Teachers Credit Union

2010-2011 Annual Report

TEACHERS CREDIT UNION

more than a bank

Contents

Our vision

To be the chosen primary financial services provider for employees in the Australian education sector and their families.

Our mission statement

From a position of financial strength, we will offer trusted, convenient and competitive banking services that enable the financial success and security of members.

We will focus on the needs of those in the Australian education sector and their families delivering these services in the ways they want and expect.

Main photo
Jake and Harry, members since 2003 and 2005

Front cover and 01
Student from Kensington Public School in their teaching garden

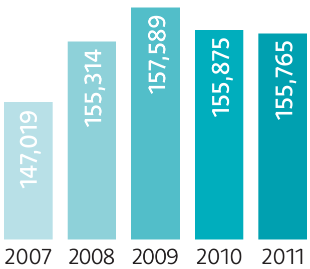
02 Mark and and his daughter, members since 1985 and 2003

03 Dennis, member since 1995

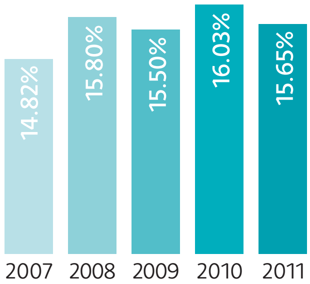
Key financial performance

Our focus is to maintain sustainable growth to ensure that we provide the competitive products and services that enable our members to secure their financial future.

Membership

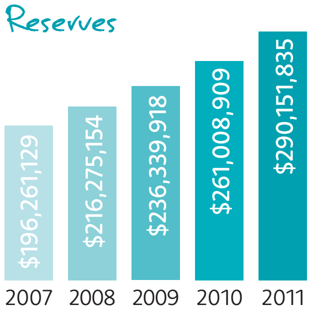


Capital adequacy ratio



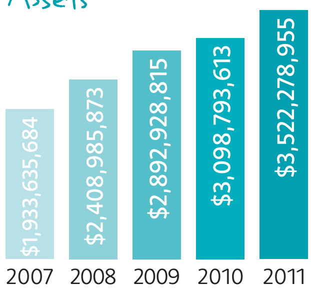
Capital adequacy is an industry ratio which measures the strengths of a lending institution. We are well above APRA's minimum requirement of 8%.

Reserves



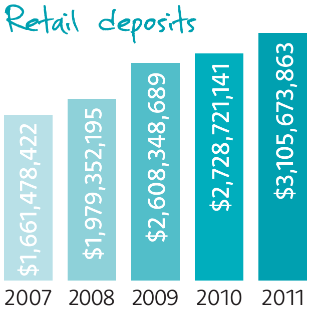
Reserves are accumulated profits held by us to ensure our ability to safely grow.

Assets



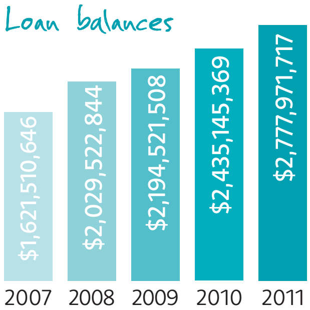
Assets are the total of all Teachers Credit Union assets.

Retail deposits



Retail deposits are made up of savings, term deposits and shares, including interest accrued.

Loan balances



Loan balances is the total of money owed to us by our members from personal loans, secured (home) loans, credit or debit cards.

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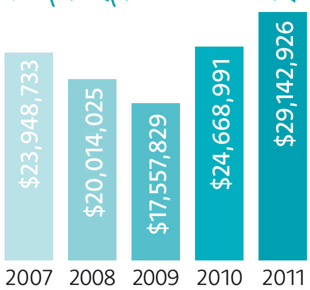
We value strength, so we will

- Remain committed to ongoing financial, geographic and membership growth
- Take a measured approach, balancing growth with prudential financial management
- Continually look for ways to build economies of scale and manage the costs of business

Profit after income tax



Profit after income tax is the amount of money we generate from operating our products and services minus the cost of providing those products and services, including all taxes.

Main photo Helen, member since 1993

01 Kevin, member since 1993

02 Helen and Kevin, members since 1993

Chairperson and Chief Executive's report

Being financially strong allows us to provide competitive products and services to our members.

We value partnership, so we will

- Work together with members to help them achieve their financial goals
- Remain member centric and work hard to increase member advocates
- Form strategic alliances and partnerships that enhance our offering
- Encourage member discussion and communication

Main photo
Chairperson John Kouimanos and CEO Steve James

The 2011 financial year saw us maintain our strong financial position. Our asset base grew to $3.5 billion, a growth of 14% on 2010. This was reflected in our surplus for the year of $29.14 million and raised our capital reserves to $290 million.

Our capital adequacy ratio, calculated in accord with the Australian Basel II requirements, stood at 15.65% at the end of the financial year. This is significantly above minimum requirements and provides plenty of cushioning for future regulatory changes. This ratio exceeds many of our major competitors.

The last six months of the year were exceptional. While many other institutions were struggling to lend, we continued to set new records. Our new loans funding reached $81.3 million in March in new applications. Our existing members continued to choose to refinance with us, and many chose to refinance with us from other institutions.

In the coming year we will be asking members to support our recommendation to change our name to Teachers Mutual Bank Limited. We strongly believe that this change will provide us with new opportunities to improve our competitive positioning and support our long term growth and cost management plans and it ultimately will mean we can provide you with an even better banking experience. We will retain our mutual status and continue to uphold the values and principles upon which we were founded.

Being financially strong allows us to provide competitive products and services to you, our members and invest in people, technology and innovation to deliver a superior banking experience. Excellent financial performance means strong financial return for members.

As the third largest credit union within the mutual banking sector, measured by on-balance sheet assets, being accessible and relevant to our members is of paramount importance. You can be assured that we will continue to manage the credit union in your best interests and ensure our products and services are accessible, fair, competitive and low in cost.

John Kouimanos
Chairperson

Steve James
Chief Executive

15.65%
Capital adequacy ratio
$290m
Capital reserves
14%
Asset base growth

Corporate responsibility - a core business value

Corporate social responsibility is built-in, not a bolt on. Because we are a credit union and a mutual organisation, we are built on the intrinsic values of equity, co-operation and integrity. We believe that integrating our financial performance with non-financial criteria enhances value for our members and our stakeholders.

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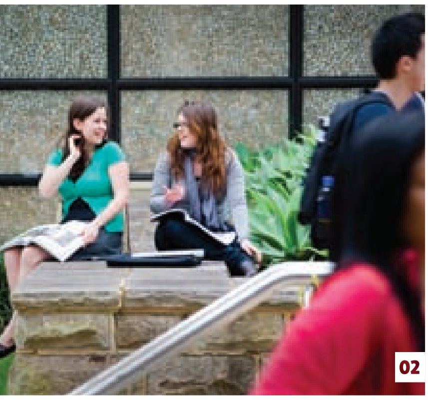

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Main photo
Crystal Creek Public School students collecting eggs

01 and 02
Students studing Education

We recognise that success cannot only be measured in terms of profits and growth, it is also how we engage with and support the community, our members and employees, and how we minimise our impact on the environment.

Our key responsibility focus areas cover member service, the community, the environment and our employees. Targets are set and reviewed regularly by our Corporate Social Responsibility (CSR) Committee and are integrated into the strategic planning process.

We have established 51 KPIs and targets across corporate responsibility and report on these annually.

The Mutual Banking Code of Practice (MBCOP) is our standard for how we deliver on our guarantee to serve our members first. The 10 key promises outlined in the code of practice confirm our commitment to our members and are embedded in our day to day decision making. The MBCOP is intrinsic to the development of the strategic business plan by the Board of Directors and Management.

It all comes back to our members

Credit Union and Building Society group

We continue to meet our commitment to allocate a minimum 3% of net profit after tax to corporate responsibility initiatives; a total of $893,716 (3.04% of NPAT). These funds have been invested in the education community, supporting schools, charities, programmes and initiatives in Australia and overseas.

"As a mutual, we are not driven solely by profit motives, like most other corporations, including banks and we don't have to pay dividends to external shareholders. Instead, our profits are put back in to better rates, fairer fees, responsible lending, and personalised service." - Steve James CEO

We value sustainability, so we will

- Behave in an ethical manner
- Embrace our responsibility to our members, community and customers
- Ensure our business activity has a positive impact on our environment
- Maintain our financial strength

Members

There are four main areas of focus when it comes to members – knowledge, accessibility, satisfaction and protection.

Knowledge

It's important for our members to be updated on what's happening in the finance industry so they can make educated decisions regarding their finances. We provide this information in a number of ways:

- *In the Know* - is a new section on our website that provides news, innovation and trends within the mutual sector and the finance industry
- *Chalkboard* newsletter - provides the latest news about new products and services and provides informative finance focused articles
- Free seminars and workshops that provide our members with information and tools to manage their investments and plan for retirement.

Accessibility

As a remote service provider, it's important to us that our members have accessibility and are able to speak to a financial expert when they need to. Throughout the year, our staff visited more than 1,100 schools across NSW, ACT, WA and NT. In addition, we held Mobile Offices and Business Centres in the key regional areas to service the local members.

We continue to invest in the enhancement and innovation of our remote access channels. Some of the upgrades we've implemented include:

- **Improving internet banking** - a design change has made the login process much clearer and we've added functionality so that members can open additional accounts to make it easier to manage their finances all in one place.
- **Enhancing the phone system** - we continue to implement new features to our phone system. When members call at the busiest time of the day, the system now advises their position in the queue and provides the opportunity to request a call back. This has resulted in reducing the inconvenience for members of being kept waiting on hold.
- **Introducing online identification verification** - the joining experience for new members has improved drastically with the inclusion of an identity verification section on our online membership application. This has also led to a reduction in administration costs.
- **Giving members the choice - email or paper** - not only can members view statements online, but they can now choose to receive newsletters, marketing, product change information and notices via email or post. We've recently launched an email version of *Chalkboard* and look forward to broadening our email communication over the next 12 months. This will have a significant impact on mailing costs and also facilitates our commitment to reduce paper usage.
- **Statement review** - a review of the statement process resulted in a fresh new look that is easier to read and provides extra information, and has resulted in a 30% decrease in delivery costs. Most importantly we have significantly reduced the environmental impact of the printing process.

Member satisfaction

Member satisfaction is the most important measurement of our success as a mutual organisation. Our latest satisfaction survey consolidates our record of exceptionally high member satisfaction ratings, this time achieving 89%. This score is the envy of our competitors, but it is more than that for us. It highlights the imperative to stay member-focused and be alert to any gaps that can be addressed to achieve even greater contentment among members.

We use these insights to develop strategies to make further improvements to the member experience.

Protection

We are committed to ensuring that our members have the knowledge and tools to protect their private information from identity fraud and phishing. Our website has an up-to-date and detailed online security section that is essential reading for every member who banks online.

We value integrity, so we will

- Be honest in all that we do
- Measure performance and report the results in a transparent manner
- Provide competitive and ethical options for our members

Main photo
Nicholas and Rachel, members since 2010

01 Mark, member since 1985

02 Lauren member since March 2011 and Dom

3,800
Number of fee-free ATMs

47,000
Members view statements online

89%
Member satisfaction rating

Employees

We strive to provide a workplace that realistically reflects Australian society. To achieve this we promote work/life balance, offer flexible working arrangements and will be implementing strategies to address a maturing work force, gender imbalances in non-traditional roles and to give indigenous communities an opportunity to be part of the organisation.

23%
Of our employees have or are currently studying

4.94%
Staff turnover, industry average 16%

84%
Our 2011 staff engagement rating

Employer of Choice for Women

For the fourth year running we have again been recognised as an Employer of Choice for Women. We are one of only 98 organisations across Australia to receive the 2011 citation from the Equal Opportunity for Women in the Workplace Agency (EOWA).

The EOCFW citation is awarded to non-government organisations with more than 100 employees that have demonstrated they have policies and practices supporting women across the organisation, achieving positive outcomes for both women and the business.

Traineeship program

We have an established trainee program that offers opportunities to be part of our organisation. The program's combined elements of education, experience and coaching offer the best chance of success in building a career in the financial industry. We are pleased to have been able to provide full-time positions to all of our trainees at the end of their traineeship.

Health and wellbeing

Our Occupational Health and Safety Committee has implemented some great initiatives over the past 12 months, including subsidised Pilates and Zumba classes, a Weight Watchers Program and an annual Health Expo. We continue to offer fresh fruit in the workplace, as well as massages, flu shots and, through our long standing partner IPS, support for employees who require help for personal issues.

Additional paid parental leave

Our enterprise agreement provides for staff to take up to two years of parental leave in order to provide primary care for their child, in addition to our paid parental leave entitlements. We also allow for staff to return to part-time work following parental leave and increasingly have staff under formal working from home arrangements under our 'Working from Home Policy'.

Staff education

We encourage and support further education of our staff. We currently have 23% of our staff who are either undertaking or have completed a university degree, certificate or specialised course. Our saleSmart program for frontline staff provides outstanding mermber service skills. It is an integrity sales course that provides the skills for our staff to discuss the members' needs and to meet their expectations while providing personalised service. A total of 161 staff members have graduated from this course since its inception in 2009.

We value commitment, so we will

- Focus on members and enable them to achieve financial success
- Anticipate and respond to challenges and changing needs
- Ensure our commitment to the teaching community is demonstrated and delivered through our corporate social responsibility
- Seek out opportunities to be more environmentally conscious in our overall business operations
- Provide an equal opportunity, supportive and professional workplace

01

02

Main photo
Lauren and her mother Isabel, both staff of Teachers Credit Union

01 and 02
Staff from our WA office

Community

We are passionate about education, supporting teachers' professional development and providing opportunities to enhance the teaching environment. Our staff are keen to support charities and provide assistance within the community, from donating blood to participating in charity fundraising days.

Community partnership and investment

We have a commitment to invest a minimum of 3% of net profit after tax (NPAT) back into corporate responsibility initiatives. This year, our total investment amounted to $893,716 (3.04%). Of this we invested $791,555 directly into the community ($693,029 in Australia). This is a 49% increase over the previous year's figure of $532,235.

Future Teacher Scholarships

This scholarship is awarded to teaching students who understand the value of public education and the need to be proactive in promoting financial literacy when they get into the classroom. This year, we had an overwhelming response, with over 180 high quality applications; due to this, an additional scholarship was awarded, bringing the total number to six.

Financial literacy

In 2009, we launched a new community program in WA to assist financial literacy initiatives in public schools, with the goal to assist teachers to empower their students with financial knowledge. This year, we funded $25,000 of grants to ten public schools in WA.

Stewart House

We continue our long-standing support of Stewart House, who provide NSW and ACT public school children in need, with a break. Many of our members also support this organisation with direct debits from their Teachers Credit Union accounts.

Employee community support

Our Charity Day Committee, which is responsible for the management of our inhouse charity initiatives, has implemented some great fundraising events this year with additional support for schools affected by floods. The committee runs quarterly programs to engage staff in community and environmental events, and last year raised $23,860.

Credit Union Foundation Australia

We are a Platinum Sponsor of the Credit Union Foundation Australia (CUFA) which is the development agency for the Australian Credit Union Movement. CUFA has both a domestic and international development focus in its activities. It develops community access to affordable financial services in the Asia Pacific region, working cooperatively at grass-roots through to government levels, building capacity in emerging credit union movements to create sustainability, improve lives and relieve poverty.

3.04% or $893,716

Of net profits invested in corporate responsibility

Responsible lending policy and Credit Assistance service

At Teachers Credit Union, we are committed to responsible lending. We acknowledge our obligation to be transparent, act with integrity, extend the financial knowledge of our members as well as support them when they may be in financial difficulty.

We offer a Credit Assistance service for the benefit of members who may be experiencing financial difficulty. We aim to make this as transparent and accessible as possible and seek to facilitate a mutually acceptable arrangement with our members. This can include helping them find solutions if they're in arrears or unable to make contracted repayments on a home or personal loan, or identifying alternative banking arrangements that could better suit their circumstances.

Community investment partners

Among the other organisations and initiatives we partnered or supported were:

- Over 100 teacher development conferences
- Bush Children's Education Foundation
- NSW Primary and High School Sport
- NSW Department of Education and Communities programs in the Creative and Performing Arts program
- School Aid - Financial aid to flood affected Schools in Queensland and Victoria
- WA Education Awards
- The Pakistan Flood Relief Appeal

We value education, so we will

- Deliver financial information and financial literacy tools to assist members making informed and empowered financial decisions
- Share financial news and information with members with context and analysis where appropriate
- Support the education community through sponsorships and scholarships
- Engage staff with a strong service ethic and empower them with knowledge to improve our members' financial wellbeing

Main photo
2010 Schools Spectacular sponsored by Teachers Credit Union

Environment

National Sustainability Award

Teachers Environment Fund is a winner

Teachers Environment Fund has distributed

$201,000

since its inception in 2008

57 schools

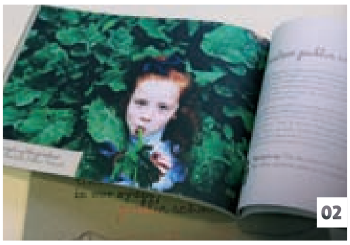
received project funding

teachers **environment** fund

Main photo
Students from Aranda Primary School working in their vegetable patch

01 Students from Kensington Public School in their teaching garden

02 and 03
Photos of the *There's a lot growing in our Sydney region public schools!* book



02

Teachers Environment Fund

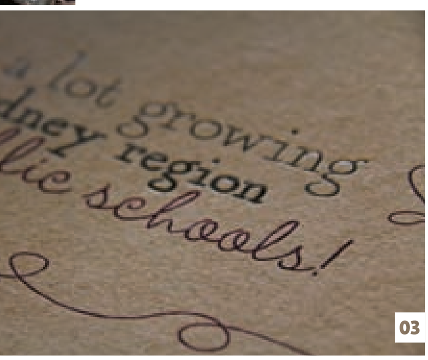
Since 2008, the Teachers Environment Fund has distributed just over $200,000 to a total of 57 schools and two TAFE/CITs across NSW, ACT, NT and WA. $40,000 of this total was contributed by us on behalf of our members who switched from paper to online statements. In 2010, we doubled the amount awarded for the second round, and increased the total grants funded from 19 to 23.

These projects have provided teachers with the opportunity to promote sustainability through practical learning experiences that embed sustainability in the students' thinking. The fund opens twice a year for applications.

01

National Sustainability Award

We received the 2010 National Sustainability Award from the mutual financial services sector industry body Abacus, for our Teachers Environment Fund. The Awards are an opportunity to acknowledge and celebrate excellence within the industry and are judged across 131 credit unions and building societies.



03

Celebrating school gardens in the Sydney Region

This year we partnered with the Department of Education and Communities in the design, development and printing of a book showcasing the many vegetable gardens in Sydney Region public schools. We provided support to the value of $25,000 to produce a high quality coffee-table style publication *There's a lot growing in our Sydney region public schools!* that celebrates this environmental and educational initiative.

Over 60 schools in Sydney Region have established vegetable gardens. These gardens are based on strong partnerships between committed parents, teachers, students and community organisations. Schools use their vegetable and other gardens to provide authentic learning opportunities for students in literacy and numeracy, sustainability education, indigenous culture, and nutrition and healthy lifestyles.

Corporate responsibility

Key Performance Indicator	2010-11	2009-10	2008-09
Overall			
Corporate Responsibility Index (CRI) overall score	The submission is due early 2012	N/A[1]	69%
Members			
Member satisfaction rating	89%	87%	N/A [2]
CANSTAR CANNEX member valuation[3]	$301.30	$235.63	$229.80
Mobile offices and business centres held	57	64	54
Home loan and investment seminars held	34	38	40
Formal complaints received by external bodies	8	13	12
Members assisted through the Credit Assistance service	217 members	213 members	39 members[2]
Community			
Total community investment	$791,555	$532,335	$497,787
Conferences supported	109	111	94
Employee fundraising	$23,860	$20,289	$24,765
Environment			
Paper recycled	29 tonnes	65 tonnes	63 tonnes
Waste generated	70 tonnes, 175 kg per FTE	60 tonnes, 153 kg per FTE	54.4 tonnes, 154 kg per FTE
Paper consumed	8,779 sheets per FTE	6,659 sheets per FTE	4,616 sheets per FTE
GHG emissions generated	2,509 tonnes, 6.1 tonnes per FTE	2,168 tonnes, 5.8 tonnes per FTE	1,975 tonnes, 5.6 tonnes per FTE
Toner cartridges recycled	298 kg	266 kg	323 kg
Water consumed	12,045 litres per FTE	18,705 litres per FTE	17,663 litres per FTE
Employees			
% of females in management	37.5%	37.5%	49%
Employee satisfaction	83%	86%	N/A[4]
Staff engagement rating	84%	86%[5]	86%
Employee turnover rate	4.94%	5.6%	7.97%
Employees who have or are currently studying	23%	22%	20%
Study leave days granted	366	330	185
Number of workers compensation claims	13	6	5
Number of accident statistics reported	39[6]	36	38
Number of new OH&S Programs	7	3	3
Staff satisfaction with OH&S	94%	92%	N/A
Average lost time incident rate (in days)	4.3	6.6	4.6

Targets	Progress	Comments
Overall		
Achieve at least a bronze rating in the 2010 CRI (Corporate Responsibility Index)	✗	We will submit our response in late 2011. The results will be published in June 2012
Maintain our minimum commitment of 3% NPAT on corporate responsibility initiatives	✓	Our expenditure was $893,716, which is 3.041% of NPAT for 2010-11
Employees		
Maintain employee satisfaction rating at or above 85%	✗	Our current employee satisfaction rating is 83%
Maintain employee engagement at or above 80%	✓	Our current employee engagement rating is 84%
Be recognised as an Employer of Choice	✓	For the fourth consecutive year we achieved the EOWA Employer of Choice for Women citation, one of only 98 other organisations in the country
Maintain staff turnover at least 5% below industry average	✓	We were 11.45% less than the industry average
Have at least 10% of employees undertaking tertiary study	✓	23% of employees are currently studying
Continue to develop policy and procedures that reflect best practice in employee relations	✓	This year, for example, we launched our Diversity Policy
Increase opportunities for work/life balance	✓	We implemented our 'Working from home' policy which allows all staff the opportunity to apply for a working from home arrangement
Meet KPIs in OH&S	✓	These were met and will be reviewed

Targets	Progress	Comments
Community		
Continue to foster effective relationships with our community	✓	We have engaged with over 1,000 schools, sponsored over 100 events and regularly meet with key stakeholders in the education and charity community
Continue to support the professional development of teachers through support of teacher conferences	✓	We supported 109 conferences over the reporting period
Deliver the Teachers Environment Fund, funding at least 6 projects per year, and Future Teacher Scholarships, at least 4 per year, for the benefit of the education community	✓	We doubled the TEF grant for the second round of 2010, increasing the projects funded from 19 to 23. We also increased the number of Future Teacher Scholarships to 6
Engage in a financial literacy initiative	✓	We invested $29,595 into this initiative and supported 10 schools in WA
Investigate implementing a Reconciliation Action Plan (RAP)	✗	We have not succeeded in this task and will review in the coming year
Members		
Achieve member satisfaction ratings at or above 90%	✗	Our 2011 member satisfaction result was 89%
Continue to implement technology for the benefit of members	✓	We introduced mobile banking, launched electronic communication and expanded our online operations
Increase our presence in regional areas	✓	We have increased our footprint in regional areas including the allocation of designated Business Development Officers in the Hunter and Illawarra regions to complement our existing Mobile lenders. This provides members with face to face contact and improved direct access We have improved the regularity of our visits to North Coast and ACT regions to further increase member accessibility in these areas Our Newcastle, ACT and WA offices are actively engaged with the local education communities providing support as well as local access to our members
Introduce a set of responsible lending principles to formalise our existing approach and make our policy accessible to our members	✓	These are published on the website and are used by the Credit department as part of the Mutual Code of Banking. We have changed our processes and procedures to incorporate the principles of responsible lending and members are given the relevant information when they enter into a loan contract
Environment		
Maintain the green energy component of our energy supply and embed this provision in our Rooty Hill contract	✓	Our contractual obligation is for 10% of electricity supply to be green power. We will review contractual opportunities for green power and energy efficiency with suppliers across our building portfolio
Introduce new technology and processes to reduce paper wastage and improve efficiency, as well as continue to educate staff on paper reduction	✓	We removed 15% of our printer fleet this reporting period
Reduce energy consumption by 5% per FTE employee	✗	Greenhouse gas emission per employee increased slightly, partly as investments in a greener building were not fully underway
For all IT equipment replaced, an item of greater energy efficiency to be purchased	✓	An office-wide programme is underway to install computers with increased energy efficiency ratings
For every new car purchased for our fleet it must achieve at least a 3 star rating in the Green Vehicle Guide	✓	This is a written policy. All 11 cars we purchased have a minimum 3 Star green rating. Two of these cars are trialling small diesel engine for fleet cars, with efficiency of up to 1,200km per tank
Reduce waste to landfill by 40% on 2007-08 statistics	✗	Our waste contracts are under review in order to identify further opportunities for reduction, and to seek improvements in data capture from our contractors. Investment in paper recycling facilities was a key capital outcome to help improve paper recycling
Deliver the Teachers Environmental Fund, funding at least 6 projects per year, and Future Teacher Scholarships, at least 4 per year for the benefit of the education community	✓	We funded 19 TEF projects and 6 Future Teacher scholarships

[1] We did not participate in the CRI this year. [2] This service was launched in its current format in April 2009. [3] This CANSTAR CANNEX member valuation is a measurement of the return provided on the investment that the member share represents. The study was commissioned by Teachers Credit Union based on April 2011 figures. CANSTAR CANNEX is an independent financial services research group. [4] We did not undertake a staff satisfaction survey over this calendar year, instead participating in the 2008 Hewitt Best Employers In Australia and New Zealand Study, which measured our staff engagement rating. [5] This was measured as part of our 2010 staff satisfaction survey. [6] Includes 13 Motor Vehicle Accidents.

Directors' report

Your Directors present their report on the credit union for the financial year ended 30th June 2011. The credit union is a company registered under the Corporations Act (Cth) 2001.

Information on Directors

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

John Kouimanos
(Chairperson)

BA, Dip. Ed

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 Chair of the Board Remuneration Committee and a member of the Large Exposures Committee.

Linda Green
(Deputy Chairperson)

Dip. Teach, B.Ed (Primary Education), GAICD

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 of Directors in 1997 and as Deputy Chairperson in 2009.

Mrs Green is Chairperson of the Marketing, Media and Member Relations Committee and Nominations Committee (Chair), and a member of the Development and Education and Board Remuneration Committees.

Tyrone Carlin
(Director)

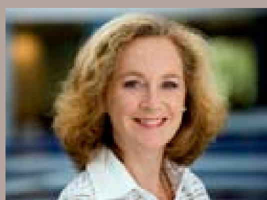
B Com, LLB (Hons), M Com (Hons), LLM, PhD, Grad Dip Fin SIA, CA, FCPA, FFin, MAICD, MFP

Tyrone Carlin is Professor of Financial Reporting and Regulation and Acting Dean of The University of Sydney Business School. Prior to joining the University of Sydney, he held a variety of senior academic appointments including Dean of Law at Macquarie University and Director of Academic Programs at Macquarie Graduate School of Management.

Professor Carlin teaches in the areas of financial reporting and management, corporate acquisitions and reconstructions and corporate and commercial law, and has published more than 100 scholarly articles in his areas of expertise.

He has been engaged as a consultant by a substantial number of leading corporate, professional services and government organisations. He chairs CPA Australia's International Advisory Committee, is a NSW Divisional Councillor and is a member of Representative Council.

Professor Carlin is a member of the Audit, Risk and Compliance and Large Exposures Committees. Tyrone Carlin was appointed to the Board of Directors in September 2010.



Michelene Collopy
(Director)

B.Ec, CA (FPS), GAICD

Michelene Collopy has over 20 years experience in financial markets and has held senior roles in compliance, funds management, treasury and financial reporting. Michelene is currently a Director of Perpetual Superannuation Limited and is on the Compliance Committee of Citigroup Global Markets Australia Pty Limited, and works as a consultant for Manresa Financial Services Pty Ltd. Ms Collopy is a qualified chartered accountant and financial planning specialist, a registered company auditor, licensed operator on the Australian Stock Exchange, and Justice of the Peace.

She is Chairperson of the Audit, Risk and Compliance Committee, and a member of the Board Remuneration Committee.

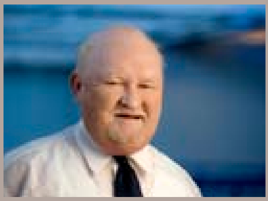
Tony FitzGerald
(Director)

B. Ec, Fellow of FINSIA, JP

Tony FitzGerald has extensive experience in the financial services sector and is currently the non-Executive Chairman of Colonial First State Global Asset Management's Credit Committee, the asset management division of the Commonwealth Bank of Australia. He is a member of the Board Finance Committee of the Royal Australasian College of Physicians, and member of the Investment Committee of UniSuper.

Tony brings to the Board of Directors extensive experience in credit and risk management, having held senior roles in Australia, Europe, Asia and the US.

Mr FitzGerald is Chair of the Large Exposures Committee and a member of the Audit, Risk and Compliance Committee.



Stuart Jacob
(Director)

B.Ec, Dip. Ed

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 was appointed to the Board of Directors from 1991 to 1997 and was reappointed in 2008.

He was a member of the Development and Education, Marketing, Media and Member Relations, and Board Reporting Committees. Mr Jacob was a Director of Q.T. Travel Pty. Ltd. (Diploma Travel). Stuart Jacob retired from the Board of Directors in August 2010.

Jennifer Leete
(Director)

BA, Dip. Ed

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. She is Chairperson of the Development and Education Committee, and a member of the Marketing, Media and Member Relations Committee.

Graeme Lockwood
(Director)

Dip. Teach, Grad Dip C. Ed, GAICD

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 of Directors in 2004.

He is a member of the Audit, Risk and Compliance Committee and Development and Education Committee, and also a Director of Q.T. Travel Pty. Ltd. (Diploma Travel).

Connuil McEvedy
(Director)

MBT, Grad Dip Corporate Governance, Grad Dip Science (Security), Grad Cert Engineering (Risk), Chartered Company Secretary, GAICD, JP

Connuil McEvedy has over twenty years experience in governance, risk management and compliance and currently is the Executive Manager, Risk and Compliance, Property and Infrastructure at Colonial First State Global Asset Management, the consolidated asset management division of Commonwealth Bank of Australia group.

Mr McEvedy has worked for state and federal public-sector agencies as well as listed and unlisted private-sector organisations across Australia and around the world in financial services, law, information technology, gaming and telecommunications. He is also a Certified Compliance Professional and a Certified Business Continuity Professional.

Connuil is a member of the Board Audit, Risk and Compliance Committee and Nominations Committee.

Maree O'Halloran AM
(Director)

BA, Dip. Ed, BLegS, GradDipLP

Maree O'Halloran is currently Director (CEO) of the Welfare Rights Centre, where she also practises as a solicitor. The Welfare Rights Centre advocates for and assists some of the most disadvantaged people in the community. Ms O'Halloran has also worked as a teacher in public schools, TAFE and Corrective Services.

She has been an active voice for the teaching community, having served in numerous positions, including president, of the NSW Teachers Federation, and served as a director of Teachers Federation Health and the SAS Trustee Corporation.

She is a member of the Marketing, Media and Member Relations Committee and the Nominations Committee.

Ms O'Halloran was awarded the Member of the Order of Australia (AM) in the 2011 Australia Day Honours List, in recognition of her service to industrial relations and the education sector.

Information on company secretaries

The names of the Company Secretaries in office at the end of the year are:

Steve James (Chief Executive)

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

Steve James is the Chief Executive of Teachers Credit Union. Having worked in a diverse range of management roles at Teachers Credit Union over the last thirty years, Steve has played a significant role in its growth and success. He became Chief Executive in 2005. Steve has been an active participant in both the national and global credit union movement, including participating on many national credit union committees, developing his understanding and appreciation of the environment of credit unions. He is committed to ensuring Teachers Credit Union maintains its high level of member service, employee satisfaction, and financial performance.

Brad Hedgman (Deputy Chief Executive)

Master of Business (UTS), Graduate Certificate in Business and Technology (UNSW), Diploma in Company Directors Course (AICD). Fellow of Finsia and GAICD.

Brad Hedgman joined Teachers Credit Union in 1982 and has worked in a diverse range of management positions since that time. While working primarily in the areas of finance, information technology, administration and risk, he has played an integral part in the credit union's strength and success. In his current role he remains committed to the unique environment of credit unions and the provision of responsible financial services to our members.

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:

A Number of meetings attended. B Number of meetings entitled to attend. Leave of absence was granted where Directors were unable to attend Board of Directors meetings.

Total Board of Directors meetings: 19		
Board of Directors meetings attended by:	A	B
John Kouimanos	19	19
Linda Green	19	19
Tyrone Carlin	15	16
Michelene Collopy	19	19
Tony FitzGerald	18	19
Stuart Jacob	3	3
Jennifer Leete	18	19
Graeme Lockwood	19	19
Connuil McEvedy	18	19
Maree O'Halloran	17	19

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:

	Audit, Risk and Compliance		Board Remuneration		Development and Education		Large Exposures		Marketing, Media and Member Relations		Nominations	
	A	B	A	B	A	B	A	B	A	B	A	B
Total meetings		5		3		2		2		4		1
John Kouimanos	2	2	3	3	2	2	1	2				
Linda Green			3	3	2	2			4	4	1	1
Tyrone Carlin	3	3					1	1				
Michelene Collopy	5	5	3	3								
Tony FitzGerald	3	3					2	2				
Stuart Jacob												
Jennifer Leete									3	3		
Graeme Lockwood	5	5			1	1						
Connuil McEvedy	4	5					1	1			1	1
Maree O'Halloran									3	3	1	1

A Number of meetings attended. B Number of meetings entitled to attend. 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 26 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 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 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 $29.1 million (2010 $24.7 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 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 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

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

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 06/709). 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.

Signed on behalf of the Board of Directors by:

John Kouimanos,
Chairperson

Michelene Collopy,
Chairperson of Audit, Risk and Compliance Committee

Signed and dated this 30th August 2011

Directors' declaration

The Directors of Teachers Credit Union Limited declare that:

The financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position of the credit union as at 30th June 2011 and performance for the year ended on that date.

The credit union has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

In the Board of 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 of Directors by:

John Kouimanos,
Chairperson

Signed and dated this 30th August 2011

BDO

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Fax: +61 2 9286 5599
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Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD

TO THE DIRECTORS OF TEACHERS CREDIT UNION LIMITED

To the best of my knowledge and belief, for the year ended 30 June 2011 there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Wayne Basford

Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 25 August 2011

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INDEPENDENT AUDIT REPORT

To the members of Teachers Credit Union Limited

We have audited the accompanying financial report of Teachers Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

The directors of the credit union are responsible for the preparation and fair presentation of the complete set of financial statements 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.

Our responsibility is to express an opinion on the complete set of financial statements 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.

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 Teachers Credit Union Limited, 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 the financial report of Teachers Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date;

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

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

BDO

BDO Audit (NSW-VIC) Pty Ltd

Wayne Basford

Director

Sydney 31 August 2011

Financial statements

Notes to the financial statement

Statement of comprehensive income

For the year ended 30th June 2011

	Note	2011 $'000	2010 $'000
Interest revenue	2a	227,041	183,652
Interest expense	2c	(137,844)	(103,412)
Net interest income		89,197	80,240
Fee, commission and other income	2b	21,585	20,440
Sub total		110,782	100,680
Less: Non interest expenses			
- Impairment losses on loans and advances	2d	(2,108)	(2,244)
General administration	2f		
- Employees compensation and benefits		(34,970)	(32,427)
- Depreciation and amortisation		(4,103)	(4,381)
- Transaction expenses		(10,656)	(10,231)
- Information technology		(4,452)	(4,181)
- Office occupancy		(2,318)	(2,170)
- Other administration		(11,313)	(10,128)
Total general administration		(67,812)	(63,518)
Total non interest expenses		(69,920)	(65,762)
Profit before income tax		40,862	34,918
Income tax expense	3	(11,719)	(10,249)
Profit after income tax		29,143	24,669
Other comprehensive income		-	-
Total comprehensive income		29,143	24,669

Statement of changes in member equity

For the year ended 30th June 2011

	Capital reserve $'000	General reserve for credit losses $'000	Retained earnings $'000	Total member equity $'000
Total at 1st July 2009	241	14,569	221,530	236,340
Restated equity at beginning of year	241	14,569	221,530	236,340
Total comprehensive income for the year – as reported	-	-	24,669	24,669
Dividends paid and provided	-	-	-	-
Sub total	241	14,569	246,199	261,009
Transfers to (from) reserves	88	1,810	(1,898)	-
Total at 30th June 2010	329	16,379	244,301	261,009
Balance at 1st July 2010	329	16,379	244,301	261,009
Restated equity at beginning of year	329	16,379	244,301	261,009
Total comprehensive income for the year – as reported	-	-	29,143	29,143
Dividends paid and provided	-	-	-	-
Sub total	329	16,379	273,444	290,152
Transfers to (from) reserves	76	2,442	(2,518)	-
Total at 30th June 2011	405	18,821	270,926	290,152

Statement of financial position

For the year ended 30th June 2011

	Note	2011 $'000	2010 $'000
Assets			
Cash on hand and deposits at call		345,080	19,351
Receivables from financial institutions	4	337,818	591,000
Receivables	5	27,259	18,103
Prepayments		1,722	1,959
Loans and advances to members	6 & 7	2,774,659	2,432,591
Available for sale investments	8	4,383	4,383
Property, plant and equipment	9	23,669	25,011
Taxation assets	10	5,407	4,543
Intangible assets	11	2,282	1,853
Total assets		3,522,279	3,098,794
Liabilities			
Financial institution deposits		53,967	58,993
Wholesale deposits		43,893	21,110
Retail deposits	12	3,105,674	2,728,721
Creditors, accruals and settlement accounts	13	12,608	14,790
Taxation liabilities	14	3,384	3,265
Provisions	15	12,601	10,906
Total liabilities		3,232,127	2,837,785
Net assets		290,152	261,009
Member equity			
Capital reserve account	16	405	329
General reserve for credit losses	17	18,821	16,379
Retained earnings		270,926	244,301
Total member equity		290,152	261,009

Statement of cash flows

For the year ended 30th June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Interest received		220,935	176,882
Fees and commissions		17,880	18,068
Dividends received		2,209	552
Other non interest income received		781	954
Interest paid on deposits		(132,910)	(106,791)
Borrowing costs		(26)	(54)
Expenses paid to suppliers and staff		(61,195)	(59,783)
Income tax paid		(12,393)	(9,835)
Net increase in loans and advances to members		(343,293)	(240,385)
Net increase in retail deposits		366,145	130,096
Net cash flows from operating activities	31b	58,133	(90,296)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,860)	(4,414)
Acquisition of intangible assets		(1,312)	(986)
Sale of property, plant and equipment		185	211
Increase in deposits with other financial institutions		253,182	44,220
Net cash flows used in investing activities		250,195	39,031
Cash flows from financing activities			
Increase/(decrease) in financial institution deposits		(5,000)	58,500
Increase/(decrease) in wholesale deposits		22,401	(2,604)
Net cash flows from (used in) financing activities		17,401	55,896
Net increase/(decrease) in cash held		325,729	4,631
Add opening cash brought forward		19,351	14,720
Closing cash carried forward	31a	345,080	19,351

Notes to the financial statements

1. Statement of accounting policies

This financial report is prepared for Teachers Credit Union Limited as a single entity, for the year ended the 30th June 2011. The report was authorised for issue on the 30th August 2011, 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 1n and Leasehold make good costs stated in Note 1o. The accounting policies are consistent with the prior financial 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 statement of comprehensive income 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 are written off when identified and are recognised as expenses in the statement of comprehensive income.

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. Australian Prudential Regulation Authority (APRA) has made it mandatory that interest is not recognised as revenue after irregularity exceeds 90 days for a loan facility, or 14 days for an over limit overdraft and credit card facility, or 14 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. 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.

Green loans Payments received under the Australian Government Green Loans Program are recognised as interest upon receipt.

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 of Directors 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 7.

The Australian 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 statement of financial position 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 of Directors 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-statement of financial position' 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 statement of comprehensive income.

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 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 5 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 to 4 years.

g. Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

h. Receivables from financial institutions

Term deposits and Negotiable Certificates of Deposit (NCDs) are unsecured and have a carrying amount equal to their purchase price. 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 statement of financial position.

i. 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.

j. 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 in Note 1b.

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 statement of financial position.

k. Wholesale 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 wholesale deposits in the statement of financial position.

l. 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 statement of financial position.

m. 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

n. 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.

o. 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 statement of comprehensive income 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.

p. Income tax

The income tax expense shown in the statement of comprehensive income 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 statement of financial position 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.

q. 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 is 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 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 statement of financial position. Cash flows are included in the statement of cash flows 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.

r. Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their market value as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The transaction costs of acquiring the business other than for the issue of equity instruments, such as due diligence costs legal and accounting fees, are to be expensed as incurred by the credit union as part of operating expenses.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in equity [previously these were recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired].

s. 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 statement of comprehensive income 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, a recoverable amount is determined for the cash-generating unit to which the asset belongs.

t. 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 7 for the impairment provisions for loans.

u. New standards applicable for the current year

The credit union applies the current revised accounting standards applicable for financial years commencing the 1st July 2010. There are no new standards applicable for the current financial year. Some amendments have been made to standards that apply to the credit union, as follows.

AASB reference	Nature of change	Application date	Impact on initial application
AASB 2010-4 Amendments to AASB 7 Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	Periods commencing on or after 1st January 2011. Adopted early for financial year ended 30th June 2011.	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
AASB 101 Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements.	Periods commencing on or after 1st January 2011.	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

v. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30th June 2011 reporting periods. The credit union's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Nature of change	Application date	Impact on initial application
AASB 9 issued December 2009 Financial Instruments	Amends the requirements for classification and measurement of financial assets. Future proposed changes to this standard will impact the measurement of the impairment provisions and the accounting for derivatives.	Periods beginning on or after 1st January 2013.	Adoption is only mandatory for the 30th June 2014 year end. The requirements for classification and measurement of financial assets will not have a material impact on the credit union. The credit union has not yet made an assessment of the impact of the proposed amendments until all amendments have been confirmed. Early adoption has not been considered at this time.
AASB 2010-6 issued November 2010	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.	Annual reporting periods commencing on or after 1st July 2011.	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

2. Income statement

a. Analysis of interest revenue

	2011 $'000	2010 $'000
Interest revenue on assets carried at amortised cost		
Cash - deposits at call	6,065	443
Receivables from financial institutions	25,616	23,747
Loans and advances to members	195,341	159,462
Other	19	-
Total interest revenue	227,041	183,652

b. Non-interest revenue comprises

	2011 $'000	2010 $'000
Fee and commission revenue		
Loan fee income - other than loan origination fees	1,772	1,987
Other fee income	6,974	8,213
Insurance commissions	4,087	3,142
Other commissions	4,907	4,534
Total fee and commission revenue	17,740	17,876
Other income		
Dividends received on available for sale assets	2,209	552
Bad debts recovered	883	1,055
Gain on disposal of assets:		
- Property, plant and equipment	185	230
Transfers from provisions:		
- Environment fund	3	2
- Director development	20	2
Miscellaneous revenue	545	723
Total non interest revenue	21,585	20,440

c. Interest expenses

	2011 $'000	2010 $'000
Interest expense on liabilities carried at amortised cost		
Overdraft	26	54
Financial institution deposits	3,770	881
Wholesale deposits	1,535	1,214
Retail deposits	132,513	101,261
Other	-	2
Total interest expenses	137,844	103,412

d. Impairment losses

	2011 $'000	2010 $'000
Loans and advances carried at amortised cost		
Increase in provision for impairment	242	567
Bad debts written off directly against profit	1,866	1,677
Total impairment losses	2,108	2,244

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

	2011 $'000	2010 $'000
Employees costs include		
Personnel costs	30,733	29,075
Superannuation contributions	2,519	2,354
Net movement in provisions for employee annual leave	282	98
Net movement in provisions for employee long service leave	1,318	887
Net movement in provisions for employee sick leave	118	13
Sub total	34,970	32,427
Depreciation expense comprises		
Buildings	541	537
Plant and equipment	3,188	3,445
Leasehold improvements (including lease make good provisions)	161	170
Written down value of assets disposed	213	229
Sub total	4,103	4,381
Auditor's remuneration (excluding GST)		
Audit fees	136	128
Other services: - taxation	6	16
- other	23	14
Sub total	165	158
Other operating expenses include		
Transaction expenses	10,656	10,231
Information technology	4,452	4,181
Office occupancy	2,318	2,170
Other administration	11,148	9,970
Sub total	28,574	26,552
Total general administration	67,812	63,518

3. Income tax expense

a. The income tax expense comprises amounts set aside as

	2011 $'000	2010 $'000
Provision for income tax - current year	12,515	11,042
Under (over) provision in prior years	43	(2)
Increase (decrease) in the deferred tax liability	-	(134)
Decrease (increase) in the deferred tax asset	(839)	(657)
Income tax expense attributable to profit	11,719	10,249

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

		2011 $'000	2010 $'000
Profit		40,862	35,101
Prima facie tax payable on operating profit before income tax at 30%		12,259	10,530
Add:	- tax effect of expenses not deductible	53	40
Subtotal		12,312	10,570
Add (less):	- Adjustment to recognise deferred tax assets at 30%	867	575
Add (less):	- Adjustment to recognise deferred tax liability at 30%	-	134
Less:	- Franking rebate	(664)	(237)
Current Income tax provision attributable to profit		12,515	11,042

c. Franking credits

	2011 $'000	2010 $'000
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	106,142	93,748

4. Receivables from financial institutions

	2011 $'000	2010 $'000
Receivables from financial institutions	337,818	591,000

5. Receivables

	2011 $'000	2010 $'000
Interest receivable on deposits with other financial institutions	17,121	10,954
Sundry debtors and settlement accounts	10,138	7,149
Total receivables	27,259	18,103

6. Loans and advances

a. Amount due comprises

	2011 $'000	2010 $'000
Overdrafts and credit cards	93,993	88,031
Term loans	2,683,655	2,346,575
Overdrawn savings	324	539
Sub total	2,777,972	2,435,145
Add: - Amortised loan origination fees	(930)	(413)
Subtotal	2,777,042	2,434,732
Less: - Provision for impaired loans Note 7	(2,383)	(2,141)
Total loans and advances to members	2,774,659	2,432,591

b. Credit quality - security held against loans

	2011 $'000	2010 $'000
Secured by mortgage over real estate	2,443,662	2,109,509
Partly secured by goods mortgage	69,012	57,384
Wholly unsecured	265,298	268,252
Total	2,777,972	2,435,145

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%	1,729,378	1,452,370
- Loan to valuation ratio of more than 80% but mortgage insured	534,808	404,540
- Loan to valuation ratio of more than 80% and not mortgage insured	179,476	252,599
Total	2,443,662	2,109,509

c. Concentration of loans

The values discussed below include 'on statement of financial position' values and 'off statement of financial position' undrawn facilities as described in Note 23.

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.

	2011 $'000	2010 $'000
Balance of loans held by memberships who are receiving payments from		
NSW Department of Education and Training	1,339,890	1,211,474
State Super Financial Services	72,300	59,551
ACT Department of Treasury	54,602	44,372
Catholic Education Office	39,760	37,601
Teachers Credit Union staff	20,067	27,578
Total	1,526,619	1,380,576

	2011 Number	2010 Number
Number of memberships with loans who are receiving payments from		
NSW Department of Education and Training	19,111	18,009
State Super Financial Services	2,327	1,603
ACT Department of Treasury	583	522
Catholic Education Office	412	378
Teachers Credit Union staff	131	215
Total	22,564	20,727

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

iii) Geographical concentrations - includes loan balances and loan financial commitments in Notes 23a, 23b and 23c.

	2011 $'000				2010 $'000			
	Housing	**Personal**	**Business**	**Total**	**Housing**	**Personal**	**Business**	**Total**
NSW	2,338,416	706,092	7,606	3,052,114	2,046,314	663,765	81	2,710,160
Victoria	22,629	8,916	-	31,545	19,096	7,862	-	26,958
Queensland	48,291	17,254	-	65,545	41,375	17,473	-	58,848
South Australia	3,948	1,516	-	5,464	3,232	1,495	-	4,727
Western Australia	53,790	12,174	-	65,964	28,018	8,447	-	36,465
Tasmania	4,706	1,452	-	6,158	4,302	1,053	-	5,355
Northern Territory	7,597	3,802	-	11,399	6,694	3,201	-	9,895
ACT	112,950	25,966	-	138,916	85,011	22,708	-	107,719
Other	-	718	-	718	-	2,970	32	3,002
Total	2,592,327	777,890	7,606	3,377,823	2,234,042	728,974	113	2,963,129

Loans to natural persons	**2011 $'000**	**2010 $'000**
Home loans and facilities	2,592,327	2,234,042
Personal loans and facilities	777,890	728,974
Business loans and facilities	7,606	113
Total	3,377,823	2,963,129

7. Provision on impaired loans

a. Total provision comprises

	2011 $'000	**2010 $'000**
Collective provision	2,324	2,135
Individual specific provision	59	6
Total provision	2,383	2,141

b. Movement in the provision for impairment

Balance at the beginning of year	2,141	1,574
Add (less): - Transfers from (to) statement of comprehensive income	242	567
Balance at end of year	2,383	2,141

c. Impaired loans written off

Amounts written off directly to expense	1,866	1,677
Total bad debts	1,866	1,677
Bad debts recovered in the period	883	1,055

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

In the Note below:

- Carrying value is the amount of the statement of financial position.
- Impaired loans value is the 'on statement of financial position' 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.

	2011 $'000			2010 $'000		
Loans to members	**Carrying value**	**Value of impaired loans**	**Provision for impairment**	**Carrying value**	**Value of impaired loans**	**Provision for impairment**
Housing	2,278,844	7,405	229	1,985,560	8,619	135
Personal	397,581	3,184	1,103	361,518	3,240	1,176
Credit Card	62,366	1,672	790	56,162	1,475	601
RediCredit	31,612	427	259	31,827	500	203
Total-natural persons	2,770,403	12,688	2,381	2,435,067	13,834	2,115
Corporate borrowers	7,569	2	2	78	35	26
Total	2,777,972	12,690	2,383	2,435,145	13,869	2,141

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

	2011 $'000		2010 $'000	
	Carrying value	**Provision**	**Carrying value**	**Provision**
Less than 30 days	2,595	47	4,306	6
30 to less than 90 days in arrears	1,414	10	1,531	-
90 to less than 182 days in arrears	3,888	553	4,488	395
182 to less than 273 days in arrears	1,172	243	1,347	370
273 to less than 365 days in arrears	407	266	372	216
365 days and over in arrears	1,100	135	89	89
Overdrawn savings/overlimit facilities over 14 days	2,114	1,129	1,736	1,065
Total	12,690	2,383	13,869	2,141

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

	2011 $'000	2010 $'000
Total	-	-

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 $3.4 million past due which are not considered to be impaired and where payments of principal and/or interest are at least 30 days in arrears. Full recovery of both principal and interest is expected. 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

	2011 $'000			2010 $'000		
	>1 to 2 months	>2 to 3 months	Total	>1 to 2 months	>2 to 3 months	Total
Housing	1,708	826	2,534	-	-	-
Personal	421	116	537	413	73	486
Credit Card	157	41	198	100	16	116
RediCredit	111	4	115	111	6	117
Total	2,397	987	3,384	624	95	719

h. 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 Australian Prudential Guidance Note AGN 220.3 Prescribed Provisioning.

8. Available for sale investments

	2011 $'000	2010 $'000
Shares in unlisted companies, at cost		
- Cuscal Limited (Cuscal)	4,382	4,382
- Q.T. Travel Pty. Ltd. (Diploma Travel)	52	52
Total value of investments	4,434	4,434
Less: provisions for amortisation - Q.T. Travel Pty. Ltd. (Diploma Travel)	(51)	(51)
Total available for sale investments	4,383	4,383

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 supplies settlement, transaction processing, card, interchange and other services to organisations including credit unions and building societies – refer to Note 27. The shares are able to be traded. No trades with a disclosed price occurred over the year.

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, 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.

9. Property, plant and equipment

	2011 $'000	2010 $'000
Land, at cost	6,782	6,768
Buildings, at cost	21,875	21,601
Less: - provision for depreciation	(11,214)	(10,673)
Net building	10,661	10,928
Sub total land and buildings	17,443	17,696
Plant and equipment, at cost	23,124	22,240
Less: - provision for depreciation	(17,248)	(15,404)
Sub total	5,876	6,836
Capitalised leasehold improvements, at cost	856	835
Less: - provision for amortisation	(506)	(356)
Sub total	350	479
Total property, plant and equipment	23,669	25,011

Movement in the assets balances during the year

2011 $'000	Property	Plant and equipment	Leasehold improvement	Total
Opening balance	17,696	6,836	479	25,011
Purchases	288	1,557	32	1,877
Less: - Assets disposed	-	(212)	-	(212)
Less: - Depreciation charge	(541)	(2,305)	(161)	(3,007)
Closing balance	17,443	5,876	350	23,669

2010 $'000				
Opening balance	17,713	5,792	443	23,948
Purchases	520	3,700	212	4,432
Less: - Assets disposed	-	(229)	-	(229)
Less: - Depreciation charge	(537)	(2,427)	(176)	(3,140)
Closing balance	17,696	6,836	479	25,011

10. Taxation assets

Deferred tax assets comprise	2011 $'000	2010 $'000
Accrued expenses not deductible until incurred	201	116
Provisions for impairment on loans	786	689
Provisions for employee benefits	3,818	3,208
Provisions for other liabilities	96	101
Depreciation on fixed assets	203	203
Prepaid loan expenses	93	124
Amortisation of intangible assets	124	41
Deferred tax assets	5,321	4,482
GST debtor	86	61
Total taxation assets	5,407	4,543

11. Intangible assets

	2011 $'000	2010 $'000
Computer software, at cost	6,378	5,066
Less: - provision for amortisation	(4,096)	(3,213)
Total intangible assets	2,282	1,853

Movement in the assets balances during the year		
Opening balance	1,853	1,855
Purchases	1,312	1,010
Less: - amortisation charge	(883)	(1,012)
Balance at the end of the year	2,282	1,853

12. Retail deposits

a. Retail deposits

	2011 $'000	2010 $'000
At call	1,228,403	1,145,061
Term	1,875,713	1,582,101
Member withdrawable shares	1,558	1,559
Total retail deposits	3,105,674	2,728,721

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	2011 $'000	2010 $'000
NSW Department of Education and Training	639,186	661,520
State Super Financial Services	539,186	487,429
Total	1,178,372	1,148,949

Number of depositors who are receiving payments from	2011 Number	2010 Number
NSW Department of Education and Training	44,809	45,586
State Super Financial Services	10,242	8,801
Total	55,051	54,387

iii)

Geographical concentrations:	2011 $'000	2010 $'000
NSW	2,895,712	2,554,942
Victoria	24,640	22,778
Queensland	53,193	46,938
South Australia	7,003	4,249
Western Australia	24,174	18,830
Tasmania	8,360	6,409
Northern Territory	6,763	4,620
ACT	61,708	48,374
Other	22,563	20,022
Total	3,104,116	2,727,162

13. Creditors, accruals and settlement accounts

	2011 $'000	2010 $'000
Creditors and accruals	10,857	5,351
Unearned income	783	566
Settlement accounts	968	8,873
Total creditors, accruals and settlement accounts	12,608	14,790

14. Taxation liabilities

	2011 $'000	2010 $'000
Current income tax liability	3,144	2,937
Accrual for other tax liabilities	240	328
Total taxation liabilities	3,384	3,265
Current income tax liability comprises		
Balance, previous year	2,937	1,732
Less: - paid	(2,980)	(1,769)
Over (under) statement in prior year	(43)	(37)
Liability for income tax in current year	12,557	11,042
Less: - instalments paid in current year	(9,413)	(8,089)
Less: - refund due for prior year	-	(16)
Current income tax liability	3,144	2,937

15. Provisions

	2011 $'000	2010 $'000
Employee Entitlements	12,419	10,701
Lease make good of premises	37	38
Provisions - other	145	167
Total provisions	12,601	10,906

	2011 $'000		2010 $'000	
Movement in other provisions during the year were	**Environment fund**	**Director development**	**Environment fund**	**Director development**
Opening balance	3	165	5	167
Less: - paid	(3)	(47)	(29)	(32)
Liability increase	-	27	27	30
Closing balance	-	145	3	165

16. Capital reserve account

	2011 $'000	2010 $'000
Opening balance	329	241
Transfer from retained earnings on share redemptions	76	88
Total capital reserve account	405	329

Share redemption

The accounts represent the amount of redeemable preference shares redeemed by the credit union since 1st 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.

17. General reserve for credit losses

	2011 $'000	2010 $'000
General reserve for credit losses	18,821	16,379

General reserve for credit losses

This reserve is maintained to comply with the Prudential Standards set down by Australian Prudential Regulation Authority.

Balance at beginning of year	16,379	14,569
Increase (decrease) transfer from retained earnings	2,442	1,810
Balance at end of year	18,821	16,379

18. Financial risk management objectives and policies

Overview

The credit union has exposure to the following risks:

- market risk
  - interest rate risk
  - liquidity risk
- credit risk, and
- operational risk.

This note outlines the credit union's management of these risks, including its objectives, policies and processes for measuring and managing those risks, in addition to the credit union's management of its capital.

Governance

The Board of Directors has overall responsibility for the establishment and oversight of the credit union's enterprise risk management framework. This responsibility includes approving the enterprise risk management framework and the policies that comprise that framework and setting the organisation's risk appetite. In order to discharge its duties and responsibilities in an appropriate and effective manner, the Board of Directors, using a 3 lines of defence approach to identifying and managing risk, receives reports from the auditors, both external and internal, and risk and compliance staff to monitor the management of risks and compliance with its regulatory and voluntary requirements.

The Board of Directors has established an Audit, Risk and Compliance Committee, comprising five Directors, to oversee financial reporting, the effectiveness of audits, the management of risk and the program of compliance. The Committee is required to devote time and expertise to these areas over and above the time prescribed in scheduled board meetings and provide reasonable assurance to the Board of Directors that core business goals and objectives are being achieved in an effective, efficient and economical manner, within an appropriate framework of internal control, governance and risk management.

The Audit Risk and Compliance Committee assists the Board of Directors in:

- appointing the internal and external auditor
- liaising with auditors on the scope of their work, and experience in conducting effective audits
- monitoring audit reports and management responses thereto
- ensuring that external auditors remain independent
- overseeing compliance with statutory responsibilities relating to financial disclosure
- assessing the performance of auditors
- overseeing Australian Prudential reporting requirements, as well as other reporting requirements
- approving the compliance program
- monitoring compliance reports and management responses thereto
- reviewing, and if applicable updating, the credit union's risk profile, including the credit union's risk appetite, and
- reviewing, and if applicable updating, the credit union's policies, and system of risk management and internal controls.

In addition to the Board of Directors and the Audit, Risk and Compliance Committee, the credit union has an Assets and Liabilities Committee, to oversee the financial operations of the credit union. This committee recommends policy, sets strategy and monitors compliance regarding:

- market risk in relation to interest rate risk and liquidity risk
- credit risk in relation to investment risk
- profitability
- capital management, and
- growth.

Market risk

Interest Rate Risk

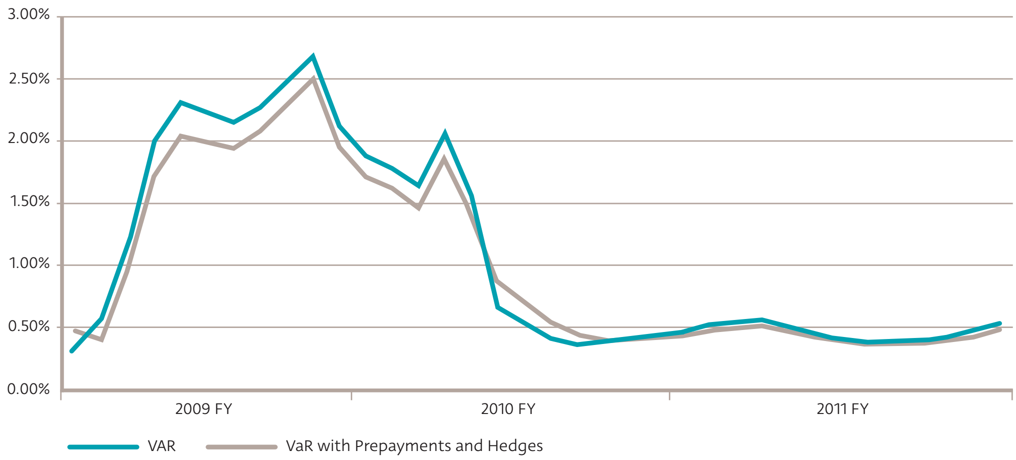
The credit union is not exposed to currency risk and other price risk. The credit union does not trade in the financial instruments it holds on its books. The credit union is exposed to interest rate risk in the banking book arising from changes in market interest rates.

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 when the Board of Directors determine their use is required.

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 [1,500 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, and
- Annual benchmarking against industry.

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



The credit union group's 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 within those limits throughout the entire year.

The above reports are sourced internally and by contracted consultants and are subject to scrutiny by Internal Audit, 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 21. The table set out at Note 21 displays the period that each asset and liability will reprice as at the balance date.

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, and
- Monitoring the prudential liquidity ratio daily.

The credit union has set out in Note 20 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 48 hours under Australian Prudential Standards. The credit union policy is to apply 13.5% 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 of Directors are to address the matter and ensure that the liquid funds are obtained from new deposits (either from Authorised Deposit-taking Institutions (ADIs), retail and wholesale depositors), or borrowing facilities available. Note 24 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-statement of financial position' liabilities (including equity) and irrevocable commitments, less the capital base defined in accordance with Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.

	2011	2010
Total adjusted liabilities	3,695,280,028	3,225,051,140
As at 30th June	18.48%	18.93%
Average for the year	17.79%	18.32%
Minimum during the year	15.05%	15.33%

Credit risk

The credit risk of a financial institution is the risk that customers (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 and investment assets.

Credit risk - loans

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, redraw facilities, overdraft facilities and credit cards limits). The details are shown in Note 23.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 6b 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 6c.

Concentrations are described in Note 6c. 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 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 of Directors 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 following:

- 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 dependent on the type and location of the security
- Portfolio Limits to cap exposures within segments of the portfolio
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to recognise the impairment of loans and facilities
- Debt recovery procedures, and
- Review of compliance with the above policies.

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 principal 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 30 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 is recognised in the statement of comprehensive income. 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 individual loans, the credit union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Statement of financial position provisions are maintained at a level that the Board of Directors 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 statement of financial position' loan balances which are past due by 30 days or more.

Details are as set out in Note 7.

Bad debts

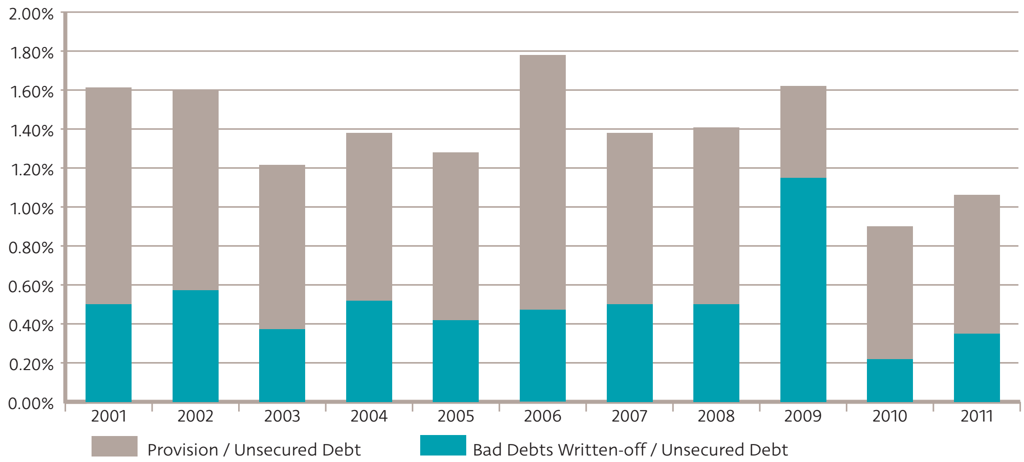
Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

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 7.

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.

Provision/unsecured debt and Bad debts written off/ unsecured debt

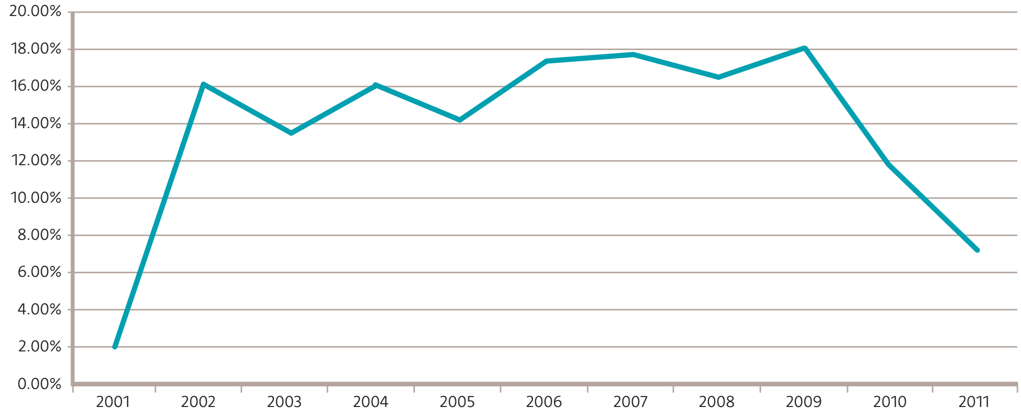


Collateral securing loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 6b describes the nature and extent of the security held against the loans held as at the balance date.

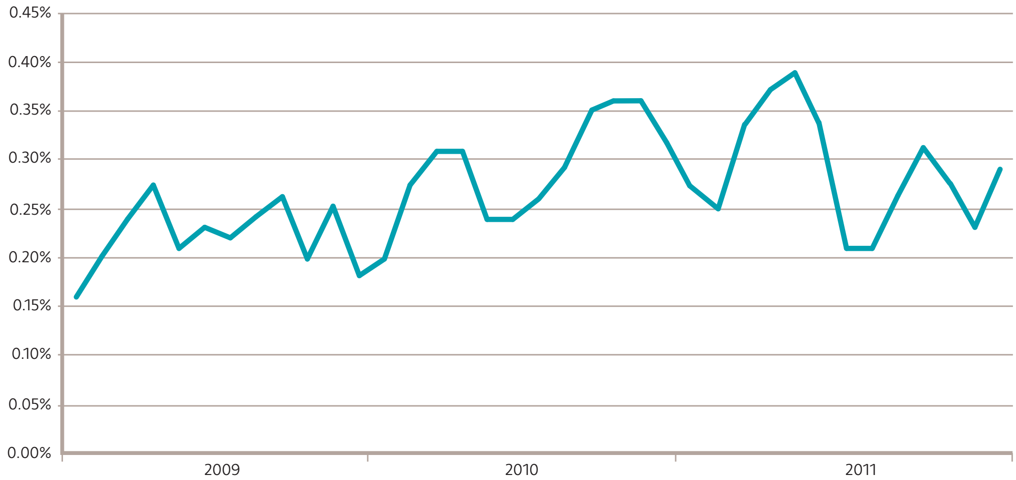
A sizeable portion of the loan book is secured on residential property in Australia. Therefore, we are exposed to risks of the reduction of the Loan to Value Ratio (LVR) should the property market be subject to a decline. The Board of Directors monitors the portion of loans that are secured by residential 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.

Percentage of mortgage portfolio in arrears



Credit risk - liquid investments

The risk of losses on liquid investments is mitigated through the application of investment limits per counterparty based upon independent ratings of counterparties and by limiting exposure to groups of counterparties within a rating band.

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

				2011
Investments with	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs-rated A-1+ or A-1 (short-term)	5	352,675,983	-	-
ADIs-rated AA or A+ (long-term)		130,000,000	-	-
ADIs-rated A-2 (short-term)	7	186,817,980	-	-
ADIs-rated A-3 (short-term)	1	12,000,000	-	-
Total	13	681,493,963	-	-

				2010
Investments with:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs-rated A-1+ or A-1 (short-term)	7	377,879,014	-	-
ADIs-rated AA (long-term)		130,000,000	-	-
ADIs-rated A-2 (short-term)	6	101,000,000	-	-
Total	13	608,879,014	-	-

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 8.

Capital management

Capital levels are managed to ensure compliance with the Australian Prudential Regulation Authority requirements. Those requirements encompass a framework of three pillars.

Pillar 1 - Minimum capital requirements, including a specific capital charge for operational risk.

Pillar 2 - Enhanced supervision of capital management including the application of an internal capital adequacy assessment process.

Pillar 3 - More extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by Australian Prudential Regulation Authority prudential standards. These standards act to deliver capital requirements in respect of credit risk, market risk and operational risk.

Credit risk

Credit risk is measured using the Standardised Approach defined in Prudential Standard APS112. The capital charge attached to each asset is based on weightings prescribed in Australian Prudential Standards as detailed in the table below.

'On statement of financial position' exposures	Carrying value	Risk weighting	Risk weighted amount
Cash	1,403,781	0%	-
Deposits in highly rated ADIs	556,493,963	20%	111,298,793
Deposits in less highly rated ADIs	125,000,000	50%	62,500,000
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	1,943,186,080	35%	680,115,128
Standard loans secured against eligible residential mortgages over 80% LVR	485,014,648	50-75%	245,909,346
Other standard mortgage loans	7,249,050	100%	7,249,050
Non standard mortgage loans	463,684	35-100%	400,813
Other loans	339,675,244	100%	339,675,244
Other assets	52,737,304	100%	52,737,304
Total	3,511,223,754		1,499,885,678

'Off statement of financial position' exposures	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk weighted amount
Loans approved and not advanced	105,531,304	100%	105,531,304	35%-100%	55,285,168
Redraws available	253,276,314	50%	126,638,157	35%-100%	50,529,981
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	241,043,856	0%	-	-	-
Possible contribution to CUFSS	112,110,665	0%	-	-	-
Total	711,962,239		232,169,561		105,815,249
Total weighted credit risk exposures					1,605,700,927

Market risk

The credit union is not required to allocate capital against market risk as no trading activity is undertaken and the Standardised Approach does not result in any allocation against interest rate risk in the banking book.

Operational risk

Operational risk is measured using the Standardised Approach defined in Prudential Standard APS114. The capital charge is based upon portfolio balances and revenue streams with scaling and risk factors applied to reflect the Australian Prudential Regulation Authority's assessment of the particular risk profiles.

Operational risk capital requirement for retail banking	**31-Dec-08**	**30-Jun-09**	**31-Dec-09**	**30-Jun-10**	**31-Dec-10**	**30-Jun-11**
Total gross outstanding loans and advances for retail banking	2,147,790,127	2,196,038,725	2,313,217,856	2,436,539,080	2,562,109,970	2,771,806,877
- multiplied by 3.5% scaling factor	75,172,654	76,861,355	80,962,625	85,278,868	89,673,849	97,013,241
- multiplied by 12% risk factor	9,020,719	9,223,363	9,715,515	10,233,464	10,760,862	11,641,589
Average of the 6 half year results = Total operational risk capital requirement for retail banking						10,099,252

Operational risk capital requirement for commercial banking						
Total gross outstanding loans and advances for commercial banking	664,669,204	648,421,913	490,890,671	608,957,249	588,319,324	689,062,584
- multiplied by 3.5% scaling factor	23,263,422	22,694,767	17,181,173	21,313,504	20,591,176	24,117,190
- multiplied by 15% risk factor	3,489,513	3,404,215	2,577,176	3,197,026	3,088,676	3,617,579
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						3,229,031

Operational risk capital requirement for all other activity						
Adjusted gross income	1,667,570	2,398,969	1,921,721	2,808,222	2,111,070	3,401,488
- multiplied by 18% risk factor	300,163	431,814	345,910	505,480	379,993	612,268
Average of the 3 annual results = Total operational risk capital requirement for all other activity						858,542
Total operational risk capital requirement						14,186,825
Risk Weighted Asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50						177,335,316
Total credit and operational risk weighted						1,783,036,243

Capital resources

Tier 1 capital

- The majority of Tier 1 capital consists 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 Australian Prudential Standards. Tier 2 capital generally comprises a reserve for credit losses.

A minimum capital ratio of 8% is required to be maintained at all times. Our policy requires reporting to the Board of Directors and the regulator if the capital ratio falls below 13.70%.

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The credit union manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. Further, a 3 year capital projection is maintained to assess how strategic decisions or trends may impact on the level of capital. A stress test based on various asset growth and profitability assumptions is conducted at least annually.

Capital in the credit union is made up as follows

	2011	**2010**
Tier 1 Retained earnings	271,331,159	244,629,810
- Less prescribed deductions	(8,864,035)	(8,112,598)
Net Tier 1 capital	262,467,124	236,517,212
Tier 2 Reserve for credit losses	18,820,676	16,379,099
- Less prescribed deductions	(2,191,166)	(2,191,166)
Net Tier 2 capital	16,629,510	14,187,933
Total capital	279,096,634	250,705,145

The capital ratio as at the end of the financial year over the past 4 years is as follows

2011	**2010**	**2009**	**2008**
15.65	16.03	15.50	15.80

Pillar 2 risk capital

Pillar 2 of the Prudential Framework relates to any risk factor to which an ADI might be exposed that is not included in Pillar 1.

These risks fall into 3 categories.

- Pillar 1 risks not fully captured by the Pillar 1 process, for example credit concentration risk.
- Inherent risks not covered by Pillar 1, including:
  - interest rate risk in 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 documents, analyses and sets its own internal capital requirements to meet Pillar 2 risks. 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 judgment of senior management and the Board of Directors.

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 risks.

Internal capital adequacy management

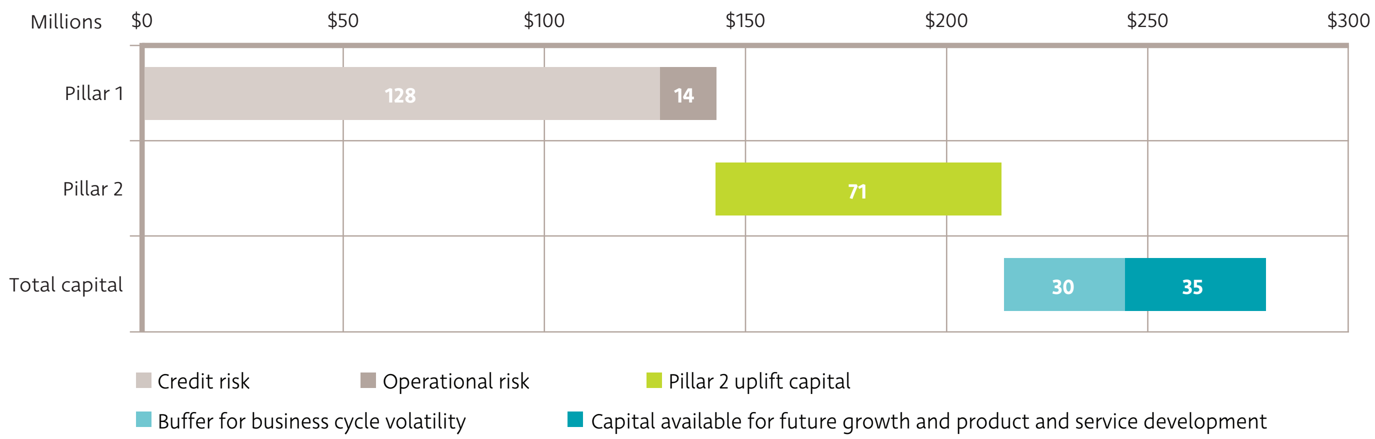
The credit union manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board of Directors in its capacity as the primary governing body. The capital required for any change in the credit union's forecasts for asset growth or unforeseen circumstances are assessed by the board. The capital resource model is then produced for further Board consideration.

Contingency buffer

The credit union applies a contingency buffer of 1.70% to target minimum levels of capital and when preparing its Capital Management Plan. Historical fluctuations are reviewed when assessing potential volatility of the risks identified above.

	RWA	Minimum capital required	% Equivalent of RWA
Operational risk	177,335,316	14,186,825	8.00%
Credit risk	1,605,700,927	128,456,074	8.00%
Total	1,783,036,243	142,642,899	8.00%
Pillar 2 uplift capital		71,321,450	4.00%
ICAAP capital required		213,964,349	12.00%
Buffer for business cycle volatility		30,311,616	1.70%
Capital available for future growth and product and service development		34,820,669	1.95%
Risk-based capital ratio		279,096,634	15.65%
Tier 1 capital ratio		262,467,124	14.72%
Tier 2 capital ratio		16,629,510	0.93%

Categorisation of capital



19. Categories of financial instruments

a. The following information classifies the financial instruments into measurement classes

Financial assets - carried at amortised cost	Note	2011 $'000	2010 $'000
Cash on hand and deposits at call		345,080	19,351
Receivables from financial institutions	4	337,818	591,000
Receivables	5	27,259	18,103
Loans and advances to members	6 & 7	2,774,659	2,432,591
Total carried at amortised cost		3,484,816	3,061,045
Available for sale investments-carried at fair value	8	4,383	4,383
Total financial assets		3,489,199	3,065,428

Financial liabilities - carried at amortised cost	Note	2011 $'000	2010 $'000
Financial institution deposits		53,967	58,993
Wholesale deposits		43,893	21,110
Retail deposits	12	3,105,674	2,728,721
Creditors, accruals and settlement accounts	13	12,608	14,790
Total carried at amortised cost		3,216,142	2,823,614
Total financial liabilities		3,216,142	2,823,614

b. Assets measured at fair value

Fair value measurement at end of the reporting period using	Balance $'000	Level 1	Level 2	Level 3
Available for sale investments	4,383	-	-	4,383

The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). Due to the lack of publicly available data on the transfer of these shares; the credit union has measured the shares at cost.

20. Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

2011 Assets $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**>5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash on hand and deposits at call	345,080	-	-	-	-	-	345,080	345,080
Receivables from financial institutions	197,818	90,000	50,000	-	-	-	337,818	337,818
Receivables	13,621	10,067	6,752	-	-	-	30,440	27,259
Loans and advances to members	38,225	75,895	333,297	1,133,338	3,860,802	-	5,441,557	2,774,659
Available for sale investments	-	-	-	-	-	4,383	4,383	4,383
Total financial assets	594,744	175,962	390,049	1,133,338	3,860,802	4,383	6,159,278	3,489,199
2011 Liabilities $'000								
Financial institutions deposits	31,357	20,795	2,088	-	-	-	54,240	53,967
Wholesale deposits	19,622	15,355	9,308	-	-	-	44,285	43,893
Retail deposits	1,368,937	605,477	1,008,541	180,785	-	2,086	3,165,826	3,105,674
Creditors, accruals and settlement accounts	12,608	-	-	-	-	-	12,608	12,608
Total financial liabilities	1,432,524	641,627	1,019,937	180,785	-	2,086	3,276,959	3,216,142
2010 Assets $'000								
Cash on hand and deposits at call	19,351	-	-	-	-	-	19,351	19,351
Receivables from financial institutions	318,000	138,000	5,000	130,000	-	-	591,000	591,000
Receivables	9,348	1,277	146	18,596	-	-	29,367	18,103
Loans and advances to members	34,826	69,160	303,293	994,163	3,262,652	-	4,664,094	2,432,591
Available for sale investments	-	-	-	-	-	4,383	4,383	4,383
Total financial assets	381,525	208,437	308,439	1,142,759	3,262,652	4,383	5,308,195	3,065,428
2010 Liabilities $'000								
Financial institution deposits	32,858	26,390	-	-	-	-	59,248	58,993
Wholesale deposits	3,078	9,846	6,183	2,370	-	-	21,477	21,110
Retail deposits	1,206,274	470,262	893,361	209,871	-	1,804	2,781,572	2,728,721
Creditors, accruals and settlement accounts	14,790	-	-	-	-	-	14,790	14,790
Total financial liabilities	1,257,000	506,498	899,544	212,241	-	1,804	2,877,087	2,823,614

21. 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.

2011 Assets $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**Non interest bearing**	**Total**
Cash on hand and deposits at call	343,676	-	-	-	1,404	345,080
Receivables from financial institutions	197,818	90,000	50,000	-	-	337,818
Receivables	-	-	-	-	27,259	27,259
Loans and advances to members	2,410,847	30,182	124,438	212,279	226	2,777,972
Available for sale investments	-	-	-	-	4,383	4,383
Total financial assets	2,952,341	120,182	174,438	212,279	33,272	3,492,512
2011 Liabilities $'000						
Financial institution deposits	31,272	20,663	2,032	-	-	53,967
Wholesale deposits	19,582	15,197	9,114	-	-	43,893
Retail deposits	1,368,368	599,559	968,570	167,091	2,086	3,105,674
Creditors, accruals and settlement accounts	-	-	-	-	12,608	12,608
On statement of financial position	1,419,222	635,419	979,716	167,091	14,694	3,216,142
Undrawn loan commitments Note 23a, 23b, 23c	599,851	-	-	-	-	599,851
Total financial liabilities	2,019,073	635,419	979,716	167,091	14,694	3,815,993
2010 Assets $'000						
Cash on hand and deposits at call	17,879	-	-	-	1,472	19,351
Receivables from financial institutions	318,000	138,000	5,000	130,000	-	591,000
Receivables	-	-	-	-	18,103	18,103
Loans and advances to members	2,011,690	30,587	223,317	169,316	235	2,435,145
Available for sale investments	-	-	-	-	4,383	4,383
Total financial assets	2,347,569	168,587	228,317	299,316	24,193	3,067,982
2010 Liabilities $'000						
Financial institution deposits	32,758	26,235	-	-	-	58,993
Wholesale deposits	3,070	9,781	6,000	2,259	-	21,110
Retail deposits	1,205,886	466,346	862,669	192,016	1,804	2,728,721
Creditors, accruals and settlement accounts	-	-	-	-	14,790	14,790
On statement of financial position	1,241,714	502,362	868,669	194,275	16,594	2,823,614
Undrawn loan commitments Note 23a, 23b, 23c	527,984	-	-	-	-	527,984
Total financial liabilities	1,769,698	502,362	868,669	194,275	16,594	3,351,598

22. 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 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.

			2011 $'000			2010 $'000
Assets	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	345,080	345,080	-	19,351	19,351	-
Receivables from financial institutions	337,613	337,818	(205)	590,655	591,000	(345)
Receivables	27,259	27,259	-	18,103	18,103	-
Loans and advances to members	2,774,178	2,774,659	(481)	2,431,262	2,432,591	(1,329)
Available for sale investments	4,383	4,383	-	4,383	4,383	-
Total financial assets	3,488,513	3,489,199	(686)	3,063,754	3,065,428	(1,674)
Liabilities						
Financial institution deposits	53,965	53,967	(2)	58,984	58,993	(9)
Wholesale deposits	43,886	43,893	(7)	21,070	21,110	(40)
Retail deposits	3,114,304	3,105,674	8,630	2,735,484	2,728,721	6,763
Creditors, accruals and settlement accounts	12,608	12,608	-	14,790	14,790	-
Total financial liabilities	3,224,763	3,216,142	8,621	2,830,328	2,823,614	6,714

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 value of cash is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of receivables from other financial institutions. The rates applied to give effect to the discount of cash flows were 4.76%-6.00% (2010 4.50%-5.90%).

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 statement of financial position 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 6.55%-11.50% (2010 6.40%-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 at call and variable rate deposits is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of 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 5.67%-6.25% (2010 5.52%-6.06%).

Wholesale deposits: The rates applied to give effect to the discount of cash flows were 5.55%-6.32% (2010 5.84%-6.89%).

Retail deposits: The rates applied to give effect to the discount of cash flows were 2.67%-6.24% (2010 2.41%-6.58%).

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.

23. Financial commitments

a. Outstanding loan commitments

	2011 $'000	2010 $'000
The loans approved but not funded	105,531	76,255

b. Loan redraw facilities

	2011 $'000	2010 $'000
The loan redraw facilities available	253,276	218,450

c. Undrawn loan facilities

	2011 $'000	2010 $'000
Loan facilities available to members for overdrafts and credit cards are as follows		
Total value of facilities approved	334,911	321,155
Less: Amount advanced	(93,867)	(87,876)
Net undrawn value	241,044	233,279

d. Future capital commitments

The credit union has entered into a contract to purchase motor vehicles for which the amount is to be paid over the following periods:-

	2011 $'000	2010 $'000
Not later than one year	-	25

e. Computer capital commitments

	2011 $'000	2010 $'000
Not later than one year	384	-
Total	384	-

f. Lease expenditure commitments

	2011 $'000	2010 $'000
Operating leases on property occupied by the credit union		
Not later than one year	682	668
Later than 1 year but not 2 years	596	1,308
Later than 2 years but not 5 years	108	189
Total	1,386	2,165

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.

24. Standby borrowing facilities

The credit union has borrowing facilities with Cuscal as follows:

2011 $'000	Gross	Current borrowings	Net available
Loan facility	30,000	-	30,000
Overdraft facility	20,000	-	20,000
Total standby borrowing facilities	50,000	-	50,000

2010 $'000	Gross	Current borrowings	Net available
Loan facility	30,000	-	30,000
Overdraft facility	20,000	-	20,000
Total standby borrowing facilities	50,000	-	50,000

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.

25. 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.

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.

26. 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 seven members of the executive management (2010-2011) 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:

					2011 $'000
Directors	**Short-term**	**Post-employment**	**Motor vehicle**	**Net increases in long service leave provision**	**Total**
Short-term employee benefits					
J Kouimanos	6	49	9	-	64
L Green	49	4	-	-	53
T Carlin	37	3	-	-	40
M Collopy	48	5	-	-	53
A FitzGerald	6	44	-	-	50
S Jacob	5	1	-	-	6
J Leete	42	5	-	-	47
G Lockwood	46	4	-	-	50
C McEvedy	44	4	-	-	48
M O'Halloran	37	9	-	-	46
Short-term employee benefits – other	28	-	-	-	28
Reimbursement to Employer	10	-	-	-	10
Total	358	128	9	-	495
Other KMP	2,197	193	73	193	2,656
					2010 $'000
Directors	296	88	11	-	395
Other KMP	1,936	210	60	66	2,272

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 Meeting 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 statement of financial position items.

c. Loans to Directors and other Key Management Persons

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.

			2011 $'000			2010 $'000
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	466	27	148	1,432	50	244
Balance	3,911	79	56	3,220	80	68
Amounts disbursed or facilities increased in the year	4,377	106	204	4,652	130	312
Interest and other revenue earned	286	9	10	191	8	11

Other transactions between related parties including deposits from Directors and other KMP are	2011 $'000	2010 $'000
Total value term and savings deposits from Directors and KMP	4,147	4,616
Total interest paid on deposits to Directors and KMP	155	72

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.

27. Economic dependency

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

Cuscal Limited (Cuscal)

This company 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 and 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.

28. Segmental reporting

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

29. Superannuation liabilities

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

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 NGS Super Plan (or it's predecessor fund) 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.

As at the date of the asset transfer to NGS Super effective 1st April 2011, Cuesuper's actuary, Julian Hotz of Mercer (Australia) Pty Ltd, confirmed that Cuesuper had sufficient assets to cover vested benefits.

30. 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 (2010 $nil) to Integris. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to 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.

	2011 $'000	2010 $'000
The amount of securitised loans under management	1,418	1,931

31. Notes to Statement of cash flows

a. Reconciliation of cash

	2011 $'000	2010 $'000
Cash includes cash on hand, and deposits at call with other financial institutions and comprises		
Cash on hand and deposits at call	345,080	19,351

b. Reconciliation of cash from operations to accounting profit

	2011 $'000	2010 $'000
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	29,143	24,669
Add (less):		
- Provision for impairment and bad debts written off (net)	1,866	1,677
- Depreciation of property, plant and equipment	3,890	4,152
- Provision for employee entitlements	1,718	999
- Other provisions	201	564
- Loss on disposal of plant and equipment (net)	28	(1)
- Bad debts recovered	(883)	(1,055)
Changes in assets and liabilities		
- Prepaid expenses and sundry debtors	237	(664)
- Accrued expenses and sundry creditors	794	(748)
- Interest receivable	(6,167)	(6,808)
- Interest payable	4,908	(3,436)
- Other income receivable	4	126
- Unearned income	216	104
- Increases in loans and advances to members	(343,293)	(240,385)
- Increase in retail deposits	366,145	130,096
- Provision for income tax	165	1,071
- Deferred tax assets	(839)	(657)
Net cash from operating activities	58,133	(90,296)

32. 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.

33. Corporate information

The credit union is a company limited by shares, and is registered under the Corporations Act (Cth) 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.

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Cuscal Ltd
World Council of Credit Unions