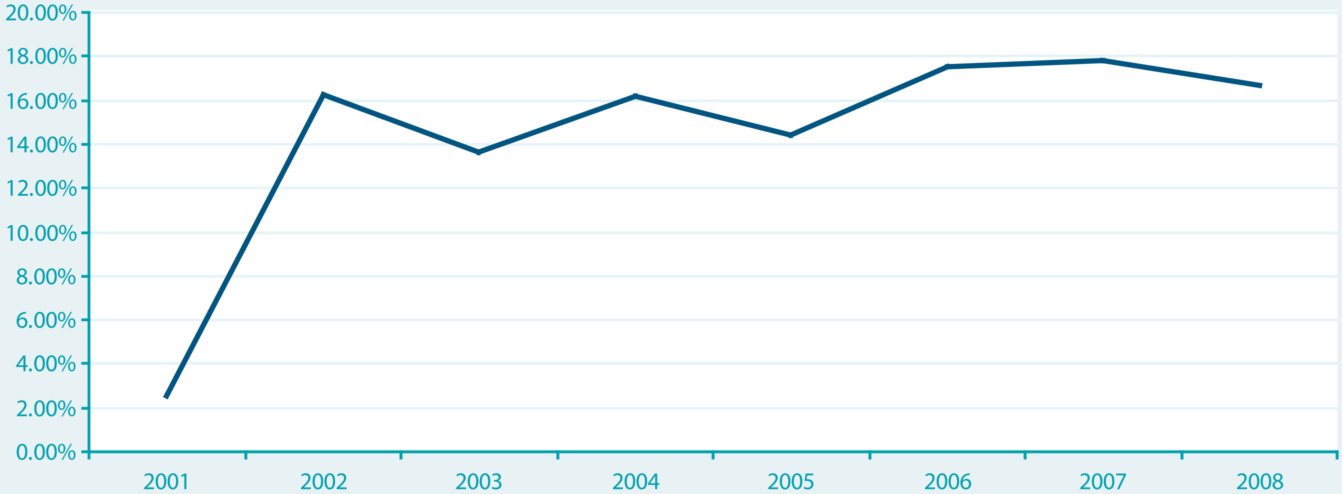


Collateral securing loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 7b describes the nature and extent of the security held against the loans held as at the balance date.

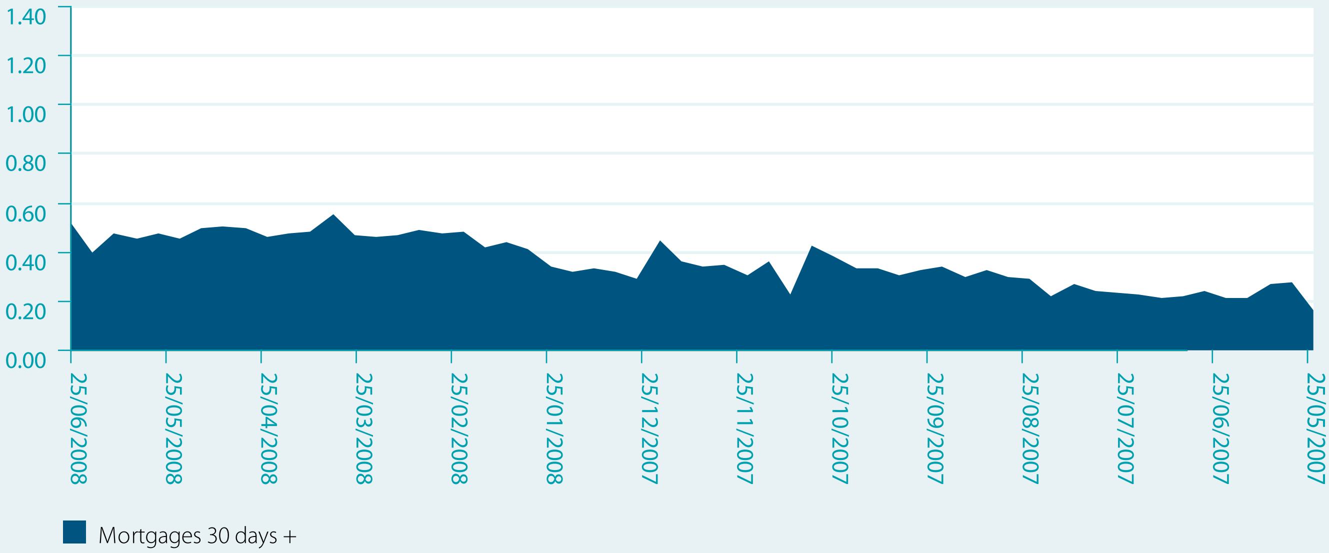
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, we are exposed to risks in the reduction the Loan to Value (LVR) cover should the property market be subject to a decline. The Board monitors the portion of loans that are secured by residential mortgages which carry a loan to valuation ratio of more than 80% without Lenders Mortgage Insurance.

Loan to Valuation Ratio of more than 80% without Lenders Mortgage Insurance as a percentage of Mortgage Loans



Performance of the Mortgage Secured portfolio is managed by monitoring the proportion of loan balances in arrears. These ratios remain low compared to published industry benchmarks.

Percentage of mortgage portfolio in arrears



Credit risk - liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the counterparty and the limits to concentration on one entity.

The board policy is to maintain at least 60% of the investments in CUSCAL Limited (CUSCAL), a company set up to support the member credit unions and which has an AA-/stable/A -1+ rating. All investment must be with financial institutions with a rating in excess of BBB. The policies of the board limit the investments outside CUSCAL by limiting maximum exposures as a percentage of capital to individual counterparties depending on their ratings by the major credit rating agencies and by limiting exposure to groups of counterparties within a rating band.

The exposure values associated with each credit quality step are as follows:

2008

Investments with:	No of Institutions	Carrying value	Past due value	Provision
CUSCAL-rated A-1+	1	279,939,157	0	0
Banks-rated A-1+ or A-1	2	35,100,000	0	0
Banks-rated A-2	2	22,000,000	0	0
Total		337,039,157	0	0

2007

Investments with:	No of Institutions	Carrying value	Past due value	Provision
CUSCAL-rated A-1+	1	234,000,000	0	0
Banks-rated A-1+ or A-1	2	29,500,000	0	0
Banks-rated A-2	1	5,000,000	0	0
Banks-rated A-3	1	5,000,000	0	0
Total		273,500,000	0	0

Credit risk - equity investments

All investments in the equity instruments are solely for the benefit of service to the credit union. The credit union invests in entities set up for the provision of services such as treasury, transactions processing and settlement, and travel services etc where specialisation demands quality staff and systems which is best secured by one entity. Further details of the investments are set out in Note 9.

Operational risk

Operational risk is the risk of loss to the financial institution 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 risks 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 polices 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 behavior
- 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 loss of functionality of systems or premises or staff.

Operations risk management The credit union has implemented a risk assessment and monitoring system where the Board and senior management identify key risks in a "top down" approach and business units identify risks in a "bottom up" approach. These risks are then ranked by loss effect and likelihood after considering risk mitigators such as controls and insurances. Action plans for control improvements are developed for processes with unacceptable risk levels. Key risk indicators are assigned and monitored. A loss register has also been established to compare experience with the original assessments. Projects are also subject to risk analysis.

Compliance The credit union has implemented a compliance program, requiring regular review of policy, procedures and reporting to ensure compliance with legal requirements, code of ethics and prudential standards.

Fraud Fraud in Financial Institutions can arise from customer (member) card PINS, and phone and internet passwords being compromised where not protected adequately by the customer (member). It can also arise from other systems failures. In common with all retail Financial Institutions, fraud is potentially a real cost to the credit union. Fraud losses can arisen from card skimming, internet password theft, and false loan applications.

The credit union has systems in place which are considered to be robust enough to prevent any material fraud. The credit union is committed to the control of fraud and has implemented 7 day a week transaction monitoring, and strengthened internet banking security by the implementation of CAPTCHA, token and SMS multifactor authentication. The credit union is also the first Credit Union to trial EMV chip technology to reduce credit card fraud. The fraud initiatives also include fraud response plans and continual staff and Member awareness education.

IT systems The worst case scenario would be the failure of a Financial Institutions core banking and IT network system to meet customer obligations and service requirements for an extended period.

The credit union has a business continuity plan to manage software, hardware, network, power and telecommunications systems failures. The plans extend to loss of premises and staff with the objective of recovering systems within predetermined acceptable timeframes. The plans are regularly reviewed and rigorously tested. Stand in arrangements are in place for transaction processing such as ATM, EFTPOS and Visa.

A further risk is a breach of security of a Financial Institutions IT system.

Protecting Teachers Credit Union's computer systems is critical. We have implemented leading firewall technology to protect all our computer systems and Members' information against intrusion from the internet. A firewall controls what information passes between our systems and the internet.

These systems are monitored for suspicious activity by a major security consultancy group. The group we use has considerable experience implementing and designing secure systems for many organisations, including financial institutions and defence organisations. We also subscribe to services that advise on new "threats" and provide patches and upgrades to keep the systems as secure and current as is possible. We employ a technology called Secure Sockets Layer (SSL) to establish a secure connection between members' browsers and our internet banking system. We conduct regular penetration testing. We continue to review our security policies and practices to ensure that systems security management remains aligned with world's best practice.

Capital management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). During the 2008 financial year, APRA updated the prudential standards to align with the new international Basel II standards. The framework is based on three mutually reinforcing pillars:

Pillar 1 New and considerably more sophisticated minimum capital requirements, including specific capital charges for operational risk

Pillar 2 Institutions' own assessments of their capital adequacy and enhanced supervision of capital management

Pillar 3 Materially increased disclosure requirements

Pillar 1

Under the new APRA prudential standards an institutions capital requirements are determined for

- Credit risk
- Market risk
- Operations risk.

Credit risk

The credit union has adopted APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The risk weights attached to each asset are based on the weights prescribed by APRA in that standard. The general rules apply the risk weights according to the level of underlying security.

		Carrying value	Risk weighted value
Cash	0%	925,415	0
Deposits in highly rated ADIs	20%	322,039,157	64,407,831
Deposits in less highly rated ADIs	50-150%	15,000,000	7,500,000
Standard Loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	35%	1,274,427,886	446,049,760
Standard Loans secured against eligible residential mortgages over 80% LVR	50-75%	369,812,438	188,614,342
Other standard mortgage loans	100%	17,088,978	17,088,978
Non standard mortgage loans	50-75%	2,165,376	1,381,211
Other loans	100%	362,866,497	362,866,497
Other assets	100%	34,785,770	34,785,770
Total		2,399,111,517	1,122,694,389

Off balance sheet exposures	Off balance sheet exposure	Credit conversion factor	On balance sheet equivalent	Risk weighting	Risk weighted value
Loans approved and not advanced	75,714,346	100%	75,714,346	35% -100%	37,760,795
Redraws available	143,346,142	50%	71,673,071	35% -100%	30,806,148
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	216,308,406	0%	0		
Possible contribution to CUFSS	76,639,264	0%	0		
Total	512,008,258		147,387,517		68,567,043
Total weighted credit risk exposures					$1,191,261,432

The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel II Prudential framework enhancements. Comparative data has not been available on the revised methods – the risk weighted assets for 2007 and prior reflect the previous methodology.

Market risk

The market risk component is not required as the credit union is not engaged in a trading book for financial instruments and the risk on the banking book is within acceptable levels as not to require additional capital.

Operational risk

The credit union has adopted APS 114 capital adequacy: Standardised Approach to Operational Risk.

Operational risk capital requirement for retail banking

	31-Dec-05	30-Jun-06	31-Dec-06	30-Jun-07	31-Dec-07	30-Jun-08
Total gross outstanding loans and advances for retail banking	1,299,474,769	1,400,656,896	1,501,975,313	1,622,485,960	1,806,909,058	2,030,435,538
- multiplied by 3.5% scaling factor	45,481,617	49,022,991	52,569,136	56,787,009	63,241,817	71,065,244
- multiplied by 12% risk factor	5,457,794	5,882,759	6,308,296	6,814,441	7,589,018	8,527,829
Average of the 6 half year results = Total operational risk capital requirement for retail banking						6,763,356

Operational risk capital requirement for commercial banking

	31-Dec-05	30-Jun-06	31-Dec-06	30-Jun-07	31-Dec-07	30-Jun-08
Total gross outstanding loans and advances for commercial banking	303,347,765	276,512,626	295,145,988	273,508,037	324,702,391	337,051,878
- multiplied by 3.5% scaling factor	10,617,172	9,677,942	10,330,110	9,572,781	11,364,584	11,796,816
- multiplied by 15% risk factor	1,592,576	1,451,691	1,549,516	1,435,917	1,704,688	1,769,522
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						1,583,985

Operational risk capital requirement for all other activity

	31-Dec-05	30-Jun-06	31-Dec-06	30-Jun-07	31-Dec-07	30-Jun-08
Adjusted gross income	1,854,253	3,064,365	2,105,427	2,758,767	2,253,560	2,343,926
- multiplied by 18% risk factor	333,766	551,586	378,977	496,578	405,641	421,907
Average of the 3 annual results =Total operational risk capital requirement for all other activity						862,818

Total operational risk capital requirement	9,210,159
RWA equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	115,126,987
Total credit and operational risk weighted	**1,306,388,419**

Capital resources

Tier 1 capital The vast majority of Tier 1 capital comprises of retained profits.

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 of a reserve for credit losses.

Capital in the credit union is made up as follows:

	2008	2007
Tier 1 Retained earnings	202,783,654	185,337,129
- *Less* prescribed deductions	7,726,724	4,943,339
Net tier 1 capital	195,056,930	180,393,790
Tier 2 Reserve for credit losses	13,491,500	10,924,000
- *Less* prescribed deductions	2,147,634	
Net tier 2 capital	11,343,866	10,924,000
- *Less* prescribed deductions		4,295,268
Total capital	206,400,796	187,022,522

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

	2008	2007	2006	2005	2004
Basel I		14.82%	14.59%	14.96%	14.51%
Basel II	15.80%				

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

To manage the credit union's capital, the credit union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 13.1%. Further a 3 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level. A stress test based on various asset growth and profitability assumptions is also carried out annually.

Pillar 2 risk capital

Pillar 2 of the Prudential Framework relates to any risk factor to which as ADI might be exposed that is not included in Pillar 1. These can be broken into 3 broad categories

- Pillar 1 inherent risks not fully captured by the Pillar 1 process, e.g. Credit Concentration
- Inherent risks not covered by Pillar 1 such as:
  - interest rate risk on the banking book
  - liquidity risk
  - strategic risk
  - reputation risk
- Risks arising from external factors such as business cycles effects and the macroeconomic environment.

The credit union is expected to document, analyse and set its own internal capital requirements to meet Pillar 2 risks. It is considered that the standardised approach accurately reflects the credit union's operational risk other than for the specific items set out below.

Risks requiring uplift

The following risks were assessed as being of sufficient significance to require additional capital support over and above the Pillar 1 capital requirement (uplift):

- Counterparty default risk
- Business environment risk
- Economic environment risk
- Lack of diversification of funding sources
- Interest rate risk
- Technology risk.

An additional 4% capital was determined to be adequate to cover these risk. The methodologies used to assess the required capital are a combination of quantitative and qualitative assessment and by their nature are based on a degree of collective subjective judgement of senior management and the board.

Internal capital adequacy management

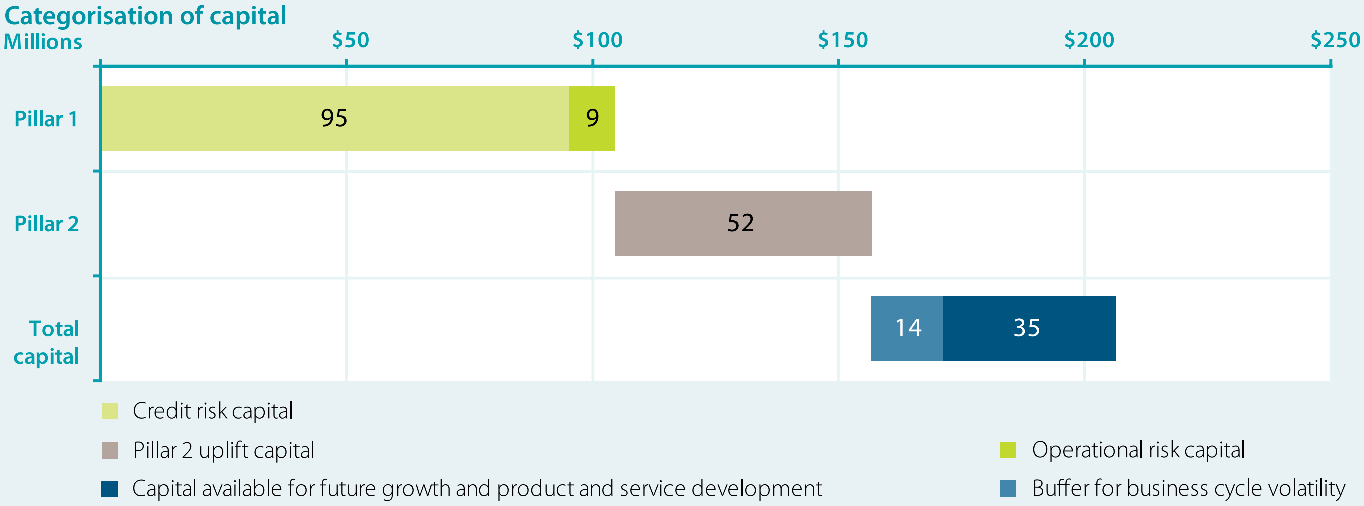
The credit union manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the board in its capacity as the primary governing body. The capital required for any change in the credit union's forecasts for asset growth, or unforeseen circumstances, are assessed by the board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the credit union is reassessed.

Contingency buffer

Based on historical fluctuations in capital the credit union will incorporate a contingency buffer of 1.1% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risks identified on previous page.

	RWA	Minimum capital required	% Equiv. of RWA
Operational risk	115,126,991	9,210,159	8%
Credit risk	1,191,261,432	95,300,915	8%
Total	1,306,388,423	104,511,074	8%
Pillar 2 uplift capital		52,255,537	4%
ICAAP capital required		156,766,611	12.00%
Buffer for business cycle volatility		14,370,273	1.1%
Capital available for future growth and product and service development		35,263,912	2.7%
Actual capital		206,400,796	15.80%

Categorisation of capital



22. Categories of financial instruments

The following information classifies the financial instruments into measurement classes

Financial assets-carried at amortised cost	Note	2008 $'000	2007 $'000
Cash	4	4,925	4,483
Receivables from financial institutions	5	333,039	270,000
Receivables	6	10,416	8,575
Prepayments		1,269	1,091
Loans and advances to members	7 & 8	2,026,781	1,618,660
Total carried at amortised cost		2,376,430	1,902,809
Available for sale investments-carried at cost	9	4,296	4,296
Total financial assets		2,380,726	1,907,105
Financial liabilities-carried at amortised cost			
Borrowings	13	43,664	2,026
Financial institution deposits		105,883	47,255
Wholesale deposits		46,568	2,131
Retail deposits	14	1,979,352	1,661,478
Creditor accruals and settlement accounts	15	7,922	13,305
Total carried at amortised cost		2,183,389	1,726,195
Total financial liabilities		2,183,389	1,726,195

23. Maturity profile of financial liabilities

Monetary liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. At call deposits are payable on demand and included in the earliest time band. Financial liabilities are at the undiscounted values (including future interest expected to be paid). Accordingly these values will not agree to the balance sheet.

2008 Liabilities $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total $'000	Balance sheet
Borrowings	43,664						43,664	43,664
Financial institutions deposits	22,501	66,380	18,454				107,335	105,883
Wholesale deposits	23,572	15,397	8,206				47,175	46,568
Retail deposits	1,077,655	344,204	527,414	59,573		1,734	2,010,580	1,979,352
Creditors	7,922						7,922	7,922
Total financial liabilities	1,175,314	425,981	554,074	59,573	0	1,734	2,216,676	2,183,389
2007 Liabilities $'000								
Borrowings	2,026						2,026	2,026
Financial institution deposits	7,079	39,704	1,035				47,818	47,255
Wholesale deposits		2,160					2,160	2,131
Retail deposits	916,291	277,701	447,859	36,868		1,641	1,680,360	1,661,478
Creditors	13,305						13,305	13,305
Total financial liabilities	938,701	319,565	448,894	36,868	0	1,641	1,745,669	1,726,195

24. Interest rate change profile of financial assets and liabilities

Financial 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 table below 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.

2008 Assets	Weighted average interest	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	5+ years $'000	Non interest bearing $'000	Total $'000
Cash	4.86%	4,000					925	4,925
Receivables from financial institutions	7.15%	171,920	161,119					333,039
Receivables	N/A						10,416	10,416
Prepayments	N/A						1,269	1,269
Loans and advances	8.21%	1,369,576	36,559	189,326	430,756		564	2,026,781
Investments	N/A						4,296	4,296
On balance sheet		1,545,496	197,678	189,326	430,756	0	17,470	2,380,726
Undrawn loan commitments *Note 26a, b, c*		435						435
Total financial assets		1,545,931	197,678	189,326	430,756	0	17,470	2,381,161
2008 Liabilities								
Borrowings	9.27%	43,664						43,664
Financial institution deposits	7.69%	22,422	65,551	17,910				105,883
Wholesale deposits	7.77%	23,478	15,178	7,912				46,568
Retail deposits	5.06%	577,478	470,601	638,986	290,553		1,734	1,979,352
Creditors	N/A						7,922	7,922
Total financial liabilities		667,042	551,330	664,808	290,553	0	9,656	2,183,389
2007 Assets								
Cash	4.42%	3,500					983	4,483
Receivables from financial institutions	6.29%	218,000	47,000	5,000				270,000
Receivables	N/A						8,575	8,575
Prepayments	N/A						1,091	1,091
Loans and advances	7.91%	14,182	1,192,545	179,698	231,885		350	1,618,660
Investments	N/A						4,296	4,296
On balance sheet		235,682	1,239,545	184,698	231,885	0	15,295	1,907,105
Undrawn loan commitments *Note 26a, b, c*		398						398
Total financial assets		236,080	1,239,545	184,698	231,885	0	15,295	1,907,503
2007 Liabilities								
Borrowings	8.98%	2,026						2,026
Financial institution deposits	6.62%	7,044	39,210	1,001				47,255
Wholesale deposits	6.46%		2,131					2,131
Retail deposits	4.16%	379,005	811,615	435,663	33,554		1,641	1,661,478
Creditors	N/A						13,305	13,305
Total financial liabilities		388,075	852,956	436,664	33,554	0	14,946	1,726,195

25. Fair value of financial assets and liabilities

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are regularly traded by the credit union, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

			2008 $'000			2007 $'000
Assets	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash	4,925	4,925	0	4,483	4,483	0
Receivables from financial institutions	333,048	333,039	9	269,995	270,000	-5
Receivables	10,416	10,416	0	8,575	8,575	0
Prepayments	1,269	1,269	0	1,091	1,091	0
Loans and advances	2,011,443	2,026,781	-15,338	1,616,880	1,618,660	-1,780
Investments	4,296	4,296	0	4,296	4,296	0
Total financial assets	2,365,397	2,380,726	-15,329	1,905,320	1,907,105	-1,785
Liabilities						
Borrowings	43,664	43,664	0	2,026	2,026	0
Financial institution deposits	105,856	105,883	-27	47,250	47,255	-5
Wholesale deposits	46,560	46,568	-8	2,132	2,131	1
Retail deposits	1,979,979	1,979,352	627	1,662,828	1,661,478	1,350
Creditors	7,922	7,922	0	13,305	13,305	0
Total financial liabilities	2,183,981	2,183,389	592	1,727,541	1,726,195	1,346

Assets where the fair value is lower than the book value have not been written down in the accounts of the credit union on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from financial institutions redeemable within twelve months approximate their fair value as they are short term in nature or are receivable on demand. The rates applied to give effect to the discount of cash flows were 7.61%-8.13% (2007 6.33%-6.63%).

Loans and advances

The carrying value of loans and advances is net of unearned income and specific provisions for doubtful debts.

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The rates applied to give effect to the discount of cash flows were 7.90%-11.50% (2007 6.69%-11.50%).

The fair value of impaired loans was calculated by discounting expected cash flows using a rate, which includes a premium for the uncertainty of the flows.

Financial institution, wholesale and retail deposits

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the Balance Sheet. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

Financial institution deposits: The rates applied to give effect to the discount of cash flows were 7.73%-8.53% (2007 6.71%-7.04%).

Wholesale deposits: The rates applied to give effect to the discount of cash flows were 7.72%-8.97% (2007 6.49%-6.57%).

Retail deposits: The rates applied to give effect to the discount of cash flows were 3.43%-8.66% (2007 1.97%-6.84%).

Short term borrowings

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

26. Financial commitments

a. Outstanding loan commitments

	2008 $'000	2007 $'000
The loans approved but not funded	75,714	78,099

b. Loan redraw facilities

The loan redraw facilities available	143,346	121,057

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows

Total value of facilities approved	301,305	277,833
Less: Amount advanced	-84,997	-79,303
Net undrawn value	216,308	198,530

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

d. Lease expenditure commitments

Operating leases on property occupied by the credit union		
Not later than one year	569	120
Later than 1 year but not 2 years	613	125
Later than 2 years but not 5 years	1,243	0
Later than 5 years	0	0
Total	2,425	245

The operating leases are in respect of property used for providing office space for staff. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the credit union so as to limit the ability to undertake further leases or borrow funds.

27. Standby borrowing facilities

The credit union has borrowing facilities with Cuscal Limited (Cuscal) of

2008 $'000	Gross	Current borrowings	Net available
Loan facility	80,000	38,000	42,000
Overdraft facility	20,000	5,664	14,336
Total standby borrowing facilities	100,000	43,664	56,336
2007 $'000			
Loan facility	80,000	0	80,000
Overdraft facility	20,000	2,026	17,974
Total standby borrowing facilities	100,000	2,026	97,974

Cuscal holds an equitable mortgage charge over all of the assets of the credit union as security against loan and overdraft amounts drawn under the facility arrangements.

28. Contingent liabilities

Liquidity support scheme

The credit union is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, the credit union is committed to maintaining 3.2% of the total assets as deposits with Cuscal Limited (Cuscal).

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the credit union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating credit unions' irrevocable commitment under the ISC.

29. Disclosures on directors and other key management persons

a. Remuneration of Key Management Persons (KMP)

Key management persons have 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.

KMP have been taken to comprise the directors and the six members of the executive management (2007-2008) responsible for the day to day financial and operational management of the credit union.

The aggregate compensation of directors and other KMP during the year comprising amounts paid or payable or provided for was as follows

	2008 $'000		2007 $'000	
	Directors	Other KMP	Directors	Other KMP
Short-term employee benefits	202	1,707	210	1,344
Post-employment benefits-superannuation contributions	58	209	33	210
Other long-term benefits-net increases in long service leave provision	0	59	0	66
Termination benefits	0	0	0	0
Share-based payment	0	0	0	0
Total	260	1,975	243	1,620

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 members at the previous Annual General Meetings of the credit union.

b. Other transactions with related parties

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

- Each of loans and advances, deposits and acceptances and promissory notes
- Each of the principal types of income, interest expense and commissions paid
- 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
- Irrevocable commitments and contingencies and commitments arising from off balance sheet items

c. Loans to directors and other Key Management Persons (KMP)

	2008 $'000	2007 $'000
i) The aggregate value of loans to directors and other KMP as at balance date amounted to	3,030	2,901
ii) The total value of revolving credit facilities to directors and other KMP, as at balance date amounted to	263	225
Less: amounts drawn down and included in (i)	-52	-41
Net balance available	211	184
iii) During the year the aggregate value of loans disbursed to directors and other KMP amounted to:		
- Revolving credit facilities	719	789
- Personal loans	15	92
- Term loans	1,850	1,121
Total	2,584	2,002
iv) During the year the aggregate value of revolving credit facility limits granted or increased to directors and other KMP amounted to	36	26
v) Interest and other revenue earned on loans and revolving credit facilities to directors and other KMP	237	157

The credit union's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions, which applied to members for each class of loan or deposit. There are no loans, which are impaired in relation to the loan balances with directors or other KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans, which are impaired in relation to the loan balances with close family relatives of directors and other KMP.

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

Total value term and savings deposits from directors and KMP	715	886
Total interest paid on deposits to directors and KMP	33	24

The credit union's policy for receiving deposits from directors and KMP is that all transactions are approved and deposits accepted on the same terms and conditions, which applied to members for each type of deposit.

d. Transactions with other related parties

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP.

The credit union's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions, which applied to members for each type of deposit.

There are no benefits paid or payable to the close family members of the directors and KMP.

There are no service contracts to which directors and KMP or their close family members are an interested party.

30. Economic dependency

The credit union has an economic dependency on the following suppliers of services.

Cuscal Limited (Cuscal) Cuscal is the national services company for the affiliated Credit Union Movement within Australia.

It provides central banking facilities to the credit union.

It supplies to the credit union rights to offer/or issue member cheques, Redicards and Visa cards in Australia and provides services in the form of settlement with banks of member cheques, Electronic Funds Transfer (EFT), Direct entry, BPAY and Visa card transactions along with the supply of Visa cards and Redicards for use by members.

First Data Resources Australia Limited This company operates the switching computer used to link Redicards and Visa cards through Reditellers and other ATMS, other approved EFT suppliers and Visa acquirers and merchants to the credit union computer systems.

Ultradata Australia Pty Ltd This company provides and maintains software utilised by the credit union.

31. Segmental reporting

The credit union operates exclusively in the retail financial services industry within Australia.

32. Superannuation liabilities

The credit union contributes to the CUE Super Plan for the purpose of the Superannuation Guarantee and other superannuation benefits provided on behalf of employees.

A corporate trustee is responsible for CUE Super Plan with three directors appointed by the principal employer (CUSCAL) and three directors elected by members.

The credit union has no interest in the Superannuation Plan (other than as a contributor) and the only possible liability that could arise in respect of those staff where a minimum defined benefit guarantee applies. The minimum benefit guarantee applies to those staff who were members of CUE Super Plan at 30th June 1992, being the date the plan restructured from a defined benefit basis to a defined contribution (accumulation) basis, and who have not elected to transfer to the accumulation basis.

Following the last valuation dated 1st July 2005, the actuary, Steve Defina of Mercer Investment Nominees Limited, considered the CUE Super Plan to be in a sound financial position with sufficient reserves to meet the accrued defined benefit liabilities.

33. Securitisation

The credit union has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an independent contractor to promote and complete loans on their behalf, for on sale to an investment trust. The credit union also manages the loans portfolio on behalf of the trust. The credit union bears no risk exposure in respect of these loans. The credit union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

In addition the credit union is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria. During the year the credit union assigned no loans (2007 $3.2 million) in loans to Integris. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to the Integris and there is no residual benefits to the credit union. The credit union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to members.

	2008 $'000	2007 $'000
The amount of securitised loans under management	3,002	4,875

34. Notes to cash flow statement

a. Reconciliation of cash

	2008 $'000	2007 $'000
Cash includes cash on hand, and deposits at call with other financial institutions and comprises		
Cash on hand and deposits at call	4,925	4,483
Bank overdraft	-5,664	-2,026
Total cash	-739	2,457

b. Reconciliation of cash from operations to accounting profit

	2008 $'000	2007 $'000
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	20,014	23,949
Add (deduct):		
- Provision for impairment and bad debts written off (net)	1,948	1,798
- Depreciation of property, plant and equipment	3,128	2,518
- Provision for employee entitlements	1,324	-654
- Other provisions	90	-116
- Loss on disposal of plant and equipment (net)	30	32
- Bad debts recovered	-247	-298
Changes in assets and liabilities:		
- Prepaid expenses and sundry debtors	-178	-658
- Accrued expenses and sundry creditors	-68	402
- Interest receivable	-1,151	15
- Interest payable	6,666	1,317
- Other income receivable	-7	-71
- Unearned income	101	2
- Increases in loans and advances to members	-409,896	-223,367
- Increase in retail deposits	306,769	168,577
- Provision for income tax	-3,278	2,043
- Deferred tax assets	-249	334
Net cash from operating activities	-75,004	-24,177

35. Corporate information

The credit union is a company limited by shares, and is registered under the Corporations Act 2001.
The address of the registered office and principal place of business is 28-38 Powell Street, Homebush NSW 2140
The nature of the operations, and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the credit union.

NSW Teachers Credit Union Ltd.
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Asian Confederation of Credit Unions
Credit Union Financial Support Scheme
Credit Union Foundation Australia
Cuscal Ltd.
World Council of Credit Unions

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