POLICE CREDIT UNION

annualreport 2010

POLICE CREDIT UNION

For You, Your Family, Your Future.

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MISSION STATEMENT

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

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

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

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

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

KEY STATISTICS

Membership

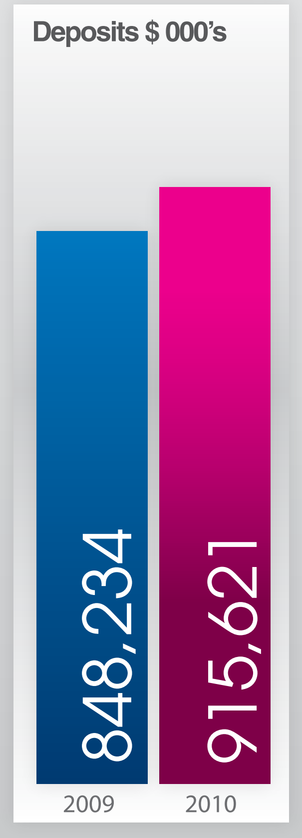
2010 73,877

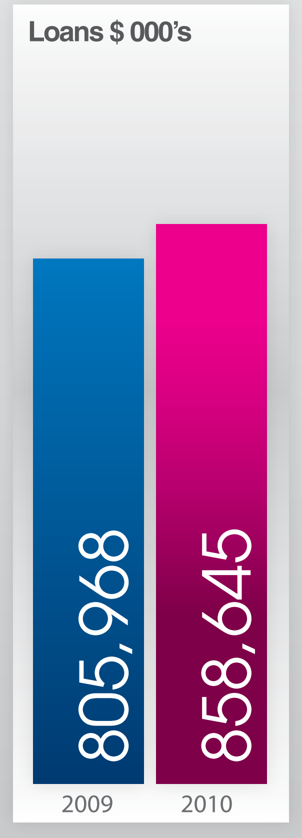
2009 73,681

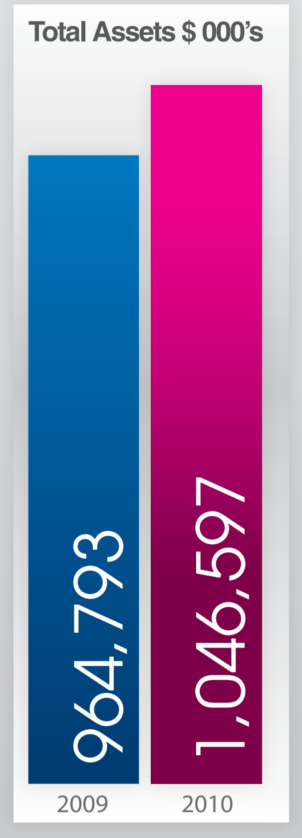
Capital Adequacy

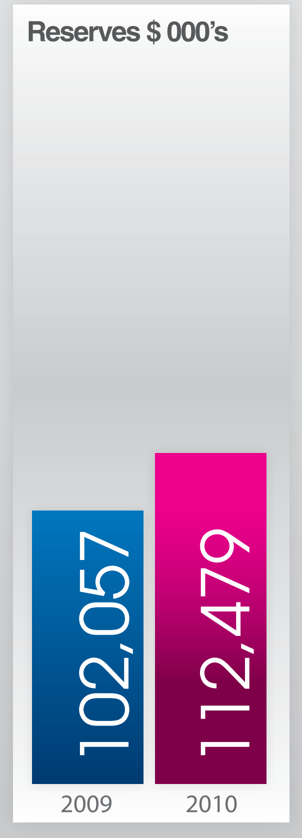
2010 19.45%

2009 18.13%









DIRECTORS' REPORT

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June, 2010.

DIRECTORS' DISCLOSURES

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

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

MEETINGS ATTENDED

	Board		Audit Committe		Other Committees	
	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend
Moroney	11	12	-	-	3	3
Lauer	11	12	-	-	14	15
Biscoe	12	12	4	4	12	12
Del Vecchio	12	12	4	4	7	7
Green	12	12	4	4	4	4
Loughlin	12	12	4	4	7	7
Taylor	11	12	-	-	17	18
Walton	12	12	4	4	4	4

DIRECTORS' BENEFITS

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

INDEMNIFICATION AND INSURANCE

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

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

SHARE OPTIONS

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The Credit Union's profit after providing for income tax and Minority Equity Interest amounted to $10,715,296. The previous year's comparable result was $6,309,275. This being an increase in profit for the year of $4,406,021. The primary contributing factor was the upward movement in the Fair Value of Interest Rate Swaps for the year of $1,324,354 which was written back as profit. The Credit Union only uses the Swaps to hedge a position and all Swaps are held to maturity. Assets increased during the year by $81.8M from $964.8M to $1,046.6M. The years growth had no impact on the capital adequacy ratio which increased from 18.13% to 19.45%. At 19.45% the capital adequacy ratio remains well above the statutory minimum of 8%.

These results were achieved in an environment where global financial markets continued to be under stress. During the same period intense competition continued. The results reflect the continuing support of the Membership for the products and services offered by the Credit Union and the ongoing attention given by both the Board and Management to Member service, relevant products and the control of costs. It is envisaged that the results for the year ending 30 June 2011 will be similar to those achieved in 2010.

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

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

During the year a number of significant events took place:

- **Recognition of staff.** Each year a number of staff are recognised as "Star Achievers" for going beyond what is considered normal levels of service to Members (and in support of other staff in their duties). "Star Achievers" are determined through a peer nomination system whereby staff are encouraged to put forward a colleague who met the required criteria. A management panel then considers all nominations. This year we are proud that the following staff were awarded the Star Achievers for 2010:

  Venita Alexander - Newcastle Branch;
  Eva Csanalosi - Assistance Centre;
  Liz Dowd - Marketing;
  George Duffield - PCU Direct; and
  Kylie Harris - Transaction Services.

- **Reserve Bank Re-Purchase Facility.** PCU's risk management has been strengthened with the implementation of a re-purchase facility with the Reserve Bank. As a result of this program, the Credit Union's liquidity has been further diversified providing greater access to funds and a higher level of security overall for the organisation. This initiative allows PCU to borrow money under contractual arrangements from the Reserve Bank for a fixed period. This new development highlights the diversity of funding that is now available and places the organisation in a position of strength in times of market volatility.

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

- **New Customs Credit Union Branches.** As part of the launch of Customs Credit Union (CCU) from the recent merger of HMC Credit Union, two new CCU branches were opened during the year at Custom's House Headquarters in both Mascot and Canberra, These modern facilities provide our current and future Custom's Members with a more convenient banking service and is part of our strategy to expand our product offerings into this new market.

- **Additional Products:**

  Visa Chip Cards: PCU improved its Visa Card security during the year with the launch of new microchip technology. Chip cards offer a more secure way to process card transactions as each transaction is unique and generates a different identification. This process makes counterfeit activity more difficult, reducing the risk of processing a lost or stolen card transaction. Chip cards also protect against skimming.

  Website Improvements: An upgrade occurred during the year of both the Police and Customs Credit Union websites. Members are now able to experience improved online navigation as well as easier search functions through quicklinks and drop-down menus making the websites overall more user friendly.

  Electronic Statements: We were pleased to be able to offer Members the opportunity to receive their monthly statements electronically rather than via mail. This option allows Members to obtain their statements in an easier, faster and simpler manner as well as contributing positively towards the environment. The statements are housed within a secure site which is protected by a range of measures from firewalls to data encryption.

- **Events:**

  Annual Police Games: PCU was once again a proud sponsor of the NSW Police Games. Held annually in March, the Games stage around 30 sports with the theme of encouraging integrity, fair play, team work and co-operation. The Games are a wonderful opportunity for PCU to support many of our Members and promote our services.

  Family Fun Days: This year two days were held at Luna Park. The event is designed to provide an opportunity to show appreciation to Members for their support of PCU. In all over 600 Members took the opportunity to enjoy a family oriented day at an iconic venue.

  Annual Charity Golf Day: PCU held its Annual Charity Golf Day on 3 May 2010 at Bexley Golf Course. The event was very successful with all money raised from the day being donated to the Police Trauma Support Group.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
There were no significant changes in the state of the affairs of the Credit Union during the year.

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

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

LIKELY DEVELOPMENTS AND RESULTS

The likely developments in the operations of the Credit Union and the expected results of those operations in the financial year subsequent to the year ended 30 June 2010 are as follows:

- The Board of Directors anticipate that the profit will be in the vicinity of 0.8% - 0.95% return on average assets.

- Planned capital expenditure on infrastructure amounts to $1.2M for the year ending 30 June 2011. This covers general equipment and core banking upgrades.

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

  (i) The operations of the Credit Union;

  (ii) The results of those operations; or

  (iii) The state of affairs of the Credit Union.

  In the financial years subsequent to this financial year.

The Auditors have provided the Declaration of Independence to the Board as prescribed by the *Corporations Act* 2001 as set out on this page.

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

As lead Auditor of The Police Department Employees' Credit Union Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

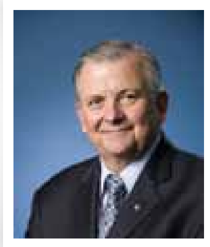
(ii) any applicable code of professional conduct in relation to the audit.

Neville Sinclair
Director

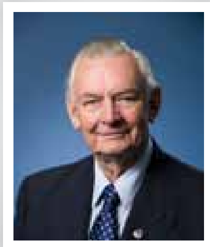
BDO Audit (NSW-VIC) Pty Ltd
Chartered Accountants

Signed in Sydney this 21st day of September 2010

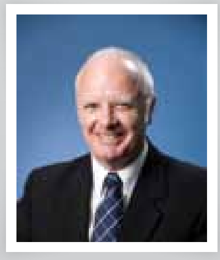
INFORMATION ON DIRECTORS AND SECRETARY



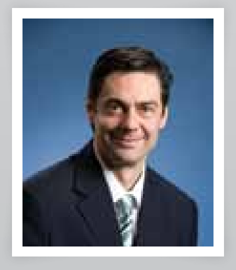
Mr K E Moroney AO, APM	**Chairman**
	Remuneration Committee (Chairman)
Age	65
Qualifications	Doctor of the University, Hons Causa (Charles Sturt University)
	Master of Arts (Macquarie University)
	Diploma Justice Administration (Charles Sturt University)
	Graduate Diploma Management (Macquarie University)
Other Qualifications	Officer in the Order of Australia (General Division)
	Former Commissioner, NSW Police
	Former Deputy President, Police Association of NSW
	Life Member, Police Association of NSW
	Holder of Australian Police Medal for Distinguished Service
	Member, Australian Mutuals Institute
	Graduate, Federal Bureau of Investigation Academy (Quantico, Virginia, USA)
	Board Member since 1994
Other Responsibilities Include	Chairman, ANPR Steering Committee, Crimtrac (Federal Attorney General's Department)
	Chairman, National Case Management Steering Committee, Crimtrac (Federal Attorney General's Department)
	Chairman & Presiding Officer, Australian Graduate School of Policing, Manly
	Chairman, Board of Management, Leadership Development Centre, NSW Police
Experience	Member, State Parole Authority
	Member, Board & State Council St John's Ambulance NSW
	Member, Conduct Division, Judicial Authority
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union



Mr A R Lauer	**Deputy Chairman**
	Credit Committee (Chairman)
	Risk Management & Compliance Committee
Age	74
Qualifications	Diploma in Criminology (University of Sydney) (1973)
	Graduate, NSW Police Senior Executive Course (Merit) (Australian Police College) (1986)
	Graduate, Senior Executive Police Officer Course (Australian Police Staff College) (1987)
	Graduate, Seventeenth National Executive Institute – Federal Bureau of Investigation Academy (Quantico, Virginia, USA) (1994)
	Honorary Fellow, NSW Police Academy (1996)
	Associate Fellow, Australian Mutuals Institute (1996)
Experience	Career Police Officer (1955 – 1996)
	President, Police Association of NSW (1979 – 1982)
	Commissioner of Police 1991 – 1996
	Board Member since 1997
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

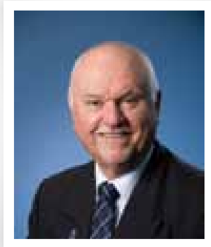


Mr P T Biscoe	**Director**
	Credit Committee
	Remuneration Committee
Age	59
Qualifications	Member of the Australian Mutuals Institute
Experience	President of the Retired Police Association
	Police Legacy Legator
	Police RSL Sub-Branch Member
	Board Member since 2000
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

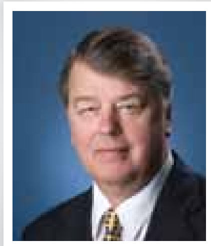


Mr R Del Vecchio	**Director**
	Corporate Governance Committee (Chairman)
	Audit Committee
	Risk Management & Compliance Committee
Age	41
Qualifications	Graduate, Australian Institute of Company Directors
	Post Graduate Diploma in Criminology
	Bachelor of Policing
Experience	Member, Australasian Mutuals Institute
	Current Head – Administrative Services, Police Association of NSW
	Chairman, Police Shop of NSW
	Director, Police Legacy NSW
	Member, Police Superannuation Advisory Board
	Senior management positions within financial institutions – specialising in fraud identification, risk management & card operations

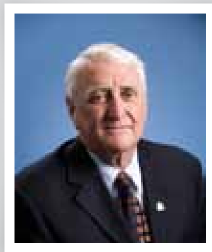
	Co-author of ACTU publication on Financial Best Practices in Trade Unions (nationally published) Board Member since April 2008
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union



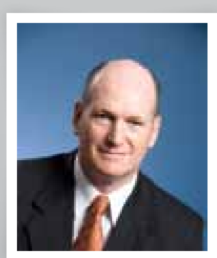
Mr G R Green	Director Audit Committee Corporate Governance Committee Remuneration Committee
Age	65
Qualifications	L.L.B. (Hons) Barrister of the Supreme Court of NSW Fellow, Australasian Mutuals Institute
Experience	Former Secretary Legal & Senior Vice President of the Police Association of NSW Life Member, Police Association of NSW Member, Retired Police Association Board Member since 1989
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union



Mr G J Loughlin	Appointed Director Risk Management & Compliance Committee (Chairman) Audit Committee Corporate Governance Committee
Age	59
Qualifications	Bachelor of Arts, Hons (Adelaide) Graduate Certificate Management (Monash University) Member, Australian Institute of Company Directors Associate, Chartered Secretaries Australia
Experience	2004 – Manager Group Strategic Development & Company Secretary, DataDot Technology Limited Honorary Auditor of the Retired Police Association of NSW Inc. 1989 – 2001 Non-Executive Director, Data Advantage Limited 1981 – 2001 General Manager, Credit Union Services Corporation (Aust) Limited 1986 – 1990 Member, Australian Housing Council 1985 – 1991 Member, Australian Payments System Council 1981 – 1985 Non-Executive Director, Jetset Tours (SA) Pty Ltd 1981 – 1985 Member, SA Credit Union Stabilization Board 1979 – 1981 Executive Assistant, SA Premier & Treasurer Appointed Director April 2008
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

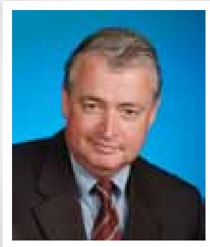


Mr L W Taylor	Director Corporate Governance Committee Credit Committee Risk Management & Compliance Committee
Age	69
Qualifications	Mediator, Australian Commercial Disputes Centre Fellow, Australasian Mutuals Institute
Experience	Former President, Federation of Police Credit Unions (Australia) (1999 – 2006) Convenor, Juvenile Justice (1997 – 2009) Deputy Chairman, 1992 – 1996, Chairman (1996 – 2001) Former Audit Chairman Former Secretary Administration, Police Association of NSW Former President, Police Association of NSW Life Member, Police Association of NSW Life Member, Police Federation of Australia & New Zealand Board of Management, Retired Police Association Member, Police Education Advisory Committee (1988 – 1996) Member, Police Superannuation Advisory Committee (1986 – 1997) Former Honorary Secretary, Police Legacy Board Member since 1988
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union



Mr D C Walton	Director Audit Committee (Chairman) Risk Management & Compliance Committee
Age	45
Qualifications	Bachelor of Business Master of Management & Leadership Company Directors Course Diploma, Australian Institute of Company Directors

	Fellow, Australian Institute of Company Directors
	Member, Australasian Mutuals Institute
Experience	Former, NSW Police Fraud Squad & Detective Inspector of Police
	Volunteer Auditor, Police RSL Sub-Branch
	Volunteer Auditor, Police Provident Fund (2006 – 2010)
	Casual Academic Staff (Charles Sturt University) (Graduate School of Policing & Faculty of Arts) (1997 – 2008)
	Casual Academic Staff, University of Western Sydney (Faculty of Arts, Policing Studies) (1999)
	Executive Manager Audit & Risk, Energy Australia
	Board Member since 2001
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union
Mr B A Williams	Secretary
Qualifications	Master of Business in Finance
	FCIS
Experience	38 years of experience in banking and finance
Directorships	Credit Union Financial Support System Limited
	Chelsea Wealth Management Pty Limited.



DIRECTORS' DECLARATION

ACKNOWLEDGMENTS

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

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

Kenneth E Moroney
Chairman
23rd September 2010

Anthony R Lauer
Deputy Chairman

The Police Department Employees' Credit Union Limited

DIRECTORS' DECLARATION

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

1 The financial statements comprising Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Members Equity, Statement of Cash Flows, and accompanying notes related thereto, 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 30 June 2010 and the performance for the year ended on that date.

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

3 In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Kenneth E Moroney
Chairman
23rd September 2010

Anthony R Lauer
Deputy Chairman

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying complete set of financial statements of The Police Department Employees' Credit Union Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in members 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 for consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Complete set of financial statements

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 controls relevant to the preparation and fair presentation of the complete set of financial statements 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 complete set of financial statements, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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 complete set of financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the complete set of financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the complete set of financial statements, 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 complete set of financial statements 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 complete set of financial statements.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* provided to the Directors of The Police Department Employees' 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:

a. the complete set of financial statements of The Police Department Employees' Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*: and

b. the complete set of financial statements also complies with International Financial Reporting Standards as disclosed in Note 1.

BDO Audit (NSW-Vic) Pty Ltd

Neville Sinclair
Director

Signed in Sydney this 24th day of September 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010	2009
		$	$
Interest Revenue	2a	66,651,145	70,621,579
Borrowing Costs	2b	32,990,019	41,135,013
Net Interest Revenue		33,661,126	29,486,566
Other revenue from ordinary activities	3	8,816,994	7,793,272
Impairment losses on Loan Receivables from Members	4a	787,715	1,396,216
Fees and Commission		5,487,437	7,762,903
General Administration			
- Personnel expenses		11,661,566	10,630,676
- Depreciation and amortisation		1,752,992	2,294,080
- Lease expenses		859,223	1,038,218
- Other administration expenses		3,908,257	2,737,285
Other operating expenses		3,110,956	3,881,574
Operating Profit before Income Tax		14,909,974	7,538,886
Income Tax Expense	5	4,194,507	1,236,364
Operating Profit after Income Tax		10,715,467	6,302,522
Minority Equity Interest Adjustment		(171)	6,753
Profit attributable to Members of the parent entity		10,715,296	6,309,275
Other comprehensive income		-	-
Total comprehensive income		10,715,296	6,309,275

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

STATEMENT OF CHANGES IN MEMBER EQUITY

Consolidated	Capital Account	Retained Profits	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Transfer of Engagements Reserve	Other Reserves	Total
Balance 1 July 2008	277,270	56,477,607	2,616,126	293,565	1,430,212	-	32,005,795	93,100,575
Operating Profit for the year	-	6,302,522	-	-	-	-	-	6,302,522
Profit attributable to minority shareholders	-	6,753	-	-	-	-	(6,713)	40
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	15,670	(15,670)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(120,000)	120,000	-	-		-	-
Transfer of Engagements	-	-	110,180	84,106	-	2,459,628	-	2,653,914
Balance 30 June 2009	292,940	61,451,212	2,846,306	377,671	1,430,212	2,459,628	33,199,082	102,057,051
Balance 1 July 2009	292,940	61,451,212	2,846,306	377,671	1,430,212	2,459,628	33,199,082	102,057,051
Operating Profit for the year	-	10,715,467	-	-	-	-	-	10,715,467
Profit attributable to minority shareholders	-	(171)	-	-	-	-	211	40
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	21,270	(21,270)	-	-	-	-	-	-
- Reserves for Credit Losses	-	-	-	-	-	-	-	-
- Tax Adjustments Prior Year		(293,226)	-	-	-	-	-	(293,226)
- Revaluation Reserve		-	-	-	-	-	-	-
Transfer of Engagements			-	(84,105)	-	84,105	-	-
Balance 30 June 2010	314,210	70,652,012	2,846,306	293,566	1,430,212	2,543,733	34,399,293	112,479,332

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 2010	2009
ASSETS		$	$
Cash and Liquid Assets	6	11,606,938	7,884,456
Receivables due from other Financial Institutions	7	163,500,000	133,486,482
Accrued Receivables	8	2,634,141	2,358,949
Investment Securities	9	-	6,200,822
Loans and Advances	10 & 11	857,424,598	804,791,745
Available for Sale Investments	12	5,610,154	3,183,414
Property Plant and Equipment	13	3,880,559	4,339,234
Intangible Assets	14	400,142	771,569
Taxation Assets	15	1,540,478	1,775,845
Derivative Fair Value		-	-
TOTAL ASSETS		1,046,597,010	964,792,516
LIABILITIES			
Payables to other Financial Institutions	16	-	-
Deposits and Borrowings	17	915,621,165	848,234,424
Creditors and other Liabilities	18	13,294,363	9,554,020
Provisions	19	3,223,968	2,699,643
Taxation Liabilities	20	1,447,665	392,507
Derivative Fair Value	26	530,517	1,854,871
TOTAL LIABILITIES		934,117,678	862,735,465
NET ASSETS		112,479,332	102,057,051
MEMBER FUNDS			
Capital Account	21	314,210	292,940
Reserves		41,510,850	40,310,810
Retained Profits		70,652,012	61,451,212
Minority Equity Interest		2,260	2,089
TOTAL MEMBER FUNDS		112,479,332	102,057,051

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

1 Statement of Accounting Policies

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

a. Basis of Measurement

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

b. Loans to Members

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the 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. A loan is classified as impaired where recovery of the debts is considered unlikely as determined by the Board of Directors.

(i) Interest on Loans - Method of Calculation

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

(ii) Non Accrual Loan Interest

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

(iii) Loan Fees

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

(iv) Transaction Costs

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

c. Principles of Consolidation

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

d. Property, Plant and Equipment

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

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

Assets less than $1,000 are not capitalised.

e. Deposits with other Financial Institutions

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

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

f. Investments and Securities

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

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

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

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

All investments are in Australian currency.

g. Member Savings

(i) Basis for Determination
Member Savings and Term Deposits are quoted at the aggregate amount of monies owing to depositors.

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

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

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

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

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

Contributions are made by the credit union to an employee's superannuation fund and are charged to the Statement of Comprehensive Income as incurred.

i. Loan Impairment

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

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

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

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

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

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

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

k. Income Tax
The income tax expense shown in the 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 balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

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

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

l. Derivative Financial Instruments

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

m. Goods and Services Tax

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

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

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

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

n. Leasehold on Premises

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the 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 5%. Increases in the provision in future years shall be recognised as part of the interest expense.

o. Intangible Assets

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

p. Impairment of Assets

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the Statement of Comprehensive Incomewhere the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time of value of money and the risks specific to the assets. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.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2 Income Statement

a) Analysis of Interest Revenue

Category of Interest Bearing Assets	Interest Revenue		Average Balance		Average Interest Rate	
	2010	2009	2010	2009	2010	2009
Cash - Deposit	380,474	568,345	6,495,499	9,520,832	5.86%	5.97%
Receivables from Financial Institutions	8,134,314	10,378,177	112,593,653	102,611,275	7.22%	10.11%
Securities - Trading	-	-	-	-	-	-
Securities - investment	-	-	-	-	-	-
Loans and Advances	58,136,357	59,675,057	840,538,580	791,507,353	6.92%	7.54%
Others	-	-	-	-	-	-
Total	66,651,145	70,621,579	959,627,732	903,639,460	6.95%	7.81%

b) Analysis of Interest Expense

Category of Interest Bearing Liabilities	Interest Expense		Average Balance		Average Interest Rate	
	2010	2009	2010	2009	2010	2009
Deposits held from other Financial Institutions	-	-	-	-	-	-
Member Deposits	30,432,306	37,344,798	881,501,460	801,684,408	3.45%	4.66%
Overdraft	68,713	52,959	1,230,260	756,276	5.59%	7.00%
Long Term Borrowings	-	957,382	-	7,000,000	-	13.68%
Others	2,489,000	2,779,874	35,000,000	1,269,672	7.11%	7.66%
Total	32,990,019	41,135,013	917,731,720	810,710,356	3.59%	4.86%

3 Profit from Ordinary Activities - Revenue

	Consolidated 2010	2009
	$	$
Dividend Revenue	313,434	816,950
Fee and Commission Revenue		
- Loan Fee Income	1,640,063	2,053,326
- Other Fee Income	2,136,064	2,282,376
- Insurance Commissions	2,078,423	1,462,138
- Other Commissions	999,285	907,483
Bad Debts Recovered	189,439	123,706
Other Revenue		
- Income from Derivative Fair Value	1,324,354	-
- Other	135,932	147,293
Total Revenue from Ordinary Activities	8,816,994	7,793,272

4 Profit from Ordinary Activities - Expenses

a. Loan Impairment Losses

	2010	2009
Increase/(decrease) in provision for impairment	(95,296)	428,639
Bad Debts written off directly against profit	883,011	967,577
Total Impairment Losses	787,715	1,396,216

b. Other Prescribed Expense Disclosures

	2010	2009
Auditor's Renumeration		
- Audit Fees	147,900	150,067
- Other Services	16,188	8,276
	164,088	158,343
Profit /(loss) on disposal of assets		
- Property, Plant and Equipment	125,436	(3,796)
Net movement in provision for depreciation		
- Buildings	30,965	32,139
- Plant and Equipment	1,141,840	1,185,592
- Leasehold Improvements	98,970	220,560
- Intangible Assets	682,225	1,134,243
Net movement in provision for		
- Employee Entitlements	441,510	525,499
- Supervision Levy	46,062	36,658
Other Expense		
- Expense from Derivative Fair Value	-	2,268,744

5 Income Tax

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

	Consolidated 2010	2009
	$	$
Prima facie tax payable on operating profit before income at 30% (2009 30%)	4,472,699	2,273,173
Add tax effect of expenses not deductible:		
- Building depreciation	9,642	9,642
- Other depreciation	-	8,417
- Entertainment	15,261	15,299
- Imputation Credit	40,299	101,608
- Provision adjustment of amortised loan fees and costs	48,146	(342,164)
- Over provision of Deferred Tax Liability for previous year	-	(246,416)
Losses brought forward from prior years	-	-
Rebate on fully franked dividends	(134,329)	(346,693)
Investment Allowance	(193,729)	(208,657)
Deductions not allowed in accounting expenses	(63,482)	(27,845)
	4,194,507	1,236,364

b. Income tax expense comprises amounts set aside as:

	2010	2009
Provision for income tax attributable to current year taxable income	3,902,968	2,939,721
Movement in future income tax benefit	235,367	(794,129)
Movement in deferred tax liability account	56,172	(928,679)
Over provision of income tax for previous year	-	19,451
	4,194,507	1,236,364

6 Cash and Liquid Assets

	2010	2009
Cash on hand	2,171,410	1,565,412
Deposits at call	8,000,000	5,000,000
Cash at Bank	1,435,528	1,319,044
	11,606,938	7,884,456

7 Receivables Due from other Financial Institutions

	2010	2009
Deposits - Term	163,500,000	133,486,482

8 Accrued Receivables

	2010	2009
Interest Receivable on deposits with other Financial Institutions	1,614,778	1,454,025
Prepayments	499,305	391,647
Sundry Debtors	520,058	513,277
	2,634,141	2,358,949

	Consolidated 2010	Consolidated 2009
	$	$
9 Investment Securities		
Bank Bills and Certificates of Deposits	-	6,200,822
10 Loans and Advances		
a. Amount Due comprises		
Overdrafts and Revolving Credit Loans	46,935,140	48,187,579
Term Loans	811,709,909	757,780,768
	858,645,049	805,968,347
Less: Provision for Impaired Loans	511,037	606,333
Less: Unamortised Loan Origination Fees	819,687	669,872
Plus: Amortised Loan Transaction Costs	110,273	99,603
Net Loans and Advances	857,424,598	804,791,745
b. Credit Quality - Security held against Loans		
Secured by Mortgage	709,469,737	655,471,827
Secured Other	72,976,767	71,543,915
Unsecured	76,198,545	78,952,605
	858,645,049	805,968,347

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

	2010	2009
- loan to valuation ratio of less than 80%;	501,235,523	501,045,602
- loan to valuation ratio of more than 80% but mortgage insured; and	175,841,492	141,944,843
- loan to valuation ratio or more than 80% and not mortgage insured.	32,392,722	12,481,382
Total	709,469,737	655,471,827

c. Concentration of Loans

(i) Individual loans which exceed 10% of Member Funds in aggregate amount to $0.00 (2009 $0.00)

(ii) Loans to Members are solely in Australia

(iii) Loan purpose dissection:

	2010	2009
- Residential	646,010,043	599,648,986
- Personal	134,494,396	137,041,867
- Commercial	63,893,706	56,333,716
- Lease	14,246,904	12,943,778
	858,645,049	805,968,347

11 Provision on Impaired Loans

	Consolidated 2010	Consolidated 2009
	$	$
a. Total Provision Comprises		
Specific Provision	-	-
Collective Provision	511,037	606,333
	511,037	606,333
b. Movement in Specific Provision		
Balance at the beginning of the year	606,333	407,874
Add: Transfers from Income Statement	-	198,459
Deduct: Bad debts written off against provision	-	-
Deduct: Transfers to Income Statement	(95,296)	-
Balance at end of year	511,037	606,333
c. The Specific Loans Provision Consists of:		
(i) Provision required under the APRA Prudential Standards	511,037	606,333
(ii) Additional specific provision	-	-
	511,037	606,333
d. Impaired Loans Written Off		
Amount written off against the provision for impaired loans	-	-
Amounts written off directly to expense	883,011	967,577
Total bad debts	883,011	967,577
Bad debts recovered in the period	189,439	123,706
e. Impaired Loan Disclosures		
Impaired Loans as at Balance Date		
Balance of the impaired loans	799,841	948,498
Estimated value of loans which is secured	260,959	292,922
Renegotiated Loans not Impaired		
Balance of the renegotiated loans	-	-
Estimated value of loans which is secured	-	-
Loans upon which Interest is not being Accrued		
Personal Loans with provision for impairment	15,281	34,344
Less: Specific provision	9,794	26,789
Loan with no provision for impairment	-	-
Total Non Accrual Loans	5,487	7,555

	Consolidated 2010 $	2009 $
Loans with repayments Past Due but not impaired (due to security held)		
- Real estate	145,507	147,229
- Other	-	-
Assets acquired via enforcement of security (excluding loans reported)		
- Real estate	-	-
- Other	18,000	-

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

	Carrying Value 2010 $	Provision 2010 $	Carrying Value 2009 $	Provision 2009 $
Mortgage Insured	1,306,626	-	1,039,361	-
30 up to 90 days in arrears	451,686	-	1,419,335	-
90 to 181 days in arrears	418,366	167,346	236,813	94,725
182 to 272 days in arrears	139,495	83,697	447,484	268,490
273 to 364 days in arrears	35,503	28,402	194,160	37,545
365 days and over in arrears	77,384	77,384	87,026	87,026
Overlimit facilities over 14 days	238,491	154,208	574,930	118,547
Total	2,667,551	511,037	3,999,109	606,333

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

Key assumptions in determining the provision for impairment

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

12 Available for Sale Investments

	Consolidated 2010	2009
Cuscal Member Shares (i)	2,507,621	2,507,621
Chelsea Wealth Management Pty Ltd (ii)	661,869	675,793
PCU 2009-1 Trust (iii)	2,440,664	-
	5,610,154	3,183,414

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

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

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

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

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

(iii) The PCU 2009-1 Trust is a special purpose vehicle that issues securities under an internal securitisation program for the purpose of contingency liquidity management. The Credit Union's risk management has been strengthened with the implementation of the 're-purchase' facility with the Reserve Bank of Australia providing greater access to funds and a higher level of security for the organisation.

13 Property, Plant and Equipment

a. Property, Plant and Equipment Annual

	2010	2009
Fixed assets		
Land at cost	264,440	264,440
Buildings at cost	1,285,560	1,735,560
Less: Provisions for depreciation	79,174	48,209
Total Buildings	1,206,386	1,687,351
Total Land and Buildings	1,470,826	1,951,791
Plant and Equipment at cost	9,370,928	8,310,979
Less: Provision for depreciation	7,016,115	6,074,315
Total Plant and Equipment	2,354,813	2,236,664
Capitalised leasehold improvements at cost	2,767,374	2,598,378
Less: Provision for depreciation	2,712,454	2,447,599
Total Capitalised Leasehold Improvements	54,920	150,779
Closing Balance 30 June	3,880,559	4,339,234

b. Land and Buildings - Valuation

The Credit Union has a property at Goulburn with the land valued by an independent valuation as at 31 December 2009 at $1,550,000. The increase to valuation over cost has been brought to account in the balance sheet.

	2010 Property	2010 Plant & Equipment	2010 Leasehold Improvement	2009 Property	2009 Plant & Equipment	2009 Leasehold Improvement
Opening Balance 1 July	1,951,791	2,236,664	150,779	1,533,930	2,088,508	307,285
Add: Purchases in the year	-	1,347,503	3,111	450,000	1,399,721	83,628
Revaluation increase adjustments	(50,000)	-	-	-	-	-
Less: Disposal of assets	(400,000)	(212,950)	-	-	(81,750)	-
Loss on Sale	-	125,436	-	-	(3,796)	-
Depreciation charge	(30,965)	(1,141,840)	(98,970)	(32,139)	(1,166,019)	(240,134)
Closing Balance 30 June	1,470,826	2,354,813	54,920	1,951,791	2,236,664	150,779

14 Intangible Assets

	Consolidated 2010	2009
	$	$
Computer Software	6,645,326	6,334,529
Less: Provision for Amortisation	(6,245,184)	(5,562,960)
	400,142	771,569

Movement in the intangible asset balances during the year were:

Opening Balance 1 July	771,569	1,392,780
Add: Purchases in the year	310,798	513,032
Depreciation charge	(682,225)	(1,134,243)
Closing Balance 30 June	400,142	771,569

15 Taxation Assets

Deferred Tax Asset	1,540,478	1,775,845
Deferred Tax Asset Comprises:		
- Provision for Impairment	153,311	181,900
- Deferred Loan Origination Costs/Fees	245,906	200,962
- Provision for Staff Entitlements	931,218	805,217
- Fair Value of derivatives	159,155	556,461
- Provision Leasehold make good	27,000	-
- Other	23,888	31,305
	1,540,478	1,775,845

16 Amounts Payable to Other Financial Institutions

Special Service Provider:	-	-
- Overdraft Secured (Note 29)	-	-

17 Deposits

Member Deposits:		
- at call	370,166,238	360,630,398
- term	545,039,247	487,167,036
Total Member Deposits	915,205,485	847,797,434
Withdrawable Shares	415,680	436,990
	915,621,165	848,234,424

Concentration of Risk

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

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

Industry Group		
State Government	238,564,471	220,829,473
Federal Government	69,620,917	51,532,433

	Consolidated 2010	Consolidated 2009
Geographic Areas	$	$
Sydney Metropolitan	506,182,676	449,102,462
Hunter Region	57,965,983	50,410,097
Illawarra Region	20,378,714	23,724,451
Australian Capital Territory	36,542,145	32,198,129
Central Coast Region	41,280,526	36,174,651

18 Creditors and Borrowings

	2010	2009
Creditors and Accruals	4,958,651	2,261,960
Interest Payable on Deposits	8,335,712	7,292,060
	13,294,363	9,554,020

19 Provisions

	2010	2009
Provision for:		
Employee Annual Leave	748,308	659,837
Employee Long Service Leave	816,326	809,895
Employee Sick Leave	552,265	405,657
Directors' Serverance and Retirement Benefit	1,008,669	808,669
Lease Hold Make Good	90,000	-
Other	8,400	15,585
	3,223,968	2,699,643

20 Taxation Liabilities

	2010	2009
Provisions for Income tax	1,026,317	31,702
Provision for Deferred Income Tax	409,827	353,655
Other	11,521	7,150
	1,447,665	392,507
Provision for Deferred Income Tax Comprises:		
- Prepayments;	66,439	117,494
- Deferred Loan Origination Fees/Costs;	109,613	29,881
- Tax allowances relating to Property, Plant & Equipment; and	160,669	133,174
- Tax allowances relating to Chelsea Wealth Management Pty Ltd.	73,106	73,106
	409,827	353,655

21 Capital Reserve Account

	2010	2009
Balance - 1 July	292,940	277,270
Transfer from retained earnings on share redemptions	21,270	15,670
Balance - 30 June	314,210	292,940

Share Redemption

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

22 Financial Risk Management Objectives and Policies

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

The Credit Union's risk management focuses on the major areas of market risk, credit risk, liquidity risk and operational risk. Authority flows from the Board of Directors. In addition to this, the internal risk management structure is strengthened by the interaction with external audit. The Audit Committee is responsible for reviewing the external audit plan and the progress against the plan each year, and ensuring that issues raised are dealt with in an adequate and timely manner. Over and above the aforementioned the external auditor reports to Members by the way of the Auditor's Report in which the auditor expresses an opinion on the annual accounts. Please refer to the Auditor's Report for the full details. The diagram below shows the risk management structure. The main elements of risk governance are as follows:

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

Corporate Governance Committee: This Committee holds at least three meetings each year and the primary objectives of the Committee are:

- To ensure that the Credit Union practices good corporate governance primarily by fulfilling its obligations as set out by the Australian Prudential Regulation Authority in Australian Prudential Standards 510 and 520;

- To ensure all Directors and persons nominating for the position of Director are of good character and meet the "Fit and Proper" requirements of the Corporate Governance policy;

- To recommend to the Board on how best for the Board to achieve Board renewal to ensure that the majority of the Directors are independent and that the Board as a whole possess the required skills of directing the Credit Union; and

- To review disputes from Members relating to the Credit Union's policies, procedures, systems or service delivery, which have been unable to be resolved by Management.

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

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

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

The Committee monitors the annual risk assessment.

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

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

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

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

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

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

Remuneration Committee: The Remuneration Committee has been established to ensure that the Credit Union practices good corporate governance primarily by fulfilling it obligations as set out by the Australian Prudential Regulation Authority (APRA) in Australian Prudential Standards 510. The committees' primary responsibility is to assess the appropriateness of Director and Executive remuneration, and encourage behaviour that supports the long-term financial soundness of the Credit Union and the risk management framework.

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

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

Key risk management policies encompassed in the overall risk management framework include:

- Interest Rate Risk;
- Liquidity Management;
- Credit Risk Management; and
- Operations Risk Management including data risk management.

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

A. Market Risk and Hedging Policy

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

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

(i) Interest Rate Risk

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

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

(ii) Interest Rate Risk in the Banking Book

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

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

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

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

(iii) Method of Managing Risk

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

(iv) Hedging

To mitigate this risk the Credit Union has entered into pay fixed/receive floating interest rate swaps. The interest rate risk on fixed rate loans/assets are hedged by purchasing pay fixed/receive floating interest rate swaps. As at 30 June 2010 the notional principle amounts of the interest rate swap contracts is $35,000,000. The fair value reflected in the Balance Sheet is ($530,517). The valuation of the derivative transactions is based on mid-market levels as of the close of business on 30 June 2010. The valuations are derived from proprietary models based upon well recognised financial principles and reasonable estimates about relevant future market conditions.

(v) Interest Rate Sensitivity

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

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

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

Based on the calculations as at 30 June 2010, the calculated market value of equity (EVE) is $112.4 million, with a sensitivity of $107,248 to a 1% change in interest rates.

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

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- variable rate mortgage loans would all reprice to the new interest rate in one month;
- personal loans would reprice at the contracted maturity date;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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

B. Liquidity Risk

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

The Credit Union manages liquidity risk by:

- continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- monitoring the prudential liquidity ratio daily.

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

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

APRA	**2010**	**2009**
To total adjusted liabilities		
As at 30 June	14.85%	15.11%
Average for the year	15.95%	15.91%
Minimum during the year	14.62%	13.11%
To total Member deposits		
As at 30 June	19.12%	17.40%

C. Credit Risk

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

(i) Credit Risk - Loans

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

	2010			**2009**		
	Carrying Value	Off Balance Sheet	Maximum Exposure	Carrying Value	Off Balance Sheet	Maximum Exposure
Residential	646,010,043	38,721,860	684,731,903	599,648,986	35,367,362	635,016,348
Personal	122,743,809	507,314	123,251,123	124,850,985	804,560	125,655,545
Credit Cards	13,731,212	13,650,728	27,381,940	12,031,498	13,026,002	25,057,500
Overdrafts	12,266,279	24,436,799	36,703,078	13,103,162	24,906,111	38,009,273
Total to Natural Persons	794,751,343	77,316,701	872,068,044	749,634,631	74,104,035	823,738,666
Commercial	63,893,706	0	63,893,706	56,333,716	0	56,333,716
Total	858,645,049	77,316,701	935,961,750	805,968,347	74,104,035	880,072,382

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

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

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

The Credit Union has established policies over the:

- credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements
- limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default
- reassessing and review of the credit exposures on loans and facilities
- establishing appropriate provisions to recognise the impairment of loans and facilities
- debt recovery procedures; and
- review of compliance with the above policies.

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

Past Due and Impaired

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

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans is over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement. In estimating these cash flows, Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

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

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

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. The provisions for impaired and past due exposures relate to the loans to Members. Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are as set out in Note 11.

Bad Debts

Amounts are written-off when collection of the loan or advance is considered to be remote. All write-offs are on a case by case basis, taking account of the exposure at the date of the write off. On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lender's mortgage insurance. A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral Securing Loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction the Loan to Value (LVR) cover should the property market be subject to a decline. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

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

Concentration Risk – Individuals

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

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

Concentration Risk – Industry

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

(ii) Credit Risk - Liquid Investment

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to authorised institutions. Directors have established policies that a maximum of up to 30% of the capital base (excluding Cuscal) can be invested with any one financial institution at a time.

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

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

D. Operational Risk

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

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

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

Fraud

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

IT Systems

The worst case scenario would be the failure of the Credit Union's core banking and IT network to meet Member obligations and service requirements. The Credit Union manages inhouse the IT systems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on the Credit Union by the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and Bpay etc.

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

E. Capital Management

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

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

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

Capital Resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:

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

Tier 2 Capital

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

Tier 2 capital generally comprises:

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

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

Capital in the Credit Union is made up as follows:

	2010 **$**
Tier 1	
Share capital	314,210
Capital reserve	1,430,212
General reserve	34,397,000
Retained earnings	73,198,047
Less prescribed deductions	3,556,752
Net tier 1 capital	105,782,717
Tier 2	
Reserve for credit losses	2,846,306
Asset revaluation reserves on property	132,104
Less prescribed deductions	1,253,810
Net tier 2 capital	1,724,600
Total Capital	107,507,317


Shipping Container
Sales

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

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

		Carrying Value $	Risk Weighted Value $
Cash	0%	10,171,410	-
Deposits in Highly Rated ADI'S	20%	150,910,508	30,182,102
Deposits in Less Highly Rated ADI's	50%-150%	14,000,000	7,000,000
Loans Secured Against Eligible Residential Mortgages	35%	565,694,389	197,993,036
Loans Secured Against Eligible Residential Mortgages	50%	132,943,171	66,471,586
Loans Secured Against Eligible Residential Mortgages	75%	9,573,479	7,180,109
Loans Secured Against Eligible Residential Mortgages	100%	585,801	585,801
Investment in equity instruments	150%	-	-
Other Assets	100%	156,362,910	156,362,910
Off Balance Sheet Business		62,094,825	27,103,575
Total		1,102,336,493	492,879,119

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

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

2010	2009	2008	2007	2006
19.45%	18.13%	18.17%	16.01%	15.61%

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

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

Pillar 2 Capital on Operational Risk

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

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

Based on this approach, the Credit Union's operational risk requirement is as follows:

- Operational Risk Regulatory Capital $ 4,791,540

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

Internal Capital Adequacy Management

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

23 Categories of Financial Instruments

The following information classifies the financial instruments into measurement classes

	Notes	Consolidated 2010 $	2009 $
Financial Assets			
Cash	6	11,606,938	7,884,456
Accrued Receivables	8	2,134,836	1,967,302
Receivables from Financial Institutions	7 & 9	163,500,000	139,687,305
Loans to Members	10	857,424,598	804,791,745
Total Loans and Receivables		1,034,666,372	954,330,808
Available for Sale Investments	12	5,610,154	3,183,414
Fair Value of Derivatives		-	-
TOTAL FINANCIAL ASSETS		1,040,276,526	957,514,222
Financial Liabilities			
Short Term Borrowings	16	-	-
Creditors - Interest Payable on Deposits	18	8,335,712	7,292,060
Deposits from Members	17	915,205,485	847,797,434
Withdrawable Shares	17	415,680	436,990
Total Carried at Amortised Cost		923,956,877	855,526,484
Fair Value of Derivatives		530,517	1,854,871
TOTAL FINANCIAL LIABILITIES		924,487,394	857,381,355

24 Maturity Profile of Financial Assets and Liabilities

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

2010	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
ASSETS						
Cash	11,606,938	11,606,938	-	-	-	11,606,938
Accrued Receivables	2,134,836	260,463	-	-	-	260,463
Receivables from Financial Institutions	163,500,000	160,374,091	3,568,479	1,002,729	-	164,945,299
Loans and Advances	857,424,598	71,878,521	74,830,140	399,094,080	774,936,127	1,320,738,868
Available for Sale Investments	5,610,154	-	-	-	5,610,154	5,610,154
On Balance Sheet Financial Assets	1,040,276,526	244,120,013	78,398,619	400,096,809	780,546,281	1,503,161,722
Interest Rate Swaps	35,000,000	35,414,827	-	-	-	35,414,827
Total Financial Assets	1,075,276,526	279,534,840	78,398,619	400,096,809	780,546,281	1,538,576,549
LIABILITES						
Creditors Interest Payable on Deposits	8,335,712	-	-	-	-	-
Deposits from Members - At Call	370,166,238	370,166,238	-	-	-	370,166,238
Deposits from Members - Fixed Term	545,039,247	315,845,031	164,862,805	85,822,579	470,712	567,001,127
Withdrawable Shares	415,680	415,680	-	-	-	415,680
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	923,956,877	686,426,949	164,862,805	85,822,579	470,712	937,583,045
Undrawn Loan Commitments	77,316,701	77,316,701	-	-	-	77,316,701
Interest Rate Swaps	35,000,000	10,172,155	21,106,514	5,401,030	-	36,679,699
Total Financial Liabilities	1,036,273,578	773,915,805	185,969,319	91,223,609	470,712	1,051,579,445

2009	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
ASSETS						
Cash	7,884,456	7,884,456	-	-	-	7,884,456
Accrued Receivables	1,967,302	263,821	-	-	-	263,821
Receivables from Financial Institutions	139,687,305	66,487,386	73,527,008	2,897,411	-	142,911,805
Loans and Advances	804,791,745	70,880,011	68,077,296	363,078,912	662,783,948	1,164,820,167
Available for Sale Investments	3,183,414	-	-	-	3,183,414	3,183,414
On Balance Sheet Financial Assets	957,514,222	145,515,674	141,604,304	365,976,323	665,967,362	1,319,063,663
Interest Rate Swaps	35,000,000	35,248,541	-	-	-	35,248,541
Total Financial Assets	992,514,222	180,764,215	141,604,304	365,976,323	665,967,362	1,354,312,204
LIABILITES						
Creditors Interest Payable on Deposits	7,292,060	-	-	-	-	-
Deposits from Members - At Call	360,630,398	360,630,398	-	-	-	360,630,398
Deposits from Members - Fixed Term	487,167,036	314,079,176	110,376,838	77,257,813	-	501,713,827
Withdrawable Shares	436,990	436,990	-	-	-	436,990
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	855,526,484	675,146,564	110,376,838	77,257,813	-	862,781,215
Undrawn Loan Commitments	74,104,035	74,104,035	-	-	-	74,104,035
Interest Rate Swaps	35,000,000	-	-	38,907,127	-	38,907,127
Total Financial Liabilities	964,630,519	749,250,599	110,376,838	116,164,940	-	975,792,377

25 Interest Rate Change Profile of Financial Assets and Liabilities

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

2010	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
ASSETS					
Cash	11,606,938	-	-	-	11,606,938
Accrued Receivables	-	2,134,836	-	-	2,134,836
Receivables from Financial Institutions	-	159,000,000	3,500,000	1,000,000	163,500,000
Loans and Advances	755,656,542	10,457,174	29,833,234	61,477,648	857,424,598
Available for Sale Investments	-	-	-	5,610,154	5,610,154
On Balance Sheet Financial Assets	767,263,480	171,592,010	33,333,234	68,087,802	1,040,276,526
Interest Rate Swaps	-	35,000,000	-	-	35,000,000
Total Financial Assets	767,263,480	206,592,010	33,333,234	68,087,802	1,075,276,526
LIABILITES					
Creditors Interest Payable on Deposits	-	8,335,712	-	-	8,335,712
Deposits from Members - At Call	370,166,238	-	-	-	370,166,238
Deposits from Members - Fixed Term	-	290,895,701	179,750,429	74,393,117	545,039,247
Withdrawable Shares	-	415,680	-	-	415,680
Borrowings	-	-	-	-	-
On Balance Sheet Financial Liabilities	370,166,238	299,647,093	179,750,429	74,393,117	923,956,877
Undrawn Loan Commitments	77,316,701	-	-	-	77,316,701
Interest Rate Swaps	-	10,000,000	20,000,000	5,000,000	35,000,000
Total Financial Liabilities	447,482,939	309,647,093	199,750,429	79,393,117	1,036,273,578

2009	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
ASSETS					
Cash	7,884,456	-	-	-	7,884,456
Accrued Receivables	-	1,967,302	-	-	1,967,302
Receivables from Financial Institutions	-	65,234,667	71,952,638	2,500,000	139,687,305
Loans and Advances	699,584,661	16,111,727	17,559,391	71,535,966	804,791,745
Available for Sale Investments	-	-	-	3,183,414	3,183,414
On Balance Sheet Financial Assets	707,469,117	83,313,696	89,512,029	77,219,380	957,514,222
Interest Rate Swaps	-	35,000,000	-	-	35,000,000
Total Financial Assets	707,469,117	118,313,696	89,512,029	77,219,380	995,514,222
LIABILITES					
Creditors Interest Payable on Deposits	-	7,292,060	-	-	7,292,060
Deposits from Members - At Call	360,630,398	-	-	-	360,630,398
Deposits from Members - Fixed Term	-	297,917,682	119,558,084	69,691,270	487,167,036
Withdrawable Shares	-	436,990	-	-	436,990
Borrowings	-	-	-	-	-
On Balance Sheet Financial Liabilities	360,630,398	305,646,732	119,558,084	69,691,270	855,526,484
Undrawn Loan Commitments	74,104,035	-	-	-	74,104.035
Interest Rate Swaps	-	-	-	35,000,000	35,000,000
Total Financial Liabilities	434,734,433	305,646,732	119,558,084	104,691,270	964,630,519

26 Net Fair Value of Financial Assets and Liabilities

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

The information is only relevant to circumstances at Balance Date and will vary depending on the contractual rates applied to each asset and liability. No assets held are regularly traded by the Credit Union.

ASSETS	Receivables from other Financial Institutions		Loans & Advances (before Provision)	
Maturity	2010	2009	2010	2009
Net Fair Value	162,399,139	138,497,268	858,858,421	805,630,142
Book Value	163,500,000	139,802,605	858,645,050	805,968,347
Variance	(1,100,861)	(1,305,337)	213,371	(338,205)

LIABILITIES	Payable to other Financial Institutions		Member Deposits		Interest Rate Swaps	
Maturity	2010	2009	2010	2009	2010	2009
Net Fair Value	-	-	914,073,867	849,529,192	34,469,483	33,145,129
Book Value	-	-	915,621,163	848,234,424	35,000,000	35,000,000
Variance	-	-	(1,547,296)	1,294,768	(530,517)	(1,854,871)

27 Expenditure Commitments

a. Future Capital Commitments

The Credit Union has entered into contracts to purchase fixed assets at a value of $338,791 (2009 $667,530). The amount is to be paid over

	Consolidated	
	2010	**2009**
	$	$
Within 1 year	338,791	667,530
1 to 2 years	-	-
2 to 5 years	-	-
over 5 years	-	-
	338,791	667,530

b. Future Lease Rental Commitments

Future lease rental commitments are $5,722,455 (2009 $7,180,782). Operating lease payments under existing lease arrangements for office accommodation are payable over the following periods:

	Consolidated	
	2010	**2009**
	$	$
Within 1 year	1,554,712	1,574,329
1 to 2 years	1,138,071	1,516,169
2 to 5 years	3,029,672	3,311,075
over 5 years	-	779,209
	5,722,455	7,180,782

28 Financial Commitments

a. Loan Commitments

Loans approved but not funded as at 30 June 2010 total $27,094,825 (2009 $24,067,843).

b. Undrawn Loan Facilities

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

	Consolidated	
	2010	2009
	$	$
Total value of facilities approved	97,157,016	98,223,771
Less: Amount outstanding at balance day	46,935,140	48,187,579
Net undrawn value	50,221,876	50,036,192

29 Standby Borrowing Facilities

The Credit Union has the following credit facilities with Cuscal:

Overdraft

Approved Limit	12,000,000	12,000,000
Less: Amount drawn	-	-
Available to Draw	12,000,000	12,000,000

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

30 Contingent Liabilities

Liquidity Support Scheme

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

Employee Entitlements

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

31 Disclosures on Key Management Personnel

a. Remuneration of Key Management Personnel

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

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

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

	2010	2009
	$	$
(i) short term employee benefits	1,361,968	1,480,685
(ii) Post-employment benefits - Superannuation Contributions	177,235	163,917
(iii) other long-term benefits - net increases in Long Service leave provision	(11,638)	12,361
(iv) termination benefits	-	-
Total	1,527,565	1,656,963

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

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

Other Transactions with Related Parties

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

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

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

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

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

b. Loans to Directors and Other Key Management Persons

	Consolidated 2010	2009
	$	$
(i) The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to	1,116,952	1,416,887
(ii) The total value of revolving credit facilities to Directors and other Key Management Personnel, as at balance date amounted to:	71,000	375,000
Less amounts drawn down and included in (i)	13,898	228,268
Net balance available	57,102	146,732
(iii) During the year aggregate value of loans dispersed to Directors and other Key Management Personnel amounted to:		
Revolving Credit Facilities	372,269	165,858
Personal Loans	-	-
Term Loans	32,463	4,511
Total	404,732	170,369
(iv) During the year the aggregate value of Revolving Credit Facility limits granted or increased to Directors and other Key Management Personnel amounted to:	-	-
(v) Interest and other revenue earned on Loans and Revolving Credit facilities to Key Management Personnel.	65,864	96,954

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

The Credit Union's policy for lending to Directors and Management is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit with the exception of loans to KMP who are not Directors. There are no loans which are impaired in relation to the loan balances with Director's or other KMPs.

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

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

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

Total value Term and Savings Deposits from KMP	567,689	368,952
Total Interest paid on Deposits to KMP	5,077	4,724

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

c. Transactions with Other Related Parties

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

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

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

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

32 Economic Dependency

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

a. ABACUS Limited

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

This entity supplies:

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

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

b. First Data International Limited (FDI)

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

c. Service Contracts

All service contracts are capable of being cancelled within twelve (12) months except FDI. The total amount paid to FDI during the year for the provision of switching services amounted to $560,450 (2009 $508,162).

d. Ultradata Australia Pty Limited

This company provides the Credit Union's database software.

e. Australian Settlements Limited

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

33 Segmental Reporting

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

34 Events Occurring after the Balance Date

There were no events that have occurred since 30 June, 2010 that will have significant impact upon the Credit Union. Reference should be made to the Directors' Report.

35 Superannuation Liabilities

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

The other fund is a Corporate Master Trust which is administered by MLC Limited. It is a contribution accumulated type fund. The Credit Union has no legal obligation to cover any shortfall in the Fund's obligation to provide benefits to employees on retirement. In the event the Fund is terminated, Members are only entitled to the balance of their account within the fund. As at the date of the last annual review being 30 June 2010, the fund had reserves equal to Members accumulated balances.

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

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

36 Securitisation

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited and Australian Mortgage Securities Limited whereby the Credit Union acts as an agent to manage the loans portfolio on their behalf. The Credit Union bears no credit risk exposure in respect of these loans. Securities sold subject to repurchase agreements are retained in their respective balance sheet categories as neither the risks nor rewards have been transferred away from the Credit Union.

2010	2009
$	$
7,760,800	9,456,158

STATEMENT OF CASH FLOWS

For year ended 30 June 2010

	Note	Consolidated 2010	2009
		$	$
OPERATING ACTIVITIES			
Inflow			
Interest Received		58,136,356	59,675,059
Fees and Commission			
- Dividends Received		313,434	816,950
- Other Income		16,860,953	17,748,080
Total Inflow		75,310,743	78,240,089
Less: Outflow			
Interest Paid		31,946,366	42,422,164
Suppliers and Employees		21,793,367	26,924,627
Taxes Paid		3,186,919	2,625,778
Total Outflow		56,926,652	71,972,569
Net Cash from Revenue Activities	3	18,384,091	6,267,520
Inflows from Other Operating Activities			
Net Movement in Member Loans		(53,486,100)	(53,721,718)
Net Movement in Member Shares		(21,310)	9,990
Net Movement in Deposits		67,408,052	92,226,053
Net Cash from Operating Activities		32,284,733	44,781,845
INVESTING ACTIVITIES			
Inflow			
Investment Redemption		530,555,422	354,713,107
Net Assets on Transfer of Engagements		-	2,653,914
Proceeds from Sale of Fixed Assets		1,012,950	81,750
Total Inflow		531,568,372	357,448,771
Less: Outflow			
Purchase of Investments		558,119,211	389,216,519
Purchase of Fixed Assets		2,011,412	2,446,381
Total Outflow		560,130,623	391,662,900
Net Cash from Investing Activities		(28,562,251)	(34,214,129)
FINANCING ACTIVITIES			
Inflow			
Payables to other Financial Institutions		-	(14,000,000)
Net Cash from Financing Activities		-	(14,000,000)
Total Net Cash Increase/(Decrease)		3,722,482	(3,432,284)
Cash at Beginning of Year		7,884,456	11,316,740
Cash at End of Year	1	11,606,938	7,884,456

1. Reconciliation of Cash

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

	Consolidated 2010	2009
	$	$
Cash as at balance date comprises:		
Cash on Hand	11,606,938	2,884,456
Deposits at Call	-	5,000,000
Less: Overdraft with Cuscal	-	-
	11,606,938	7,884,456

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

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

Operating Profit & Extraordinary Item after:		
Income Tax	10,715,467	6,302,522
Bad Debts Written Off	883,011	1,092,835
Depreciation Expense	1,954,000	2,572,534
Increase in Provision for Employee Entitlements	441,510	525,499
Accrued Expenses	3,740,341	(638,175)
Loss on Sale of Assets	(125,436)	3,797
Decrease (Increase) in Prepayments	(107,658)	(210,282)
Increase (Decrease) in Unearned Income	149,816	45,026
Amortised Loan Transaction Costs	(10,670)	(6,120)
Decrease (Increase) in Sundry Debtors	(242,125)	(349,565)
Increase (Decrease) in Deferred Taxes Payable	291,539	(1,708,105)
Provisions for Income Tax	795,799	(1,475,255)
Other Provisions	(101,503)	232,809
Transfer to Reserve for Credit Losses	-	(120,000)
Net Cash from Opening Activities	18,384,091	6,267,520

Compliance Statistics

a. Capital Adequacy

At all times the Credit Union must maintain a minimum of 8% capital adequacy ratio. The capital adequacy ratio is a measure of reserves, general provisions for doubtful debts less an amount equal to the future income tax benefit as a percentage of the risk weighted value of assets. The Credit Union's ratio as at balance date was 19.45% (2009 18.13%).

b. Liquidity

The Credit Union is required to maintain at all times liquid assets at a minimum level of 9% of its liability base in High Quality Liquid Assets. These percentages were exceeded for the whole year. In addition to liquid assets the Credit Union has in place confirmed standby lines available to it. The High Quality Liquid Asset Ratio as at balance date was 14.85% (2009 15.11%).

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

Bankers
Cuscal Limited

Affiliations
Abacus
1 Margaret Street
Sydney NSW 2000

Credit Union Financial Support Scheme

Federation of Police Credit Unions

Head Office
The Police Department Employees' Credit Union Limited
Level 27, 1 Market Street Sydney NSW 2000
Phone: 131 PCU (131 728)
Email: info@pcu.com.au

Police Credit Union

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5 Constitution Avenue
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Eaglenet: 44770

Mascot
c/o Customs House
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Sydney International Airport
NSW 2020
Phone: (02) 8335 4200
Eaglenet: 44780
Email: sydney@customscu.com.au

Websites:	www.pcu.com.au www.customscu.com.au
ABN:	95 087 650 799
AFSL No:	240018
BSB:	815 000

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