Police Credit Union

Annual Report 2012

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.

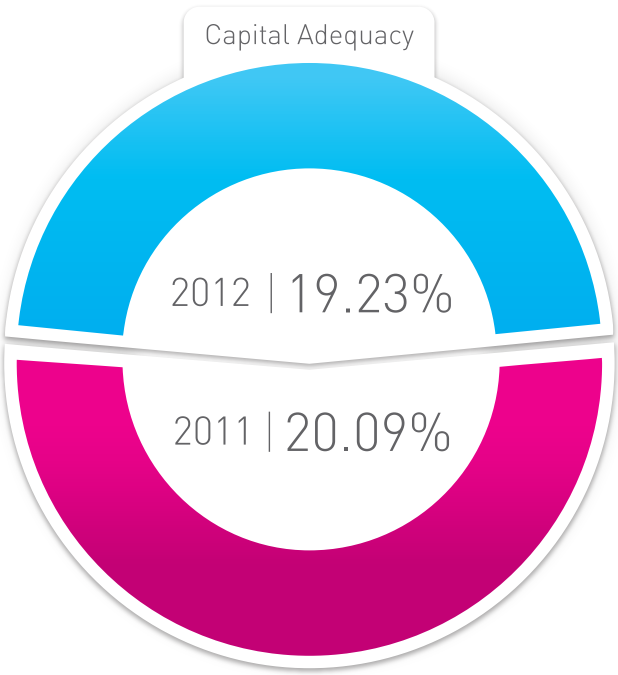
Directors and Staff operate in the interest of all Members according to the following key values:

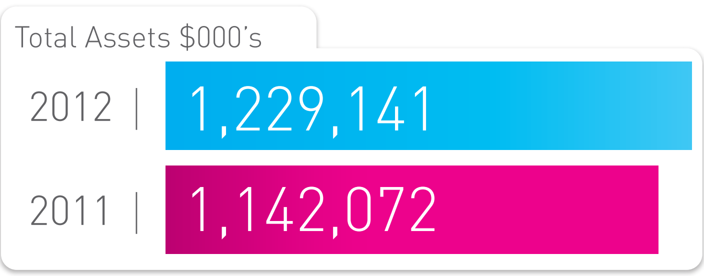
- A flexible and caring response to Members' needs;
- Honouring excellence in relationships between and among Members, Directors and Staff;
- Personal honesty and integrity.

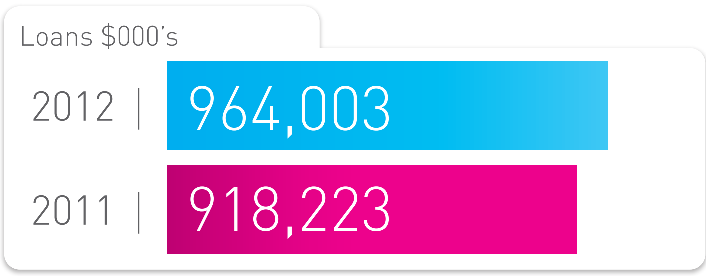
We provide personal attention to the financial well-being of each Member through flexible products and services in a competitive environment combined with prudential financial management in pursuing appropriate levels of growth.

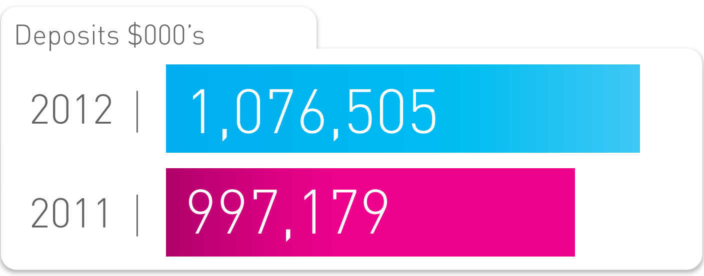
We work together in building the Police Credit Union to become the best in Member service, range of relevant products and services, management practices and financial strength.

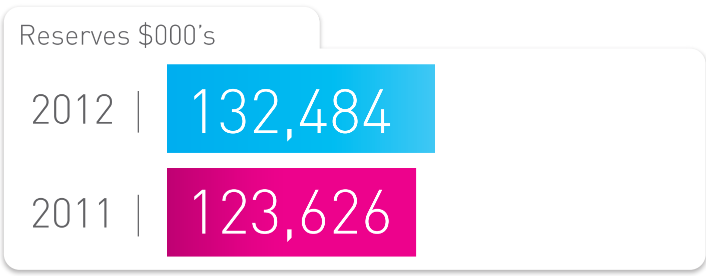
KEY STATISTICS











DIRECTORS' REPORT

Your Directors submit the Financial Accounts of the Credit Union for the financial year ended 30 June 2012.

Directors' Disclosures

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

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

	Board		Audit Committee		Other Committees	
	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended	Meetings Attended	Eligible Attended
Moroney	12	12	-	-	4	4
Walton	12	12	4	4	5	5
Biscoe	12	12	-	-	18	20
Del Vecchio	12	12	4	4	9	9
Green	12	12	4	4	9	9
Lauer	12	12	-	-	14	16
Loughlin	12	12	4	4	7	7
McKenna*	-	-	-	-	-	-
Taylor	12	12	-	-	21	22

*Mr Greg McKenna was appointed to the Board on 26 July 2012.

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 the provision of financial and associated services to Members. 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 Non Controlling Interest amounted to $8,875,305. Assets increased during the year by $87M from $1,142.1M to $1,229.1M. The year's growth had no impact on the capital adequacy ratio which is 19.23%. At 19.23% the capital adequacy ratio remains well above the statutory minimum of 8%. The Credit Union loan portfolio grew by 5.0% and retail deposits grew by 8.0%.

The Credit Union continues to be a strong performing institution and these results were achieved in an environment where the ongoing effects of the global financial crisis continue, and competition in the domestic banking industry continues to be intense with depositors benefiting from higher margins. 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 2013 will be similar to those achieved in 2012.

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 activities and events took place:

- Annual Employee Awards. *Star Achievers* are awarded to staff who consistently deliver an outstanding level of service, demonstrating a commitment above and beyond the normal call of duty. Congratulations go out to our 2012 winners:

  Ben Ashton - Transaction Services Goulburn
  Lesley Chambers - Goulburn Branch
  Tamara Leavey - Transaction Services Sydney
  John Lupa - Information Technology
  Elizabeth Trajcevski - Online Member Services

  In addition to the above, the *PCU Young Achiever* prize is awarded to acknowledge, encourage and most importantly promote the positive achievements of young employees of the Credit Union. Congratulations to Tim Muir from Marketing our 2012 winner.

- 150 years of NSW Police. During 2012, Police Credit Union was proud to be a major sponsor of the '150th Celebrations' honouring the Force's proud history. This significant milestone is deserving of public recognition and the Credit Union honours Police Officers past and present for their dedication and commitment to their role and the community.

- Continued Sponsorship Association with NSW Police Legacy. The Credit Union during the year continued our sponsorship association with Police Legacy. The Credit Union is recognised as a 'major sponsor' providing financial and operational support. PCU is proud to assist Legacy to help continue their excellent work assisting police families.

- Supporter of Credit Union Foundation Australia (CUFA). Police Credit Union is a 'Silver Sponsor' of the Foundation. CUFA develops community access to affordable financial services in the Asia-Pacific region, working cooperatively at grass-roots through to government levels. Through programs and activities, CUFA aims to create sustainability, improve lives and relieve poverty.

- New Customs Credit Union Branch. The Customs Credit Union (CCU) operation continues to expand with the opening during the year of an additional Branch in Melbourne. This modern facility provides our current and future Customs' Members with a more convenient banking service and is part of our strategy to continue to expand our product offerings into this new market. The Melbourne location is now the third office opened (Sydney and Canberra being the other two) since the merger of HMC Credit Union in 2009.

- Additional Products/Enhancements:
  Industry Product Awards. Police Credit Union received Awards for a number of products from independent rating agencies during the year. Our Visa Credit Card was awarded 'Gold 5 Stars' by *Canstar*. Our card was recognised for its outstanding value with a competitive interest rate and low fees. *Money Magazine* rated our Easy Access Account as the winner of the 'Best Everyday Account' highlighting its nil/low fees, multi access and the flexibility to attach other products.

  New Children's Account. A new savings account called *Dynamo* was launched during the year. This account is specifically designed for children offering a competitive interest rate and incentives to build savings. The account also promotes and educates children on the fundamentals of saving and managing money.

  Launch of new website. During the year the Credit Union launched a new, improved website. Navigating the site is now easier than ever with information quicker to access and more convenient options available. Interacting online whether to join PCU or apply for a loan is now a more streamlined process resulting in a quicker completion process, all within a secure online environment. In addition, a number of extra functions were introduced to help Members self-manage their accounts such as adding additional products or updating various details.

  Development of Social Media sites. Our Members are steadily adopting social media as an additional communication channel to interact with the Credit Union. Both our Facebook and Twitter sites have been further developed during the year and it is anticipated that further growth will occur as more Members become familiar with social media.

  Upgrade of Mobile Phone and Internet Banking. We were pleased to be able to offer Members upgrades to both our main internet banking and mobile phone banking platforms. In particular, demand from Members for banking from a mobile device has increased and we saw a need to offer an improved service through this channel. Whether its through internet or mobile banking, our Members are able to securely access their accounts at anytime whether it's to view account balances, analyse transaction listings, transfer funds or pay bills.

  New Intranet Service. During the year PCU launched a new internal intranet site. Employees now have improved access to information, documents and records to assist with their duties.

  Foreign Currency Digitisation. In March 2012 our foreign currency requests were digitalised meaning telegraphic transfers can now be requested online, making the process quicker and easier.

- 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 one family fun day was 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 300 Members took the opportunity to enjoy a family oriented day at an iconic venue.

  Annual PCU Charity Golf Day. PCU held its Annual Charity Golf Day in May 2012 at North Ryde Golf Course. The successful event was well supported by Members with all money raised from the day being donated to NSW Police Legacy, in particular the David Rixon Memorial Fund.

- PCU Sponsorship Program. Police Credit Union is strongly committed to the Police Community and through our sponsorship program we generously supported during the year a varied number of Police charities, events and fund raisers. Many of these sponsorships have contributed towards significantly improving the lives of individuals as well as assisting with community projects.

- Recognition of Police Academic Achievement. In partnership with Charles Sturt University, Police Credit Union sponsors an academic achievement award at the Goulburn Police Academy recognising student officers who have excelled with their studies.

- Community Employee Engagement. During the year PCU staff were active with various initiatives to assist individuals and communities. A number of charities such as Westmead Children's Hospital, Beyond Blue, Cancer Council and the Children's Medical Research Institute all benefited from the fund raising efforts of PCU employees.

- PCU Green Initiatives. PCU is committed to improving the environment by undertaking a number of environmental initiatives. Producing electronic statements, engaging environmentally efficient suppliers, recycling/reduction of paper and a level of self sufficient water and power facilities at the Goulburn Processing Centre are some of the actions currently in place.

- 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.

- Police Bank Ltd - Members passed a resolution on 5 September 2012 to enable Police Credit Union to become Police Bank Ltd (trading as Police Bank) from 1 December 2012. As this is only a name change with the mutual structure of the organisation unaltered, there will be no fundamental change to the operation of the Credit Union.

- Global Financial Markets. Global turmoil could have a flow-on effect locally and impact on asset prices. Police Credit Union has no direct exposure to any overseas activity and is well placed to weather any effects of the volatility. PCU continues to adopt safe and conservative lending and investment practices.

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 2012 are as follows:

The Board of Directors anticipate that the profit will be in the vicinity of 0.70% - 0.85% return on average assets.

Planned capital expenditure on infrastructure amounts to $2.7M for the year ending 30 June 2013. This covers general equipment and core banking upgrades.

No other matter, circumstances or likely developments in the operation 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.

Auditor's Independence Declaration
To the Directors of The Police Department Employees' Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of The Police Department Employees' Credit Union Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

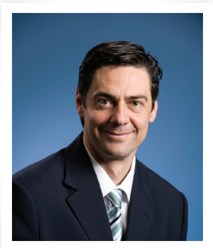
Neville Sinclair
Director - Audit & Assurance

Signed in Sydney this 11th day of October 2012

Information on Directors and Secretary

Mr K E Moroney AO, APM	**Chairman**
	Remuneration Committee (Chairman)
Age	67
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)
	Company Directors Course (Australian Institute of Company Directors)
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, Australasian Mutuals Institute
	Graduate, Federal Bureau of Investigation Academy (Quantico, Virginia, USA)
	Board Member since 1994
Other Responsibilities	Patron, Lifeline (Macarthur)
	Patron, Youth Off the Streets
	Chairman & Presiding Officer, Australian Graduate School of Policing, and Security
Experience	Member, State Parole Authority
	Member, Board & State Council St John's Ambulance NSW
	Member, Conduct Division, Judicial Commission
	Member, Law Enforcement Advisory Panel, World Bank
	Member, Oncology Children's Foundation
	Member, NSW Police Legacy Board
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr D C Walton	**Deputy Chairman**
	Audit Committee (Chairman)
	Risk Management & Compliance Committee
Age	47
Qualifications	Bachelor of Business
	Master of Management & Leadership
	Company Directors Course Diploma, Australian Institute of Company Directors
Experience	
Current	Auditor, Retired Police Association
	Auditor, Police RSL Sub-Branch
	Leadership and Management Education, Fire and Rescue NSW
	Fellow, Australian Institute of Company Directors
	Corporate Member, Australasian Mutuals Institute
Previous	Manager Academic Programs - International, Australian Institute of Police Management
	Detective Inspector, NSW Police Force
	Detective Fraud Squad
	Auditor, Police Provident Fund
	Casual Academic Staff, Charles Sturt University (Graduate School of Policing)
	Casual Acedemic Staff, University of Western Sydney (Policing Studies)
	Executive Manager, Internal Audit, Investigations & Risk Management, Energy Australia
	Board Member since 2001
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	43
Qualifications	Company Directors Course Diploma, Australian Institute of Company Directors
	Graduate, Australian Institute of Company Directors
	Post Graduate Diploma in Criminology
	Bachelor of Policing
	Member, Australasian Mutuals Institute
Experience	Current Head of Administrative Services, Police Association of NSW
	Chairman, Police Shop of NSW
	Director, Police Legacy NSW
	Member, Police Superannuation Advisory Board
	Member, Retired Police Association
	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	67
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
	Member, Australian Institute of Company Directors
	Board Member since 1989
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr A R Lauer — **Director**

	Credit Committee (Chairman)
	Risk Management & Compliance Committee
Age	76
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, Australasian 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
	Corporate Governance Committee
Age	61
Qualifications	Member of the Australasian 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 G J McKenna — **Appointed Director (July 2012)**

Age	43
Qualifications	Bachelor of Business (Banking & Finance) 1996 Monash University
	Master of Applied Finance 2002
	FINSIA - Senior Associate 2006
	ASIC - AFSL Holder of Foreign Exchange and Derivatives 2007
	Company Directors Course Diploma, Australian Institute of Company Directors
	Member Australian Institute of Company Directors
Experience	
Current	Director Lighthouse Securities (2005 - present)
	Director Macro Associates (2012-present)
	Appointed Director July 2012
Previous	Treasurer Newcastle Permanent Building Society (2008 - 2012)
	Treasury Manager Newcastle Permanent Building Society (2007-2008)
	Executive Director CT Money Group (2004 - 2006)
	Head of Currency Strategy National Australia Bank (2000 - 2004)
	Currency Strategist Westpac Banking Corporation (1998 - 2000)
	Portfolio Manager Morgan Grenfell Asset Management (1993 - 1998)
	Dealer Capital Markets J.B Were Capital Markets Ltd (1992 - 1993)
	Dealer Capital Markets Westpac Banking Corporation (1988 - 1992)
Interest in Shares	Guarantor up to a maximum $10.00

Mr G J Loughlin

Appointed Director
Risk Management & Compliance Committee (Chairman)
Audit Committee
Corporate Governance Committee

Age	62
Qualifications	Bachelor of Arts, Hons (Adelaide) Graduate Certificate Management (Monash University - Mt. Eliza) Fellow, Australian Institute of Company Directors Subscriber, Chartered Secretaries Australia Fellow, Australian Institute of Management
Experience	
Current	Head of Group Strategic Development & Distribution and Company Secretary, DataDot Technology Limited Director - DataDot Technology (UK) Limited Director - DataDot Technology (Asia) Pte. Ltd. Director - DataDot Technology (India) Pvt. Ltd. Director - DataDot N.Z. Pty. Ltd. Appointed Director April 2008
Previous	Director, Data Advantage Limited Chairman, AFCUL Service Corporation Limited (now CUSCAL Ltd) General Manager, Credit Union Services Corporation (Australia) Limited Member, Australian Housing Council Member, Australian Payments System Council Director, Jetset Tours (SA) Pty. Ltd. Member, SA Credit Union Stabilization Board Executive Assistant, SA Premier & Treasurer
Interest in Shares	Guarantor up to a maximum $10.00

Mr L W Taylor

Director
Remuneration Committee
Credit Committee
Risk Management & Compliance Committee

Age	72
Qualifications	Mediator, Australian Commercial Disputes Centre Fellow, Australasian Mutuals Institute Member Australian Institute of Company Directors
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) Member, Australian Institute of Company Directors Former Honorary Secretary, Police Legacy Board Member since 1988
Interest in Shares	$10.00 in ordinary shares in the Police Credit Union

Mr B A Williams

Secretary

Qualifications	Master of Business in Finance FCIS
Experience	39 years of experience in banking and finance
Directorships	Cufss Limited Chelsea Wealth Management Pty Limited Chelsea Home Loans 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 11th October 2012	David C Walton Deputy Chairman

The Police Department Employees' Credit Union Limited

Directors' Declaration

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

1 The financial statements 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 2012 and the performance for the year ended on that date.

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

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

Kenneth E Moroney Chairman 11th October 2012	David C Walton Deputy Chairman

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of The Police Department Employees' Credit Union Limited (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the company the 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 financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Electronic presentation of audited financial report

This auditor's report relates to the financial report of The Police Department Employees' Credit Union Limited and controlled entities for the year ended 30 June 2012 included on The Police Department Employees' Credit Union Limited 's website. The Company's Directors are responsible for the integrity of The Police Department Employees' Credit Union Limited 's website. We have not been engaged to report on the integrity of The Police Department Employees' Credit Union Limited 's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

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

   i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Neville Sinclair
Director - Audit & Assurance
Signed in Sydney this 11th day of October 2012

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2012

		Consolidated		Credit Union	
		2012 $	2011 $	2012 $	2011 $
	Note				
Interest Revenue	2a	84,588,279	80,107,802	84,586,914	80,107,802
Borrowing Costs	2b	47,853,590	43,695,939	47,853,590	43,695,939
Net Interest Revenue		36,734,689	36,411,863	36,733,324	36,411,863
Other revenue from ordinary activities	3	7,621,255	7,986,509	7,171,069	7,536,432
Impairment losses on Loan Receivables from Members	4a	814,504	1,216,006	814,504	1,216,006
Fees and Commission		5,903,355	5,199,392	5,903,355	5,199,392
General Administration					
- Personnel expenses		12,943,465	12,049,383	12,943,465	12,049,383
- Depreciation and amortisation		1,445,482	1,385,112	1,436,236	1,384,260
- Lease expenses		1,114,978	1,095,277	1,114,978	1,095,277
- Other administration expenses		4,010,181	4,176,910	3,632,399	3,808,505
Other operating expenses		3,474,849	3,190,053	3,474,849	3,190,053
Operating Profit before Income Tax		14,649,130	16,086,239	14,584,607	16,005,419
Income Tax Expense	5	4,304,095	4,659,709	4,280,984	4,635,093
Operating Profit after Income Tax		10,345,035	11,426,530	10,303,623	11,370,326
Non-Controlling Interest		(7,247)	(9,836)	-	-
Profit attributable to Members of the parent entity		10,337,788	11,416,694	10,303,623	11,370,326
Other comprehensive income		(1,462,483)	(280,078)	(1,462,483)	(280,078)
Total comprehensive income		8,875,305	11,136,616	8,841,140	11,090,248

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Credit Union

	Capital Account	Retained Profits	Transfer of Engagements Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2010	314,210	70,665,784	2,543,732	2,846,306	293,566	1,430,212	34,397,000	112,490,810
Operating Profit for the year	-	11,370,326	-	-	-	-	-	11,370,326
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	14,530	(14,530)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(150,000)	-	150,000	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-	-	-	(280,078)	(280,078)
Balance 30 June 2011	328,740	80,671,580	2,543,732	2,996,306	293,566	1,430,212	35,316,922	123,581,058
Balance 1 July 2011	328,740	80,671,580	2,543,732	2,996,306	293,566	1,430,212	35,316,922	123,581,058
Operating Profit for the year	-	10,303,623	-	-	-	-	-	10,303,623
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	11,540	(11,540)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(274,000)	-	274,000	-	-	-	-
- Revaluation Reserve	-	-	-	-	(24,691)	-	-	(24,691)
Cash Flow Hedge Reserve	-	-	-	-	-	-	(1,462,483)	(1,462,483)
Balance 30 June 2012	340,280	89,489,663	2,543,732	3,270,306	268,875	1,430,212	35,054,439	132,397,507

Consolidated

	Capital Account	Retained Profits	Transfer of Engagements Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Other Reserves	Total
Balance 1 July 2010	314,210	70,652,011	2,543,732	2,846,306	293,566	1,430,212	34,399,293	112,479,330
Operating Profit for the year	-	11,426,530	-	-	-	-	-	11,426,530
Profit attributable to non-controlling interest	-	(9,836)	-	-	-	-	9,836	-
Transfers to and from Reserves								
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	14,530	(14,530)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(150,000)	-	150,000	-	-	-	-
- Revalution Reserve	-	-	-	-	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-	-	-	(280,078)	(280,078)
Balance 30 June 2011	328,740	80,704,175	2,543,732	2,996,306	293,566	1,430,212	35,329,051	123,625,782
Balance 1 July 2011	328,740	80,704,175	2,543,732	2,996,306	293,566	1,430,212	35,329,051	123,625,782
Operating Profit for the year	-	10,345,035	-	-	-	-	-	10,345,035
Profit attributable to non-controlling interest		(7,247)	-	-	-	-	7,247	-
Transfers to and from Reserves	-							
- General Reserves	-	(1,200,000)	-	-	-	-	1,200,000	-
- Capital Account	11,540	(11,540)	-	-	-	-	-	-
- Reserves for Credit Losses	-	(274,000)	-	274,000	-	-	-	-
- Revalution Reserve	-	-	-	-	(24,691)	-	-	(24,691)
Cash Flow Hedge Reserve	-	-	-	-	-	-	(1,462,483)	(1,462,483)
Balance 30 June 2012	340,280	89,556,423	2,543,732	3,270,306	268,875	1,430,212	35,073,815	132,483,643

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Assets					
Cash and Liquid Assets	6	29,127,209	56,910,798	29,092,177	56,851,110
Receivables due from other Financial Institutions	7	105,000,000	72,000,000	105,000,000	72,000,000
Accrued Receivables	8	7,478,926	3,389,000	7,438,707	3,344,007
Investment Securities	9	112,942,879	80,787,158	112,942,879	80,787,158
Loans and Advances	10&11	961,657,041	916,360,594	961,657,041	916,360,594
Available for Sale Investments	12	7,724,296	6,883,082	7,724,303	6,883,089
Property Plant and Equipment	13	2,821,445	3,419,563	2,781,197	3,399,711
Intangible Assets	14	567,097	598,842	513,546	598,842
Taxation Assets	15	1,821,909	1,722,839	1,821,909	1,722,839
Derivative Fair Value		-	-	-	-
Total Assets		1,229,140,802	1,142,071,876	1,228,971,759	1,141,947,350
Liabilities					
Payables to other Financial Institutions	16	-	-	-	-
Deposits and Borrowings	17	1,076,505,043	997,178,757	1,076,505,043	997,178,757
Creditors and other Liabilities	18	14,136,441	15,813,638	14,068,326	15,768,523
Provisions	19	2,973,820	2,689,885	2,973,820	2,689,885
Taxation Liabilities	20	1,299,294	2,465,493	1,284,502	2,430,806
Derivative Fair Value		1,742,561	298,321	1,742,561	298,321
Total Liabilities		1,096,657,159	1,018,446,094	1,096,574,252	1,018,366,292
Net Assets		132,483,643	123,625,782	132,397,507	123,581,058
Member Funds					
Capital Account	21	340,280	328,740	340,280	328,740
Reserves		44,310,158	42,860,849	44,310,125	42,860,816
Retained Profits		89,556,423	80,704,175	89,489,663	80,671,580
Cash Flow Hedge Reserve		(1,742,561)	(280,078)	(1,742,561)	(280,078)
Non-Controlling Interest		19,343	12,096	-	-
Total Member Funds		132,483,643	123,625,782	132,397,507	123,581,058

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

STATEMENT OF CASH FLOWS

For Year Ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Cash Flow From Operating Activities					
Interest Received - Loans		69,090,554	67,778,098	69,090,554	67,778,098
Other Income		21,832,442	19,218,269	21,380,891	18,768,193
Dividends Received		539,106	744,620	539,106	744,620
Interest Paid		(48,648,243)	(42,476,255)	(48,648,243)	(42,476,255)
Suppliers and Employees		(33,119,301)	(26,926,529)	(32,730,055)	(26,556,844)
Taxes Paid		(3,738,583)	(2,791,246)	(3,738,583)	(2,791,246)
Net Cash from Revenue Activities	36c	5,955,975	15,546,957	5,893,670	15,466,566
Inflows from Other Operating Activities					
Net Movement in Member Loans		(46,270,819)	(60,110,319)	(46,270,819)	(60,110,319)
Net Movement in Member Shares		(11,540)	(14,530)	(11,540)	(14,530)
Net Movement in Deposits		79,337,826	81,572,121	79,337,826	81,572,121
Net Cash from Operating Activities		39,011,442	36,994,229	38,949,137	36,913,838
Cash Flows from Investing Activities					
Investment Redemption		736,137,927	704,547,770	736,137,927	704,547,770
Proceeds from Sale of Fixed Assets		180,660	50,700	166,660	50,700
Purchase of Investments		(802,134,862)	(695,107,855)	(802,134,862)	(695,107,855)
Purchase of Fixed Assets		(954,065)	(1,180,984)	(853,104)	(1,160,281)
Asset Revaluation Reserve		(24,691)		(24,691)	
Net Cash Used in Investing Activities		(66,795,031)	8,309,631	(66,708,070)	8,330,334
Cash Flow from Financing Activities					
Net Movement in Borrowings		-	-	-	-
Net Cash Provided by Financing Activities		-	-	-	-
Net Increase (Decrease) in Cash		(27,783,589)	45,303,860	(27,758,933)	45,244,172
Cash at Beginning of Year		56,910,798	11,606,938	56,851,110	11,606,938
Cash at End of Reporting		29,127,209	56,910,798	29,092,177	56,851,110
Reconciliation of Cash at End of Reporting Period	36a				
Cash		6,627,229	3,344,045	6,592,197	3,284,357
Overdraft		-	-	-	-
Deposits at Call		22,499,980	53,566,753	22,499,980	53,566,753
Total		29,127,209	56,910,798	29,092,177	56,851,110

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 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.

(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 and Negotiable Certificates of 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. 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.

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

m. 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.

n. 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.

o. Impairment of Assets

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the Statement of Comprehensive Income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time 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.

p. Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

q . Accounting Estimates and Judgements

Management have made judgements when applying the Credit Union's accounting policies with respect to:

i. De-Recognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer Note 35

ii. Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans - refer Note 11.

r. New standards applicable for the current year

The Credit Union applies the current revised accounting standards applicable for financial years commencing the 1 July 2012. There are no new standards applicable for the current financial year. Some amendments have been made to standards that apply to the Credit Union, as follows.

The Credit Union has adopted the following amended standards in the presentation of the financial report

AASB reference	Title of Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
AASB 7	Financial Instruments: Disclosures-	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the value of collateral held.	Periods commencing on or after 1 January 2011	There will be no impact in initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
AASB 101	Presentation of Financial Statements	A detailed reconcilliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconcilliation of each item of other comprehensive income has always been included in the statement of changes in equity.

s. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

	Nature of Change	Application Date	Impact on initial Application
AASB reference			
AASB 2011-6 (issued November 2011)	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Annual reporting Periods	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB 9 Financial Instruments (issued December 2009 and amended December 2010)	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to: Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2015 year end, the entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.
AASB 2010-8 (issued December 2010). Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. However, this presumption cannot be rebutted for the land portion of investment property which is not depreciable.	Periods commencing on or after 1 January 2012	The entity does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.
AASB 10 (issued August 2011) Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: Power over investee (whether or not power used in practice); Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.
AASB 13 (issued September 2011. Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 31 December 2013, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013. When this standard is adopted for the first time on 1 January 2013, additional disclosures will be required about fair values.
AASB 119 (reissued September 2011) Employee Benefits	Main changes include: Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans; Actuarial gains/losses on re measuring the defined benefit plan obligation/asset to be recognised in Other Comprehensive Income rather than in profit or loss, and cannot be reclassified in subsequent periods; Subtle amendments to timing for recognition of liabilities for termination benefits; Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 31 December 2013 year end, annual leave liabilities will be recalculated on 1 January 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 January 2012, and a corresponding increase in retained earnings at that date.

t. Derivatives and Hedging Activities

The Credit Union uses derivative financial instruments to avoid or minimise possible adverse financial effects of movements in interest rates.

The Credit Union designates certain derivatives as either:

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for instance, when the forecast transaction that is hedged takes place.

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is reclassified to profit or loss.

2. Income Statement

a. Analysis of Interest Revenue

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Category of Interest Bearing Assets				
Cash - Deposit	1,547,509	502,158	1,547,509	502,158
Receivables from Financial Institutions	13,950,216	11,827,546	13,948,851	11,827,546
Loans and Advances	69,090,554	67,778,098	69,090,554	67,778,098
Others		-		-
Total	84,588,279	80,107,802	84,586,914	80,107,802

b. Analysis of Interest Expense

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Category of Interest Bearing Liabilities				
Member Deposits	45,799,035	41,683,767	45,799,035	41,683,767
Overdraft	64,865	87,952	64,865	87,952
Long Term Borrowings	-	-	-	-
Others	1,989,690	1,924,220	1,989,690	1,924,220
Total	47,853,590	43,695,939	47,853,590	43,695,939

3. Profit from Ordinary Activities - Revenue

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Dividend Revenue	539,106	744,620	539,106	744,620
Fee and Commission Revenue				
- Loan Fee Income	1,365,847	1,388,436	1,365,847	1,388,436
- Other Fee Income	2,251,956	2,147,787	2,251,956	2,147,787
- Insurance Commissions	1,929,067	1,926,666	1,929,067	1,926,666
- Other Commissions	1,219,860	1,104,603	769,674	654,526
Bad Debts Recovered	202,893	147,499	202,893	147,499
Total Revenue from Ordinary Activities	7,508,729	7,459,611	7,058,543	7,009,534
Other Revenue				
- Income from Derivative Fair Value	18,399	512,274	18,399	512,274
- Other	94,127	14,624	94,127	14,624
Total Revenue from Other Activities	112,526	526,898	112,526	526,898
Total Revenue from Ordinary and Other Activities	7,621,255	7,986,509	7,171,069	7,536,432

4. Profit from Ordinary Activities - Expenses

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
a. Loan Impairment Losses				
Increase/(decrease) in provision for impairment	324,134	683,282	324,134	683,282
Bad Debts written off directly against profit	490,370	532,724	490,370	532,724
Total Impairment Losses	814,504	1,216,006	814,504	1,216,006
b. Other Prescribed Expense Disclosures				
Auditor's Remuneration				
- Audit Fees - Grant Thornton	108,573	-	108,573	-
- Audit Fees - Other Audit Fees	34,412	140,150	34,412	140,150
- Other Services	41,941	82,551	39,978	78,170
	184,926	222,701	182,963	218,320
Profit /(loss) on disposal of assets				
- Property, Plant and Equipment	42,214	(7,469)	45,982	(7,469)
Net movement in provision for depreciation				
- Buildings	32,139	32,139	32,139	32,139
- Plant and Equipment	1,031,859	1,017,016	1,022,613	1,016,164
- Leasehold Improvements	28,428	28,447	28,428	28,447
- Intangible Assets	353,056	307,509	353,056	307,509
Other Expense				
- Supervision Levy	50,480	47,318	50,480	47,318
- Superannuation	1,414,565	1,429,187	1,358,580	1,373,406

5. Income Tax

	Consolidated		Credit Union	
a. The prima facie tax payable on operating profit is reconciled to the income tax expense in the account as follows	2012 $	2011 $	2012 $	2011 $
Prima facie tax payable on operating profit before income at 30%	4,394,739	4,859,475	4,375,382	4,834,859
Loan fee income and costs deferred	-	8,013	-	8,013
Tax distribution from PCU 2009-1	-	10,386	-	10,386
Non-deductable expenditure	62,797	16,396	62,797	16,396
First home savers account	8,510	4,532	8,510	4,532
Building depreciation	9,642	9,642	9,642	9,642
Imputation credit	69,314	95,737	69,314	95,737
Less:				
Refund of income tax	-	(32,857)	-	(32,857)
Other:				
Rebate on fully franked dividends	(231,045)	(319,124)	(231,045)	(319,124)
Deduction not allowed in accounting expenses	3,754	-	-	-
Over provision of Income Tax Previous Year	(13,616)	7,509	(13,616)	7,509
Total	4,304,095	4,659,709	4,280,984	4,635,093
b. Income tax expense comprises amounts				
Provision for income tax attributable to current year taxable income	4,218,666	4,648,172	4,195,555	4,623,556
Movement in future income tax benefit	(100,502)	(182,361)	(100,502)	(182,361)
Movement in deferred tax liability	199,547	186,389	199,547	186,389
Over provision of Income Tax Previous Year	(13,616)	7,509	(13,616)	7,509
	4,304,095	4,659,709	4,280,984	4,635,093
c. Franking Credits				
Franking credits held by the Credit Union after adjusting for franking credits that will arise from payment of income tax payable as at 30 June.	45,009,051	40,578,197	45,009,051	40,578,197

6. Cash and Liquid Assets

Cash on hand	2,288,728	2,233,839	2,253,696	2,174,151
Deposits at call	22,499,980	53,566,753	22,499,980	53,566,753
Cash at Bank	4,287,841	1,020,656	4,287,841	1,020,656
Security Deposits	50,660	89,550	50,660	89,550
	29,127,209	56,910,798	29,092,177	56,851,110

7. Receivables Due from other Financial Institutions

Deposits - Term	105,000,000	72,000,000	105,000,000	72,000,000

8. Accrued Receivables

Interest Receivable on deposits with other Financial Institutions	2,194,301	1,528,176	2,194,301	1,528,176
Prepayments	636,496	813,287	636,496	813,287
Sundry Debtors	4,648,129	1,047,537	4,607,910	1,002,544
	7,478,926	3,389,000	7,438,707	3,344,007

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $

9. Investment Securities

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Bank Bills and Certificates of Deposits	89,603,922	80,787,158	89,603,922	80,787,158
Floating Rate Notes	21,338,957	-	21,338,957	-
Subordinated Debt	2,000,000	-	2,000,000	-
	112,942,879	80,787,158	112,942,879	80,787,158

Subordinated Debt - On 18th June 2012 the Credit Union invested in subordinated notes issued by National Australia Bank. The rights of the noteholders are subordinated to the claims of all creditors (including depositors) of National Australia Bank. The notes have quarterly interest payable in arrears with a fixed maturity date of 18th June 2022. National Australia Bank may redeem the notes on 18th June 2017 subject to prior approval from APRA and the impending Basel III obligations.

10. Loans and Advances

a. Amount Due comprises

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Overdrafts and Revolving Credit Loans	48,629,681	48,185,136	48,629,681	48,185,136
Term Loans	915,373,413	870,037,509	915,373,413	870,037,509
	964,003,094	918,222,645	964,003,094	918,222,645
Less: Provision for Impaired Loans	1,518,453	1,194,319	1,518,453	1,194,319
Less: Unamortised Loan Origination Fees	963,757	800,599	963,757	800,599
Plus: Amortised Loan Transaction Costs	136,157	132,867	136,157	132,867
Net Loans and Advances	961,657,041	916,360,594	961,657,041	916,360,594

b. Credit Quality - Security held against Loans

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Secured by Mortgage	820,019,623	770,949,179	820,019,623	770,949,179
Secured Other	71,589,209	73,440,712	71,589,209	73,440,712
Unsecured	72,394,262	73,832,754	72,394,262	73,832,754
	964,003,094	918,222,645	964,003,094	918,222,645

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:

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
- loan to valuation ratio of less than 80%;	561,648,620	541,027,992	561,648,620	541,027,992
- loan to valuation ratio of more than 80% but mortgage insured; and	223,413,563	197,881,619	223,413,563	197,881,619
- loan to valuation ratio or more than 80% and not mortgage insured.	34,957,440	32,039,568	34,957,440	32,039,568
Total	820,019,623	770,949,179	820,019,623	770,949,179

c. Concentration of Loans

(i) Individual loans which exceed 10% of Member Funds in aggregate amount to $0.00 (2010 $0.00)

(ii) Loans to Members are solely in Australia

(iii) Loan purpose dissection:

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
- Residential	707,415,291	701,221,481	707,415,291	701,221,481
- Personal	128,512,448	131,807,162	128,512,448	131,807,162
- Commercial*	112,813,183	69,731,980	112,813,183	69,731,980
- Lease	15,262,172	15,462,022	15,262,172	15,462,022
	964,003,094	918,222,645	964,003,094	918,222,645

*These are primarily loans to individuals secured by residential mortgage.

Geographical Areas

Geographical Areas	Housing	Personal	Credit Card	Overdraft	Business	Total
Sydney City	170,493,828	21,224,994	4,335,122	2,995,043	57,280	199,106,267
Western Suburbs	156,432,925	17,686,335	2,978,231	1,499,893	-	178,597,384
Australian Capital Territory	122,124,972	14,096,068	2,238,935	1,471,108	-	139,931,083
Illawarra	103,183,291	12,591,170	1,903,711	950,026	-	118,628,198
Hunter Valley	80,635,369	9,067,700	1,143,124	871,845	-	91,718,038
Central Coast	45,024,551	9,062,701	1,053,987	686,821	-	55,828,060
NSW North Coast	47,388,686	5,487,443	951,838	1,050,140	-	54,878,107
Other States	26,644,964	3,465,636	874,912	981,147	-	31,966,659
NSW Country	27,495,114	4,280,347	574,339	409,397	-	32,759,197
Blue Mountains	26,000,597	1,996,722	402,866	270,226	-	28,670,411
South Coast	14,746,897	1,513,912	211,396	185,313	-	16,657,518
Grand Total	820,171,194	100,473,028	16,668,461	11,370,959	57,280	948,740,922

11. Provision on Impaired Loans

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
a. Total Provision Comprises				
Specific Provision	-	-	-	-
Collective Provision	1,518,453	1,194,319	1,518,453	1,194,319
	1,518,453	1,194,319	1,518,453	1,194,319
b. Movement in Specific Provision				
Balance at the beginning of the year	1,194,319	511,037	1,194,319	511,037
Add: Transfers from Income Statement	324,134	683,282	324,134	683,282
Deduct: Bad debts written off against provision	-	-	-	-
Deduct: Transfers to Income Statement	-	-	-	-
Balance at end of year	1,518,453	1,194,319	1,518,453	1,194,319
c. The Specific Loans Provision Consists of:				
(i) Provision required under the APRA Prudential Standards	1,518,453	1,194,319	1,518,453	1,194,319
(ii) Additional specific provision	-	-	-	-
Total	1,518,453	1,194,319	1,518,453	1,194,319
d. Impaired Loans Written Off				
Amount written off against the provision for impaired loans	-	-	-	-
Amounts written off directly to expense	490,370	532,724	490,370	532,724
Total bad debts	490,370	532,724	490,370	532,724
Bad debts recovered in the period	202,893	147,499	202,893	147,499
e. Impaired Loan Disclosures Impaired Loans as at Balance Date				
Balance of the impaired loans	2,481,338	3,468,691	2,481,338	3,468,691
Estimated value of loans which is secured	1,054,720	2,174,868	1,054,720	2,174,868
Loans with repayments Past Due but not impaired (due to security held)				
- Real estate	768,124	1,262,341	768,124	1,262,341
- Other	-	-	-	-

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

	Carrying Value	Provision	Carrying Value	Provision
	2012 $	2012 $	2011 $	2011 $
Mortgage Insured	1,905,772	-	536,855	-
30 up to 89 days in arrears	1,226,139	-	1,336,714	-
90 to 181 days in arrears	1,301,230	520,492	1,179,902	471,961
182 to 272 days in arrears	121,458	72,875	589,093	353,456
273 to 364 days in arrears	411,776	329,421	9,622	7,698
365 days and over in arrears	497,347	497,347	271,780	271,780
Over limit facilities over 14 days	149,527	98,318	130,504	89,424
Total	5,613,249	1,518,453	4,054,470	1,194,319

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

The 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.

	2012			2011		
	Carrying Value	Value of impaired loans	Provision for impairment	Carrying Value	Value of impaired loans	Provision for impairment
Mortgages	4,296,495	1,822,847	1,119,291	3,931,905	2,793,828	823,380
Personal	857,312	406,880	253,415	749,997	330,699	197,331
Credit Cards	328,494	130,451	74,318	315,513	318,817	66,151
Overdrafts	599,287	109,945	66,943	817,769	25,347	107,457
Lease	11,215	11,215	4,486	-	-	-
Total to Natural Persons	6,092,803	2,481,338	1,518,453	5,815,184	3,468,691	1,194,319
Corporate Borrowers	-	-	-	-	-	-
Total	6,092,803	2,481,338	1,518,453	5,815,184	3,468,691	1,194,319

12. Available for Sale Investments

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Cuscal Member Shares (i)	2,507,621	2,507,621	2,507,621	2,507,621
Chelsea Wealth Management Pty Ltd	637,178	661,869	637,185	661,876
PCU 2009-1 Trust (ii)	4,579,497	3,713,592	4,579,497	3,713,592
	7,724,296	6,883,082	7,724,303	6,883,089

(i) Cuscal provides numerous services to the Credit Union.

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. The shares 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, a market value is not able to be determined readily.

The Credit Union is not intending to dispose of these shares.

(ii) 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

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
a. Property, Plant and Equipment Annual				
Fixed assets				
Land at cost	264,440	264,440	264,440	264,440
Buildings at cost	1,285,560	1,285,560	1,285,560	1,285,560
Less: Provisions for depreciation	143,452	111,313	143,452	111,313
Total Buildings	1,142,108	1,174,247	1,142,108	1,174,247
Total Land and Buildings	1,406,548	1,438,687	1,406,548	1,438,687
Plant and Equipment at cost	8,998,034	9,139,701	8,946,228	9,110,358
Less: Provision for depreciation	7,608,903	7,207,820	7,592,746	7,198,329
Total Plant and Equipment	1,389,131	1,931,881	1,353,482	1,912,029
Capitalised leasehold improvements at cost	2,795,093	2,789,896	2,789,894	2,789,896
Less: Provision for depreciation	2,769,327	2,740,901	2,768,727	2,740,901
Total Capitalised Leasehold Improvements	25,766	48,995	21,167	48,995
Closing Balance 30 June	2,821,445	3,419,563	2,781,197	3,399,711

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 not been brought to account in the balance sheet.

	2012			2011		
	Property	Plant & Equipment	Leasehold Improvement	Property	Plant & Equipment	Leasehold Improvement
Opening Balance 1 July	1,438,687	1,931,881	48,995	1,470,826	2,354,813	54,920
Add: Purchases in the year	-	627,555	5,199	-	652,253	22,522
Revaluation increase adjustments	-	-	-	-	-	-
Less: Disposal of assets	-	(180,660)	-	-	(50,700)	-
Loss on Sale	-	42,214	-	-	(7,469)	-
Depreciation charge	(32,139)	(1,031,859)	(28,428)	(32,139)	(1,017,016)	(28,447)
Closing Balance 30 June	1,406,548	1,389,131	25,766	1,438,687	1,931,881	48,995

	Consolidated		Credit Union	
	2012	2011	2012	2011
	$	$	$	$
14. Intangible Assets				
Computer Software	6,911,165	7,144,028	6,911,165	7,144,028
Less: Provision for Amortisation	(6,397,619)	(6,545,186)	(6,397,619)	(6,545,186)
Company Purchase	53,551	-	-	-
	567,097	598,842	513,546	598,842
Movement in the intangible asset balances during the year were:				
Opening Balance 1 July	598,842	400,142	598,842	400,142
Add: Purchases in the year	321,311	506,209	267,760	506,209
Less: Disposal of Assets	-	-	-	-
Depreciation charge	(353,056)	(307,509)	(353,056)	(307,509)
Closing Balance 30 June	567,097	598,842	513,546	598,842
15. Taxation Assets				
Deferred Tax Asset	1,821,909	1,722,839	1,821,909	1,722,839
Deferred Tax Asset Comprises:				
- Provision for Impairment	455,536	358,296	455,536	358,296
- Deferred Loan Origination Costs/Fees	-	240,179	-	240,179
- Provision for Staff Entitlements	999,417	896,217	999,417	896,217
- Fair Value of derivatives	-	89,120	-	89,120
- Provision Leasehold make good	118,200	118,200	118,200	118,200
- Audit Accrual	32,572	-	32,572	-
- Transitional TOFA Adjustment - Loan Fees	122,953	-	122,953	-
- Transitional TOFA Adjustment - Interest Rate Swaps	79,578	-	79,578	-
- Other	13,653	20,827	13,653	20,827
	1,821,909	1,722,839	1,821,909	1,722,839
16. Amounts Payable to Other Financial Institutions				
Cuscal Ltd.	-	-	-	-
- Overdraft Secured (Note 29)	-	-	-	-
17. Deposits				
Member Deposits:				
- at call	412,620,969	396,357,664	412,620,969	396,357,664
- term	663,494,464	600,419,943	663,494,464	600,419,943
Total Member Deposits	1,076,115,433	996,777,607	1,076,115,433	996,777,607
Withdrawable Shares	389,610	401,150	389,610	401,150
	1,076,505,043	997,178,757	1,076,505,043	997,178,757

Concentration of Risk

(i) There are no Members who individually have deposits which represent 10% or more of the total liabilities of the Credit Union.
(ii) Details of classes of deposits which represent 10% or more of shareholders' equity of the Credit Union are set out below:

	Consolidated		Credit Union	
	2012	2011	2012	2011
	$	$	$	$
Industry Group				
State Government	292,166,729	259,862,422	292,166,729	259,862,422
Federal Government	88,331,791	80,584,844	88,331,791	80,584,844

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Geographic Areas				
Australian Capital Territory	50,620,078	47,024,408	50,620,078	47,024,408
Central Coast Region	47,400,640	40,813,412	47,400,640	40,813,412
Hunter Region	75,327,913	66,303,625	75,327,913	66,303,625
Illawarra Region	29,317,723	25,281,791	29,317,723	25,281,791
North Coast Region	70,884,508	63,773,857	70,884,508	63,773,857
Sydney Coast Region	26,624,984	23,654,201	26,624,984	23,654,201
Sydney Metropolitan	620,972,097	569,310,306	620,972,097	569,310,306

18. Creditors and Borrowings

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Creditors and Accruals	5,375,698	6,258,242	5,307,583	6,213,127
Interest Payable on Deposits	8,760,743	9,555,396	8,760,743	9,555,396
	14,136,441	15,813,638	14,068,326	15,768,523

19. Provisions

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Provision for:				
Employee Benefits	2,534,309	2,215,650	2,534,309	2,215,650
Leasehold Make Good	393,999	393,999	393,999	393,999
Other	45,512	80,236	45,512	80,236
	2,973,820	2,689,885	2,973,820	2,689,885

20. Taxation Liabilities

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Provisions for Income tax	461,226	1,834,591	461,226	1,834,591
Provision for Deferred Income Tax	780,713	596,215	780,713	596,215
Other	57,355	34,687	42,563	-
	1,299,294	2,465,493	1,284,502	2,430,806
Provision for Deferred Income Tax Comprises:				
- Prepayments;	54,225	60,797	54,225	60,797
- Deferred Loan Origination Fees/Costs;	40,847	39,860	40,847	39,860
- Tax allowances relating to Property, Plant & Equipment; and	592,567	422,452	592,567	422,452
- Tax allowances relating to Chelsea Wealth Management Pty Ltd.	73,106	73,106	73,106	73,106
- Transitional TOFA Adjustment	19,968	-	19,968	-
	780,713	596,215	780,713	596,215

21. Capital Reserve Account

	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Balance - 1 July	328,740	314,210	328,740	314,210
Transfer from retained earnings on share redemptions	11,540	14,530	11,540	14,530
Balance - 30 June	340,280	328,740	340,280	328,740

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 its obligations as set out by the Australian Prudential Regulation Authority (APRA) in Australian Prudential Standards 510. The committee's 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.

Nomination Committee: The Nomination Committee has been established to independently assess the fairness and propriety of all candidates (excluding incumbents who are re-standing) for the positions of Director. In addition, the Committee ensures that those persons interviewed for the position of Director have the appropriate level of skills, experience and qualifications.

Compliance and Risk Managers: Their primary responsibilities involve the development and implementation of controls to manage operational risk to balance the avoidance of financial loss and damage to the Credit Union's reputation.

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 2012 the notional principle amounts of the interest rate swap contracts is $50,000,000. The fair value reflected in the Balance Sheet is ($1,742,561). The valuation of the derivative transactions is based on mid-market levels as of the close of business on 30 June 2012. 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 2012, the calculated market value of equity (EVE) is $132.8 million, with a sensitivity of $600,132 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	2012	2011
To total adjusted liabilities		
As at 30 June	12.39%	13.47%
Average for the year	13.11%	15.08%
Minimum during the year	11.76%	13.08%
To total Member deposits		
As at 30 June	12.86%	14.61%

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:

	2012			2011		
	Carrying Value	Off Balance Sheet	Maximum Exposure	Carrying Value	Off Balance Sheet	Maximum Exposure
Residential	707,415,291	43,553,506	750,968,797	701,221,481	34,478,718	735,700,199
Personal	115,417,582	969,025	116,386,607	119,960,558	783,089	120,743,647
Credit Cards	16,668,461	16,941,349	33,609,810	15,205,083	15,259,727	30,464,810
Overdrafts	11,688,577	23,497,769	35,186,346	12,103,543	23,734,594	35,838,137
Total to Natural Persons	851,189,911	84,961,649	936,151,560	848,490,665	74,256,128	922,746,793
Commercial	112,813,183	-	112,813,183	69,731,980	-	69,731,980
Total	964,003,094	84,961,649	1,048,964,743	918,222,645	74,256,128	992,478,773

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 and/or a Credit Union Financial Support Scheme (CUFSS) approved Authorised Deposit-taking Institution (ADI), to allow the scheme to have adequate resources to meet its obligations if needed.

d. 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 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 shown in chart below.

	2012
Tier 1	
Share capital	340,280
Capital reserve	1,430,212
General reserve	36,797,000
Cash flow hedge reserve	(1,742,561)
Retained earnings	92,119,539
Less prescribed deductions	4,581,894
Net tier 1 capital	124,362,576
Tier 2	
Reserve for credit losses	3,270,306
Asset revaluation reserves on property	120,993
Less prescribed deductions	2,253,810
Net tier 2 capital	1,137,489
Total Capital	125,500,065

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.

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:

2012	2011	2010	2009	2008
19.23%	20.09%	19.45%	18.13%	18.17%

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 Union's 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 $ 5,254,410

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 and Liabilities

The following information classifies the financial instruments into measurement classes	Note	Consolidated 2012 $	Consolidated 2011 $	Credit Union 2012 $	Credit Union 2011 $
Financial Assets - carried at amortised cost					
Cash	6	29,127,209	56,910,798	29,092,177	56,851,110
Receivables from Financial Institutions	7	105,000,000	72,000,000	105,000,000	72,000,000
Accrued Receivables	8	6,842,430	2,575,713	6,802,211	2,530,720
Investment Securities	9	112,942,879	80,787,158	112,942,879	80,787,158
Loans & Advances	10	961,657,041	916,360,594	961,657,041	916,360,594
Total Loans and Receivables		1,215,569,559	1,128,634,263	1,215,494,308	1,128,529,582
Available for Sale Investments carried at cost	12	7,724,296	6,883,082	7,724,303	6,883,089
Fair Value of Derivatives		-	-	-	-
Total Financial Assets		1,223,293,855	1,135,517,345	1,223,218,611	1,135,412,671
Financial Liabilities carried at amortised cost					
Short Term Borrowings	16	-	-	-	-
Deposits from Members	17	1,076,115,433	996,777,607	1,076,115,433	996,777,607
Withdrawable Shares	17	389,610	401,150	389,610	401,150
Creditors - Interest Payable on Deposits	18	14,136,441	15,813,638	14,068,326	15,768,523
Total Carried at Amortised Cost		1,090,641,484	1,012,992,395	1,090,573,369	1,012,947,280
Fair Value of Derivatives		1,742,561	298,321	1,742,561	298,321
Total Financial Liabilities		1,092,384,045	1,013,290,716	1,092,315,930	1,013,245,601

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.

2012

	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
Assets						
Cash	29,127,209	29,127,209	-	-	-	29,127,209
Accrued Receivables	6,842,430	4,648,129	-	-	-	4,648,129
Receivables from Financial Institutions	105,000,000	89,931,906	17,642,164	-	-	107,574,070
Investment Securities	112,942,879	86,338,957	28,000,000	-	-	114,338,957
Loans and Advances	961,657,041	25,866,019	77,598,056	413,856,298	908,710,484	1,426,030,857
Available for Sale Investments	7,724,296	-	-	-	7,724,296	7,724,296
On Balance Sheet Financial Assets	1,223,293,855	235,912,220	123,240,220	413,856,298	916,434,780	1,689,443,518
Interest Rate Swaps	50,000,000	-	-	53,668,170	-	53,668,170
Total Financial Assets	1,273,293,855	235,912,220	123,240,220	467,524,468	916,434,780	1,743,111,688
Liabilites						
Creditors and accruals	5,375,698	5,375,698	-	-	-	5,375,698
Creditors Interest Payable on Deposits	8,760,743	-	-	-	-	-
Deposits from Members - At Call	412,620,969	412,620,969	-	-	-	412,620,969
Deposits from Members - Fixed Term	663,494,464	453,028,298	140,611,893	99,544,245	56,586	693,241,022
Withdrawable Shares	389,610	389,610	-	-	-	389,610
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	1,090,641,484	871,414,575	140,611,893	99,544,245	56,586	1,111,627,299
Undrawn Loan Commitments	84,961,649	84,961,649	-	-	-	84,961,649
Interest Rate Swaps	50,000,000	-	-	55,039,413	-	55,039,413
Total Financial Liabilities	1,225,603,133	956,376,224	140,611,893	154,583,658	56,586	1,251,628,361

2011

	Balance Sheet	Up to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total Cash Flows
Assets						
Cash	56,910,798	56,910,798	-	-	-	56,910,798
Accrued Receivables	2,575,713	1,047,537	-	-	-	1,047,537
Receivables from Financial Institutions	72,000,000	65,007,215	3,115,989	6,435,794	-	74,558,998
Investment Securities	80,787,158	76,000,000	6,000,000	-	-	82,000,000
Loans and Advances	916,360,594	26,585,888	79,757,665	425,374,214	848,266,905	1,379,984,672
Available for Sale Investments	6,883,082	-	-	-	6,883,082	6,883,082
On Balance Sheet Financial Assets	1,135,517,345	225,551,438	88,873,654	431,810,008	855,149,987	1,601,385,087
Interest Rate Swaps	35,000,000	5,058,010	-	33,748,924	-	38,806,934
Total Financial Assets	1,170,517,345	230,609,448	88,873,654	465,558,932	855,149,987	1,640,192,021
Liabilites						
Creditors and Accruals	6,258,242	6,258,242	-	-	-	6,258,242
Creditors Interest Payable on Deposits	9,555,396	-	-	-	-	-
Deposits from Members - At Call	396,357,664	396,357,664	-	-	-	396,357,664
Deposits from Members - Fixed Term	600,419,943	336,703,409	210,135,726	87,065,641	501,350	634,406,126
Withdrawable Shares	401,150	401,150	-	-	-	401,150
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	1,012,992,395	739,720,465	210,135,726	87,065,641	501,350	1,037,423,182
Undrawn Loan Commitments	74,256,128	74,256,128	-	-	-	74,256,128
Interest Rate Swaps	35,000,000	5,082,668	-	34,503,073	-	39,585,741
Total Financial Liabilities	1,122,248,523	819,059,261	210,135,726	121,568,714	501,350	1,151,265,051

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.

2012	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non Interest Sensitive	Total
Assets						
Cash	26,838,481	-	-	-	2,288,728	29,127,209
Accrued Receivables	-	-	-	-	6,842,430	6,842,430
Receivables from Financial Institutions	-	88,000,000	17,000,000	-	-	105,000,000
Investment Securities	-	85,530,621	27,412,258	-	-	112,942,879
Loans and Advances	806,344,970	10,926,515	15,286,269	129,099,287	-	961,657,041
Available for Sale Investments	-	-	-	-	7,724,296	7,724,296
On Balance Sheet Financial Assets	833,183,451	184,457,136	59,698,527	129,099,287	16,855,454	1,223,293,855
Interest Rate Swaps	-	50,000,000	-	-	-	50,000,000
Total Financial Assets	833,183,451	234,457,136	59,698,527	129,099,287	16,855,454	1,273,293,855
Liabilites						
Creditors, Interest Payable on Deposits	-	-	-	-	14,136,441	14,136,441
Deposits from Members - At Call	412,620,969	-	-	-	-	412,620,969
Deposits from Members - Fixed Term	-	424,340,032	152,703,033	86,451,399	-	663,494,464
Withdrawable Shares	-	-	-	-	389,610	389,610
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	412,620,969	424,340,032	152,703,033	86,451,399	14,526,051	1,090,641,484
Undrawn Loan Commitments	84,961,649	-	-	-	-	84,961,649
Interest Rate Swaps	-	-	-	50,000,000	-	50,000,000
Total Financial Liabilities	497,582,618	424,340,032	152,703,033	136,451,399	14,526,051	1,225,603,133

2011	Floating Rate	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non Interest Sensitive	Total
Assets						
Cash	54,676,959	-	-	-	2,233,839	56,910,798
Accrued Receivables	-	-	-	-	2,575,713	2,575,713
Receivables from Financial Institutions	-	64,000,000	3,000,000	5,000,000	-	72,000,000
Investment Securities	-	74,904,514	5,882,644	-	-	80,787,158
Loans and Advances	796,995,181	2,163,481	29,064,922	88,137,010	-	916,360,594
Available for Sale Investments	-	-	-	-	6,883,082	6,883,082
On Balance Sheet Financial Assets	851,672,140	141,067,995	37,947,566	93,137,010	11,692,634	1,135,517,345
Interest Rate Swaps	-	35,000,000	-	-	-	35,000,000
Total Financial Assets	851,672,140	176,067,995	37,947,566	93,137,010	11,692,634	1,170,517,345
Liabilites						
Creditors, Interest Payable on Deposits	-	-	-	-	15,813,638	15,813,638
Deposits from Members - At Call	396,357,664	-	-	-	-	396,357,664
Deposits from Members - Fixed Term	-	302,101,537	226,076,797	72,241,609		600,419,943
Withdrawable Shares	-	-	-	-	401,150	401,150
Borrowings	-	-	-	-	-	-
On Balance Sheet Financial Liabilities	396,357,664	302,101,537	226,076,797	72,241,609	16,214,788	1,012,992,395
Undrawn Loan Commitments	74,256,128	-	-	-	-	74,256,128
Interest Rate Swaps	-	5,000,000	-	30,000,000	-	35,000,000
Total Financial Liabilities	470,613,792	307,101,537	226,076,797	102,241,609	16,214,788	1,122,248,523

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)	
	2012 $	2011 $	2012 $	2011 $
Net Fair Value	214,970,782	151,934,441	964,072,669	917,904,069
Book Value	217,942,879	152,787,158	964,003,094	918,222,645
Variance	(2,972,097)	(852,717)	69,575	(318,576)

Liabilities

	Payable to other Financial Institutions		Member Deposits		Interest Rate Swaps	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Net Fair Value	-	-	1,077,160,448	995,861,575	48,257,439	34,701,679
Book Value	-	-	1,076,505,043	997,178,757	50,000,000	35,000,000
Variance	-	-	655,405	(1,317,182)	(1,742,561)	(298,321)

27. Expenditure Commitments

a. Future Capital Commitments

The Credit Union has not entered into contracts to purchase fixed assets (2011 $100,372).

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Within 1 year	-	100,372	-	100,372
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
over 5 years	-	-	-	-
	-	100,372	-	100,372

b. Future Lease Rental Commitments

Future lease rental commitments are $6,208,939 (2011 $5,345,448). Operating lease payments under existing lease arrangements for office accommodation are payable over the following periods:

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Within 1 year	1,964,836	1,256,042	1,964,836	1,256,042
1 to 2 years	1,935,687	1,153,380	1,935,687	1,153,380
2 to 5 years	2,023,155	2,936,026	2,023,155	2,936,026
over 5 years	285,262	-	285,262	-
	6,208,940	5,345,448	6,208,940	5,345,448

28. Financial Commitments

a. Loan Commitments
Loans approved but not funded as at 30 June 2012 total $31,326,977 (2011 $23,493,319).

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

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Total value of facilities approved	102,264,354	98,947,945	102,264,354	98,947,945
Less: Amount outstanding at balance day	48,629,681	48,185,136	48,629,681	48,185,136
Net undrawn value	53,634,673	50,762,809	53,634,673	50,762,809

29. Standby Borrowing Facilities

The Credit Union has the following credit facilities with Cuscal:

Overdraft	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Approved Limit	12,000,000	12,000,000	12,000,000	12,000,000
Less: Amount drawn	-	-	-	-
Available to draw	12,000,000	12,000,000	12,000,000	12,000,000

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 (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 and/or a CUFSS approved Authorised Deposit-taking Institution (ADI). 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:

	Consolidated		Credit Union	
	2012	2011	2012	2011
	$	$	$	$
(i) short term employee benefits	1,928,967	1,510,341	1,928,967	1,510,341
(ii) Post-employment benefits - Superannuation Contributions	192,087	92,612	192,087	92,612
(iii) Other long-term benefits - net increases in Long Service leave provision	26,810	(12,521)	26,810	(12,521)
(iv) Termination benefits	-	-	-	-
Total	2,147,864	1,590,432	2,147,864	1,590,432

In the above table, remuneration shown as "short term benefits" means wages, salaries, paid annual leave and paid sick leave, 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.

This note should be read in conjunction with note 19 of the financial statements.

Other Transactions with Key Management Persons

The disclosures are made in accordance with AASB 124 and include disclosures relating to 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;

(ii) each of the principal types of income and interest expense;

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

b. Loans to Directors and Other Key Management Persons

		Consolidated		Credit Union	
		2012 $	2011 $	2012 $	2011 $
(i)	The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to	1,124,394	1,434,743	1,124,394	1,434,743
(ii)	The total value of revolving credit facilities to Directors and other Key Management Personnel, as at balance date amounted to:	71,000	71,000	71,000	71,000
	Less amounts drawn down and included in (i)	16,402	20,445	16,402	20,445
	Net balance available	54,598	50,555	54,598	50,555
(iii)	During the year aggregate value of loans dispersed to Directors and other Key Management Personnel amounted to:				
	Revolving Credit Facilities	90,223	73,548	90,223	73,548
	Personal Loans	-	-	-	-
	Term Loans	62,000	7,125	62,000	7,125
Total		152,223	80,673	152,223	80,673
(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.	129,023	68,770	129.023	68,770

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	2,884,070	3,014,105	2,884,070	3,014,105
Total Interest paid on Deposits to KMP	42,892	129,396	42,892	129,396

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. Segmental Reporting

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

33. Events Occurring after the Balance Date

There were no events that have occurred since 30 June, 2012 that will have significant impact upon the Credit Union.

34. Superannuation Liabilities

If an employee does not nominate a fund of choice, the Credit Union contributes to one of two superannuation funds. One being the NGS Super which is an industry 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 2012, 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.

35. Transfers of Financial Assets

The Credit Union has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with:

(i) The repurchase obligation (REPO) trust for securing the ability to obtain liquid funds from the Reserve Bank – these loans are not de-recognised as the Credit Union retains the benefits of the trust until such time as a drawing is required.

(ii) The Integris securitisation trust where the Credit Union acts as agent for the trust in arranging loans on behalf of Integris, and/or can transfer the contractual rights to the trust of pre-existing loans at market value.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred in each of the above situations.

(a) Securitised loans retained on the balance sheet - Repurchase Obligation REPO Trust

The values of securitised loans which are not qualifying for de-recognition as the conditions do not meet the criteria in the accounting standards are set out below. In each case the loans are primarily variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

The REPO trust is a trust established by the Credit Union to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee. In the case of the REPO Trust the Credit Union receives a Warrant certificate to sell to the Reserve Bank should the liquidity needs not be satisfied by normal operational liquidity. The Warrant is secured over residential mortgage-backed securities (RMBS),

The Credit Union has financed the loans and received the net gains or losses from the trust after trustee expenses. The Credit Union has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Warrants received. The Credit Union retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Repo trust fails to meet the trust's criteria, the Credit Union is obliged to repurchase those loans and substitute equivalent qualifying loans into the trust.

	2012 $	2011 $
Loans and Receivables	95,803,487	88,128,999
Fair Value of associated liabilities	4,579,499	3,723,427

	2012 $	2011 $
Off Balance Sheet Financial Commitments	8,783,281	5,700,830
Notes Issued	24,400,000	42,400,000

(b) Securitised loans not on the balance sheet - Derecognised in their entirety

The Integris securitisation trust is an independent securitisation vehicle established by the peak Credit Union body, Cuscal.

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

In addition the Credit Union is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria. During the year the Credit Union assigned $0 in loans to Integris. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris and there is no residual benefits to the Credit Union. The Credit Union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

The Credit Union does not have any obligations in connection with performance or impairment guarantees, or call options to repurchase the loans.

The values of securitised loans which are qualifying for de-recognition arising from transfer of interest in the loans, as the conditions do not meet the criteria in the accounting standards. In each case the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

	2012 $	2011 $
Integris securitisation trust (bulk items only)	4,348,300	6,620,962
Net income received from the continuing involvement cumulatively	32,768	43,988

36 Notes to Cash Flow Statement Liabilities

a. Reconciliation of Cash

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

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Cash as at balance date comprises:				
Cash on Hand	6,627,229	3,344,045	6,592,197	3,284,357
Deposits at Call	22,499,980	53,566,753	22,499,980	53,566,753
Less: Overdraft with Cuscal	-	-	-	-
	29,127,209	56,910,798	29,092,177	56,851,110

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

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

	Consolidated		Credit Union	
	2012 $	2011 $	2012 $	2011 $
Operating Profit after Income Tax	10,345,035	11,426,530	10,303,623	11,370,326
Add (Deduct):				
Bad Debts Written Off	490,370	532,724	490,370	532,724
Depreciation Expense	1,445,482	1,385,111	1,436,236	1,384,259
Increase in Provision for Employee Entitlements	318,659	(94,250)	318,659	(116,667)
Accrued Expenses	(1,677,197)	1,703,606	(1,700,197)	1,716,400
Loss on Sale of Assets	(42,214)	7,469	(45,982)	7,469
Decrease (Increase) in Prepayments	176,791	(313,982)	176,791	(313,982)
Increase (Decrease) in Unearned Income	163,158	(19,090)	163,158	(19,090)
Amortised Loan Transaction Costs	(3,290)	(22,594)	(3,290)	(22,594)
Decrease (Increase) in Sundry Debtors	(4,266,561)	(440,877)	(4,271,335)	(431,423)
Increase (Decrease) in Deferred Taxes Payable	85,428	4,027	85,428	4,027
Provisions for Income Tax	(1,350,697)	831,440	(1,330,802)	808,274
Other Provisions	289,410	1,059,117	289,410	1,059,117
Derivative Fair Value	(18,399)	(512,274)	(18,399)	(512,274)
Net Cash from Operating Activities	5,955,975	15,546,957	5,893,670	15,466,566

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 19.23% (2011 20.09%).

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 12.39% (2011 13.47%).

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For You, Your Family, Your Future.