



**LYSAGHT**

**CREDIT UNION LIMITED**

A.B.N. 79 087 650 226

Incorporated in Australia

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**2010 ANNUAL**

**FINANCIAL REPORT**

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**Registered Office:**

13 Auburn St  
Wollongong, NSW 2500



**Credit Union and  
Building Society group**

## **CHAIRMAN'S REPORT**

**2009 - 2010**

Last year I made the comment that “...we look forward to another successful year. We anticipate the road ahead will be bumpy but with a well devised direction and competent management we foresee the credit union continuing to grow successfully into the future...” following on from that comment, this year Lysaght Credit Union has worked its way through another year of unsettled financial markets. This year I can report a successful 2009-10 financial year. Our annual report shows a realistic profit, adequate growth across the Balance Sheet and a continuing low arrears and impaired loans category. It gives me much pleasure to report these improvements in these key financial indicators.

As at the 31 March 2010 the Credit Union had grown to \$51.8m in Assets and our Capital (or Retained Profits) to \$5.5m, a significant achievement for an industrial based credit union.

Although financial indicators and milestones are fundamental to our ongoing strength I also believe it is just as fundamental to report on the benefits received by our members during a time of financial uncertainty.

Over the last two years the financial markets, via the Reserve Bank interest rate decisions, have experienced a rapid decline and then a brisk increase in official interest rates. While some institutions made decisions to improve the dividends received by their shareholders Lysaght Credit Union made the decision to benefit our members. Lysaght Credit Union did not increase loan interest rates greater than the Reserve Bank rate changes.

While our members with loans have had the advantage of timed interest rate changes our members with deposits have also benefited. In a deliberate strategy to share member benefit Lysaght Credit Union maintained top end interest rates for our term deposit investors over a range of terms.

Regular users of the Credit Union transaction products have not seen an increase in fees for a couple of years. We continue to monitor our transaction accounts against other products in the market and believe it is still an attractive banking package. If a member uses less than 15 ATM and/or EFTPOS transactions per month via the rediATM or NAB ATM network they should not incur any transaction costs.

Lysaght Credit Union has for many years had an ethos of fairness to all members. Our actions and your commitment is ongoing proof that this strategy is both advantageous to our members and pivotal to the ongoing strength of Lysaght Credit Union.

While it is fine to talk about last years achievements as a Board we must also look to the future. A future that ensures the ongoing viability of the Credit Union and a Credit Union that remains appealing to our members. With this in mind I would like to outline some of the work the Credit Union is undertaking to improve its desirability for members.

Your Credit Union is well down the path of its strategic plan. Part of that plan is the introduction of the “VISA” debit card. The board has made the sizeable investment in Visa to make the debit card available to our members. The Visa debit card will form part of our product range and fill a gap that was highlighted over the last couple of years.

Also within the next 12 months you will see television advertising showing the benefits of belonging to a mutual Credit Union, mutual Building Societies and mutual Friendly Societies. Lysaght Credit Union, in conjunction with ABACUS (the industry body representing the Australian mutual sector, comprising credit unions, mutual building societies and friendly societies), has started an advertising campaign to inform people about Credit Unions, their role in the banking industry and how you may be part of a mutual organisation. This is a major change for Lysaght Credit Union which in the past has relied on positive “word of mouth” comments from members to extol its virtues and grow membership.

As Chairman I would like to thank our members for their continued support, belief and trust in the Credit Union. The Credit Union is very aware of our members banking needs and the Credit Union endeavours to deliver those goods and services with a friendly attitude and at reasonable costs.

As a Credit Union we look forward to another year of measured progress and a greater interaction with our members.

Malcolm Grantham  
Chairman  
Lysaght Credit Union

**DIRECTORS' REPORT**

Your directors present their report on the credit union for the financial year ended 31 March 2010.

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

**INFORMATION ON DIRECTORS**

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

<b>Name</b>	<b>Position</b>	<b>Qualifications</b>	<b>Experience</b>	<b>Responsibilities</b>
<b>M Grantham</b>	Chairman	Consultant	Board member since Aug 1993	1 withdrawable share
<b>A Morton</b>	Deputy Chair	Manager – Intellectual Property – BlueScope Steel	Board member since Oct 2005	1 withdrawable share
<b>P Daly</b>	Chairman – Audit Committee	Finance Manager Accounting Services - BlueScope Steel	Board member since Jul 1992	1 withdrawable share
<b>K Jones</b>	Deputy Chair – Audit Committee	Accountant – BlueScope Steel	Board member since Jan 2006	1 withdrawable share
<b>A Cropp</b>	Director	General Manager – BlueScope Water	Board member since Jun 2003	1 withdrawable share
<b>R Newman</b>	Director	Consultant	Board member since Mar 1982	1 withdrawable share
<b>P Renkin</b>	Director	National Manager Human Resources – BlueScope Steel	Board member since Jun 2009	1 withdrawable share

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

<b>Name</b>	<b>Qualifications</b>	<b>Experience</b>
<b>P Dwyer</b>	Manager	Manager since 1996

<b>Director</b>	<b>Board</b>		<b>Audit</b>		<b>Period of appointment</b>
	H	A	H	A	
<b>M Grantham</b>	12	11	12	11	3 years – 2011
<b>A Morton</b>	12	10	12	10	3 years – 2012
<b>P Daly</b>	12	11	12	11	3 years – 2011
<b>K Jones</b>	12	12	12	12	3 years – 2010
<b>A Cropp</b>	12	6	12	6	3 years – 2012
<b>R Newman</b>	12	9	12	9	3 years – 2012
<b>P Renkin *</b>	10	6	10	6	1 year – 2010

- Ms P Renkin was appointed to the board in June 2009 to fill a casual vacancy left by Mr. D McKechnie. Ms P Renkin was confirmed to the Board, by election, at the last General Meeting.
- Ms P Renkin was also appointed to the Audit Committee in June 2009.

## **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 credit union, or a related body corporate with a director, a firm of which a director is a member or a credit union in which a director has a substantial financial interest, other than that disclosed in Note 28 of the financial report.

## **INDEMNIFYING OFFICER OR AUDITOR**

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

No insurance cover has been provided for the benefit of the auditors of the credit union.

## **FINANCIAL PERFORMANCE DISCLOSURES**

### **PRINCIPAL ACTIVITIES**

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

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

### **OPERATING RESULTS**

The net profit of the credit union for the year after providing for income tax was \$231,542 [2009 \$174,100].

### **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 Result for the year was affected by :-

The first six months results for the year were affected by historically low interest rates and tight interest margins. The following six months saw an improvement in the interest margin and Lysaght Credit Union's profit figure.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Apart from this, 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 of circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the credit union in subsequent financial years.

## **LIKELY DEVELOPMENTS AND RESULTS**

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

- (i) The operations of the credit union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the credit union

in the financial years subsequent to this financial year.

## **AUDITORS' INDEPENDENCE**

The auditors have provided the declaration of independence to the board as prescribed by the Corporations Act 2001 as set out on page 7.

## **ROUNDING:**

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

This report is made in accordance with a resolution of the board of Directors and is signed for and on behalf of the directors by:

Paul Daly

\_\_\_\_\_  
Director

Ken Jones

\_\_\_\_\_  
Director

Signed and dated this 12<sup>th</sup> day of July 2010.



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**DECLARATION OF INDEPENDENCE BY NEVILLE SINCLAIR  
TO THE DIRECTORS OF LYSAGHT CREDIT UNION LIMITED**

As lead auditor of Lysaght Credit Union Limited for the year ended 31 March 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and
- (ii) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lysaght Credit Union Limited.

A handwritten signature in black ink that reads 'N. Sinclair'.

**Neville Sinclair**  
Director

**BDO Audit (NSW-VIC) Pty Ltd**  
Chartered Accountants

Signed and dated this 12<sup>th</sup> day of July 2010.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF LYSAGHT CREDIT UNION LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Lysaght Credit Union Limited (credit union), which comprises the Statement of Financial Position as at 31 March 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the credit union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Independence*

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



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*Auditor's Opinion*

In our opinion the financial report of Lysaght Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 March 2010 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

BDO

**BDO Audit (NSW-VIC) Pty Ltd**  
Chartered Accountants

**Neville Sinclair**  
Director

Signed and dated this 12<sup>th</sup> day of July 2010.

**DIRECTORS' DECLARATION**

The directors' of Lysaght Credit Union Limited declare that:-

The financial statements comprising Statement of Financial Position and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, and accompanying notes and notes related thereto, are in accordance with the *Corporations Act 2001*, and :-

- (a) comply with Accounting Standards; and
- (b) give a true and fair view of the financial position of the credit union as at 31 March 2010 and performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the credit union will be able to pay its debts as and when they become due and payable.

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

Director Paul Daly

Director Ken Jones

Signed and dated this 12<sup>th</sup> day of July 2010.

**STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
Interest revenue	2.a	2,711,466	3,445,943
Interest expense	2.c	<u>(1,268,620)</u>	<u>(1,925,454)</u>
<b>Net interest income</b>		<u>1,442,846</u>	<u>1,520,489</u>
Fee commission and other income	2.b	220,957	205,218
		<u>1,663,803</u>	<u>1,725,707</u>
Less			
<b>Non interest expenses</b>			
Impairment losses on loans receivable from members	2.d	26,167	21,906
Fee and commission expenses		<u>257,733</u>	<u>335,941</u>
		283,900	357,847
General administration			
- Employees compensation and benefits		606,964	671,239
- Depreciation and amortisation	2.e	88,443	88,152
- Information technology		50,308	51,606
- Office occupancy		53,835	54,976
- Other administration		83,221	83,796
Other operating expenses		<u>180,180</u>	<u>182,480</u>
Total non interest expenses		<u>1,346,851</u>	<u>1,490,096</u>
<b>Profit before income tax</b>		316,952	235,611
Income tax expense	3	<u>85,410</u>	<u>61,511</u>
<b>Profit after income tax</b>		<u>231,542</u>	<u>174,100</u>
<b>Total comprehensive Income for the period</b>		<u>231,542</u>	<u>174,100</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 MARCH 2010**

	<b>Capital Reserve</b>	<b>Reserve for Credit Losses</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$	\$
Total at 1 March 2008	2,944	411,777	5,123,997	5,538,718
<b>Profit for the year</b>	-	-	174,100	174,100
Transfer to reserve for credit losses in year	-	12,293	(12,293)	-
Transfer to capital account on redemption of shares	350	-	-	350
<b>Total at 31 March 2009</b>	<b>3,294</b>	<b>424,070</b>	<b>5,285,804</b>	<b>5,713,168</b>
Profit for the year	-	-	231,542	231,542
Transfer to reserve for credit losses in year	-	-	-	-
Transfer to capital account on redemption of shares	228	-	-	228
<b>Total as at 31 March 2010</b>	<b>3,522</b>	<b>424,070</b>	<b>5,517,346</b>	<b>5,944,938</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
 AS AT 31 MARCH 2010**

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
Cash	4	4,076,570	5,696,283
Receivables from financial institutions	5	6,500,000	6,486,492
Receivables	6	83,925	58,876
Loans to members	7 & 8	40,590,781	38,462,531
Available for sale investments	9	145,851	127,643
Property, plant and equipment	10	335,726	367,982
Taxation assets	11	37,473	59,038
Intangible assets	12	93,440	87,047
<b>TOTAL ASSETS</b>		<u>51,863,766</u>	<u>51,345,892</u>
<b>LIABILITIES</b>			
Deposits from other institutions		-	1,000,000
Deposits from members	13	45,150,082	43,486,726
Creditor accruals and settlement accounts	14	701,150	1,102,350
Taxation liabilities	15	15,882	-
Provisions	16	43,648	43,648
Deferred tax liabilities	17	8,066	-
<b>TOTAL LIABILITIES</b>		<u>45,918,828</u>	<u>45,632,724</u>
<b>NET ASSETS</b>		<u>5,944,938</u>	<u>5,713,168</u>
<b>MEMBERS' EQUITY</b>			
Capital reserve account	18	3,522	3,294
General reserve for credit losses	19	424,070	424,070
Retained earnings		5,517,346	5,285,804
<b>TOTAL MEMBERS' EQUITY</b>		<u>5,944,938</u>	<u>5,713,168</u>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 \$	2009 \$
<b>OPERATING ACTIVITIES</b>			
<b>Revenue inflows</b>			
Interest received		2,704,178	3,486,557
Fees and commissions		120,128	141,767
Dividends Received		47,720	23,582
Other income		26,223	38,449
<b>Revenue outflows</b>			
Interest paid		(1,267,943)	(1,912,679)
Suppliers and employees		(1,257,511)	(788,993)
Income taxes paid		(39,896)	(111,680)
<b>Net cash from revenue activities</b>	33.b	<b>332,899</b>	<b>877,003</b>
<b>Inflows from other operating activities</b>			
Decrease in member loans (net movement)		-	(4,235,021)
Increase in member deposits and shares (net movement)		1,256,353	5,717,984
Decrease in deposits to other financial institutions (net movement)		-	459,848
<b>Outflows from other operating activities</b>			
Increase in members loans		(2,150,945)	-
Increase in receivables from other financial institutions		(13,508)	-
<b>Net cash from other operating activities</b>		<b>(908,100)</b>	<b>1,942,811</b>
<b>Net cash from all Operating Activities</b>		<b>(575,201)</b>	<b>2,819,814</b>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows</b>			
Proceeds of investment redemption		18,068	-
Proceeds on sale of property, plant and equipment		-	16,000
<b>Less: Outflows</b>			
Purchase of intangible assets		(59,636)	(8,579)
Purchase of fixed assets		(2,944)	(39,452)
Purchase of investment in shares		-	(1,360)
<b>Net cash from Investing Activities</b>		<b>(44,512)</b>	<b>(33,391)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows ( outflows)</b>			
Payables to other financial institutions (net movement)		(1,000,000)	-
<b>Net cash from financing activities</b>		<b>(1,000,000)</b>	<b>-</b>
Total net cash increase/ (decrease)		(1,619,713)	2,786,423
Cash at beginning of year		5,696,283	2,909,860
<b>Cash at end of year</b>	33.a	<b>4,076,570</b>	<b>5,696,283</b>

## 1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Lysaght Credit Union Limited as a single credit union, for the year ended the 31 March 2010. The report was authorised for issue on 22 June 2010 in accordance with a resolution of the board of directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), 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

#### (i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the credit union at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

#### (ii) Interest earned

**Term loans** - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

**Overdraft** –interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account by the 15<sup>th</sup> day of each month.

**Non accrual loan interest** – while still legally recoverable, interest is not brought to account as income where the credit union is informed that the member has deceased, or, where a loan is impaired.

#### (iii) Loan origination fees and discounts

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

#### (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, and included as part of interest revenue.

**1. STATEMENT OF ACCOUNTING POLICIES Continued**

(v) **Fees on loans**

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

(vi) **Net gains and losses**

Net gains and losses on loans to members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

**c. Loan Impairment**

(i) **Specific and collective provision for impairment**

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 20 details the credit risk management approach for loans.

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

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

ii) **Reserve for credit losses**

In addition to the above specific provision, the board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:

- the level of security taken as collateral; and
- the concentration of loans taken by employment type.

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.

**1. STATEMENT OF ACCOUNTING POLICIES Continued**

**d. Bad debts written off (direct reduction in loan balance)**

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the income statement.

**e. Property, plant and equipment**

Land and buildings are measured at cost less accumulated depreciation.

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

- Buildings - 40 years.
- Leasehold improvements - 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than \$300 are not capitalised.

**f. Receivables from other financial institutions**

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is calculated daily and paid on maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

**g. Equity investments and other securities**

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

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on statement of financial position 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.

**1. STATEMENT OF ACCOUNTING POLICIES Continued**

**h. Member Deposits**

**(i) Basis for measurement**

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

**(ii) Interest payable**

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

**i. Borrowings**

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

**j. Provision for Employee Benefits**

There are no provisions for Long Service, Annual Leave or Sick Leave. The credit union has an arrangement with BlueScope Steel for the supply of staff to meet the Credit Union's needs. All costs are paid to BlueScope Steel as incurred, including all leave entitlements.

**k. Income Tax**

The income tax expense shown in the income statement is based on the profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

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

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

**l. Intangible Assets**

Items of computer software which are not integral to the computer hardware owned by the credit union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. These lives range from 2 to 3 years.

**1. STATEMENT OF ACCOUNTING POLICIES Continued**

**m. Goods and Services Tax**

As a financial institution the credit union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), 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. 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 cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**n. Impairment of Assets**

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

**o. Accounting Estimates and Judgements**

Management have made judgements when applying the credit union's accounting policies with respect to:

- i. The classification of preference shares as equity instruments – refer Note 18.

Management have made critical accounting estimates when applying the credit union's accounting policies with respect to the impairment provisions for loans - refer Note 8.

**p. New Standards Applicable for the Current Year**

The credit union applies the current revised accounting standards applicable for financial years commencing the 1 January 2009.

AASB 101	Presentation of Financial statements which amended the name of some statements such as the balance sheet and the cash flow statement.
AASB 7	Amended disclosures about financial instruments measured at fair value, and enhanced the disclosures over liquidity risks.

**q. New or emerging standards not yet mandatory**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2010 reporting periods. The credit union's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Title of affected standard	Nature of change	Application date	Impact on initial application
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the Credit Union has not yet made an assessment of the impact of these amendments.

## 2. INCOME STATEMENT

### a. Analysis of interest revenue

	Note	2010 \$	2009 \$
<b>Interest revenue on assets carried at amortised cost</b>			
Cash – deposits at call		108,921	182,320
Receivables from financial institutions		275,448	399,958
Loans to members		2,327,097	2,863,665
<b>TOTAL INTEREST REVENUE</b>		<u>2,711,466</u>	<u>3,445,943</u>

### b. Fee, commission and other income

#### Fee and commission revenue

Fee income on loans – other than loan origination fees		-	6,897
Fee Income from member deposits		79,169	80,847
Other fee income		10,967	21,244
Insurance commissions		4,576	6,617
Other commissions		25,416	26,161
<b>TOTAL FEE AND COMMISSION REVENUE</b>		<u>120,128</u>	<u>141,766</u>

#### Other income

Dividends received on available for sale assets		47,720	23,582
Bad debts recovered / Reduction in provision		20,226	5,614
Income from property (rental income)		-	23,650
Gain on disposal of assets			
- Property, plant and equipment		26,886	1,419
Miscellaneous revenue		5,997	9,187
<b>TOTAL OTHER INCOME</b>		<u>100,829</u>	<u>63,452</u>
<b>TOTAL FEE COMMISSION AND OTHER INCOME</b>		<u>220,957</u>	<u>205,218</u>

### c. Interest expenses

#### Interest expense on liabilities carried at amortised cost

Short term borrowings		1,911	1,641
Deposits from members		1,226,709	1,923,813
<b>TOTAL INTEREST EXPENSE</b>		<u>1,268,620</u>	<u>1,925,454</u>

### d. Impairment losses

#### Loans and advances

Increase in provision for impairment		12,000	18,204
Bad debts written off directly against profit		14,167	3,702
<b>TOTAL IMPAIRMENT LOSSES</b>		<u>26,167</u>	<u>21,906</u>

**2. INCOME STATEMENT (Continued)**

	Note	2010 \$	2009 \$
<b>e. Other prescribed disclosures</b>			
General administration - depreciation expense include:			
- buildings		6,769	6,768
- plant and equipment		28,432	31,811
- amortisation of software		53,242	49,573
		88,443	88,152
Other operating expenses include:			
Auditor's remuneration (excluding GST)			
- Audit fees		38,015	38,015
- Other Services – taxation		3,250	3,250
- Other Services – compliance		3,000	5,150
		44,265	46,415

	Note	2010 \$	2009 \$
<b>3. INCOME TAX EXPENSE</b>			
a. The income tax expense comprises amounts set aside as:-			
Current tax expense - current year profits (3b)		84,660	67,073
Under / (over) provision from previous years		11,555	3,016
<b>Total current income tax expense</b>		96,215	70,089
<b>Deferred tax expense</b>			
Write-down and/or reversal of previous write-down of a deferred tax asset:			
- Adjustment to opening Increase in Deferred Tax Asset as per tax return		(10,805)	(8,577)
<b>Total income tax expense in income statement</b>		85,410	61,512
b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:			
Operating Profit		316,952	235,613
Prima facie tax payable on profit before income tax at 30%		95,086	70,684
Add tax effect of expenses not deductible:			
- Other non-deductible expenses		3,891	3,464
- Dividend imputation adjustment		6,135	3,032
<b>Subtotal</b>		105,112	77,180
Less			
- Imputation credits		20,452	10,107
Income tax expense attributable to operating profit		84,660	67,073
c. Franking credits			
Franking credits held by the credit union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:-		875,264	786,825
Since the Credit Union rules prevent a dividend being declared, these franking credits are not presently available to members.			
Franking credits represent reserves upon which income tax has been paid.			

	Note	2010 \$	2009 \$
<b>4. CASH</b>			
Cash on hand		96,317	67,187
Deposits at call		<u>3,980,253</u>	<u>5,629,096</u>
		<u>4,076,570</u>	<u>5,696,283</u>
<b>5. RECEIVABLES FROM FINANCIAL INSTITUTIONS</b>			
Deposits with industry bodies - CUSCAL (refer Note 26)		1,000,000	2,986,492
Deposits with other societies		2,000,000	3,500,000
Deposits with banks		<u>3,500,000</u>	-
		<u>6,500,000</u>	<u>6,486,492</u>
<b>6. RECEIVABLES</b>			
Interest receivable on deposits with other financial institution		47,771	29,791
Prepayments		5,371	4,862
Sundry debtors and settlement accounts		<u>30,783</u>	<u>24,223</u>
		<u>83,925</u>	<u>58,876</u>
<b>7. LOANS TO MEMBERS</b>			
<b>a. Amount due comprises:</b>			
Overdrafts and revolving credit		25,386	28,022
Term loans		<u>40,579,412</u>	<u>38,439,974</u>
<b>Subtotal</b>		<u>40,604,798</u>	<u>38,467,996</u>
Add:			
Unamortised loan origination fees		7,268	17,962
<b>Subtotal</b>		<u>40,612,066</u>	<u>38,485,958</u>
Less:			
Provision for impaired loans (Note 8)		<u>(21,285)</u>	<u>(23,427)</u>
		<u>40,590,781</u>	<u>38,462,531</u>
<b>b. Credit quality - Security held against loans</b>			
Secured by mortgage over real estate		36,506,492	34,435,000
Secured other		68,759	130,867
Partly secured by goods mortgage		2,433,040	2,403,830
Wholly unsecured		<u>1,596,507</u>	<u>1,498,299</u>
		<u>40,604,798</u>	<u>38,467,996</u>

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

**7. LOANS TO MEMBERS (Continued)**

	Note	2010 \$	2009 \$
Security held as mortgage against real estate is on the basis of			
- loan to valuation ratio of less than 80%		34,538,521	31,522,836
- loan to valuation ratio of more than 80% but mortgage insured		1,539,771	1,784,137
- loan to valuation ratio of more than 80% and not mortgage insured		428,200	1,128,027
Total		36,506,492	34,435,000

Where the loan value is less than 80% of the security value there is a 20% margin to cover the costs of any sale, or potential value reduction.

**c. Concentration of loans**

The values discussed below include on statement of financial position values and off statement of financial position undrawn facilities as described in Note 25.

(i) Loans to Individual or related groups of members which exceed 10% of reserves in aggregate		3,879,391	4,601,989
Total		3,879,391	4,601,989

(ii) Loans to members are concentrated to individuals employed in the steel industry.

**Geographical concentrations**

	Note	2010 \$	2009 \$
NSW - Illawarra		34,786,815	33,079,770
- Sydney		2,376,416	2,530,263
- Other		453,990	456,930
Victoria		425,882	172,046
Queensland		1,358,237	1,375,864
South Australia		-	341,215
Western Australia		1,103,793	335,042
Tasmania		-	18,348
Northern Territory		57,835	40,371
ACT		41,830	118,147
Total per statement of financial position		40,604,798	38,467,996

**Concentration by purpose**

	Note	2010 \$	2009 \$
<b>Loans to natural persons</b>			
Residential loans and facilities		25,874,943	23,686,163
Personal loans and facilities		13,888,872	13,899,200
Business loans and facilities		840,983	882,633
		40,604,798	38,467,996

	Note	2010 \$	2009 \$
<b>8. PROVISION ON IMPAIRED LOANS</b>			
<b>a. Total provision comprises</b>			
Collective provisions		16,591	20,497
Individual specific provisions		4,694	2,930
<b>Total Provision</b>		<b>21,285</b>	<b>23,427</b>
<b>b. Movement in the provision for impairment</b>			
Balance at the beginning of year		2,930	5,223
Add (deduct):			
Transfers from (to) income statement		15,906	(2,293)
Bad debts written off provision		(14,142)	-
<b>Balance at end of year</b>		<b>4,694</b>	<b>2,930</b>

Details of credit risk management is set out in Note 20.

<b>c. Impaired loans written off</b>			
Amounts written off against the provision for impaired loans		14,142	-
Amounts written off directly to expense		25	3,702
Total bad debts		14,167	3,702
Bad debts recovered in the period / Reduction in provision		20,226	5,614
		20,226	5,614

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

In the Note below -

- Carrying Value is the amount of the statement of financial position.
- Impaired loans value is the 'on statement of financial position' loan balances which are past due by 90 days or more.
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans.

	2010 Carrying value \$	2010 Value of Impaired Loans \$	2010 Provision for impairment \$	2009 Carrying value \$	2009 Value of Impaired Loans \$	2009 Provision for impairment \$
Loans to members						
Mortgages	26,690,541	-	-	24,540,774	-	-
Personal	13,888,871	5,040	4,683	13,899,200	7,111	2,844
Overdrafts	25,386	30	11	28,022	214	86
Total to natural persons	40,604,798	5,070	4,694	38,467,996	7,325	2,930
Corporate borrowers	-	-	-	-	-	-
Total	40,604,798	5,070	4,694	38,467,996	7,325	2,930

Past due value is the 'on statement of financial position's loan balances which are past due by 90 days or more.

It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

**8. PROVISION ON IMPAIRED LOANS (Continued)**

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

	2010 Carrying Value \$	2010 Provision \$	2009 Carrying Value \$	2009 Provision \$
Non impaired up to 31 days				
31 to 90 days in arrears	17,751	-	246,742	-
90 to 180 days in arrears	595	238	7,111	2,844
180 to 270 days in arrears	-	-	-	-
270 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	4,445	4,445	-	-
Overlimit facilities over 14 days	30	11	214	86
<b>Total</b>	22,821	4,694	254,067	2,930

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

**f. Loans with repayments past due but not regarded as impaired**

There are loans with a value of \$398,709 past due which are not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

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

	1- 3 Mnths	3-6 Mnths	6-12 Mnths	> 1 Year	Total
<b>2010</b>	\$	\$	\$	\$	\$
Mortgage secured	291,462				291,462
Personal loans	106,310				106,310
Overdrafts	937				937
<b>Total</b>	398,709				398,709

<b>2009</b>	\$	\$	\$	\$	\$
Mortgage secured	214,378				214,378
Other loans					
Personal loans	32,364	4,267			36,631
Overdrafts	128				128
<b>Total</b>	246,870	4,267			251,137

**8. PROVISION ON IMPAIRED LOANS (Continued)**

**g. Key assumptions in determining the provision for impairment**

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

Period of impairment	% of balance
Up to 90 days	0
90 days to 181 days	40
181 days to 270 days	60
270 days to 265 days	80
Over 365 days	100

	Note	2010 \$	2009 \$
<b>9. AVAILABLE FOR SALE INVESTMENTS</b>			
<b>a. Shares in unlisted companies – at cost</b>			
- CUSCAL Ltd.	9.b	126,283	126,283
- Transaction Solutions (TAS)	9.b	19,568	-
- Combined Financial Processing (CFP)		-	10,750
<b>Total value of investments</b>		<u>145,851</u>	<u>137,033</u>
<b>Less provisions for impairment</b>			
- Transaction Solutions (TAS)		-	-
- Combined Financial Processing (CFP)		-	(9,390)
		<u>145,851</u>	<u>127,643</u>

**b. Disclosures on shares held at cost**

**CUSCAL Limited**

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the credit union to receive essential banking services. The shares are not able to be traded and are not redeemable.

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

**Transaction Solutions (TAS)**

On 31 March 2010 Combined Financial Processing (CFP) was dissolved and Transaction Solutions (TAS) acquired all the issued shares of CFP. The shareholding in TAS is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the credit union to receive essential Information Technology services. The shares are not able to be traded and are not redeemable.

The credit union is not intending to dispose of CUSCAL or TAS shares.

	Note	2010 \$	2009 \$
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>a. Fixed assets</b>			
Land - at cost (valuation 2009)		123,000	123,000
Buildings - at cost (valuation 2009)		270,736	270,736
Less: Provision for depreciation		(88,553)	(81,785)
		<u>182,183</u>	<u>188,951</u>
Total land & buildings		<u>305,183</u>	<u>311,951</u>
<b>Plant and equipment - at cost</b>		277,175	274,231
Less: provision for depreciation		(246,632)	(218,200)
		<u>30,543</u>	<u>56,031</u>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<u><u>335,726</u></u>	<u><u>367,982</u></u>

An independent valuation was conducted on the land and building located at 13 Auburn St Wollongong in March 2009. The valuation amount was determined to be \$1.46 million.

**b. Movement in the assets balances during the year were :**

	2010				2009			
	<i>Property</i>	<i>Plant &amp; equipment</i>	<i>&amp; Land</i>	<i>Total</i>	<i>Property</i>	<i>Plant &amp; equipment</i>	<i>&amp; Land</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	188,951	56,031	123,000	<b>367,982</b>	195,720	62,969	123,000	<b>381,689</b>
Purchases	-	2,945	-	<b>2,945</b>	-	39,452	-	<b>39,452</b>
Less								
Assets disposed	-	-	-	-	-	14,580	-	<b>14,580</b>
Depreciation charge	6,768	28,433	-	<b>35,201</b>	6,769	31,810	-	<b>38,579</b>
<b>Balance at the end of the year</b>	<b>182,183</b>	<b>30,543</b>	<b>123,000</b>	<b>335,726</b>	<b>188,951</b>	<b>56,031</b>	<b>123,000</b>	<b>367,982</b>

	Note	2010 \$	2009 \$
<b>11. TAXATION ASSETS</b>			
Current Tax Recoverable		-	35,319
Deferred Tax Assets		37,473	23,719
		<u>37,473</u>	<u>59,038</u>
Deferred tax assets comprise:			
Accrued expenses not deductible until incurred		26,492	13,455
Provisions for impairment on loans		6,386	7,028
Depreciation on fixed assets		6,775	8,625
Deferred fees (less transaction costs) on loan origination		(2,180)	(5,389)
		<u>37,473</u>	<u>23,719</u>

	Note	2010 \$	2009 \$
<b>12. INTANGIBLE ASSETS</b>			
Computer software		216,947	157,312
Less provision for amortisation		(123,507)	(70,265)
<b>TOTAL</b>		<u>93,440</u>	<u>87,047</u>
<b>Movement in the assets balances during the year were :</b>			
Opening balance		87,047	128,041
Purchases		59,635	8,579
Less			
Assets disposed		-	-
Depreciation charge		53,242	49,573
<b>Balance at the end of the year</b>		<u>93,440</u>	<u>87,047</u>
<b>13. DEPOSITS FROM MEMBERS</b>			
Member Deposits			
- at call		21,079,263	23,353,851
- term		24,065,291	20,127,303
Member withdrawable shares		5,528	5,572
		<u>45,150,082</u>	<u>43,486,726</u>

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

**Concentration of member deposits**

- (i) Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:
- (ii) Member deposits at balance date were received from individuals employed principally in the steel industry

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**13. DEPOSITS FROM MEMBERS (Continued)**

(iii) Geographical concentrations

	Note	2010 \$	2009 \$
NSW			
- Sydney		2,759,183	2,321,317
- Illawarra		41,352,706	39,679,946
- NSW Other		392,004	348,059
Victoria		264,040	266,134
Queensland		164,771	681,358
South Australia		6,428	18,191
Western Australia		42,735	35,792
Tasmania		11,803	11,699
Northern Territory		103,943	83,677
ACT		46,941	34,981
Other		-	-
Total per statement of financial position		<u>45,144,554</u>	<u>43,481,154</u>

**14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS**

Creditors and accruals	110,911	112,343
Interest payable on deposits	287,361	286,684
Sundry creditors	302,878	703,323
	<u>701,150</u>	<u>1,102,350</u>

**15. TAXATION LIABILITIES**

Current income tax liability	<u>15,882</u>	-
	<u>15,882</u>	-

**Current income tax liability comprises:**

Balance – previous year	(35,319)	12,326
Less paid	23,764	(9,310)
Over / under statement in prior year	<u>11,555</u>	<u>(3,016)</u>
Liability for income tax in current year	79,543	61,027
Less Instalments paid in current year	<u>63,661</u>	<u>(96,346)</u>
Balance – current year	<u>15,882</u>	<u>(35,319)</u>

**16. PROVISIONS**

Provisions – other	<u>43,648</u>	<u>43,648</u>
	<u>43,648</u>	<u>43,648</u>

**17. DEFERRED TAX LIABILITIES**

Deferred tax liabilities	<u>8,066</u>	-
	<u>8,066</u>	-
Deferred income tax liability comprises :		
Unrealised gains on fair value	<u>8,066</u>	-
	<u>8,066</u>	-

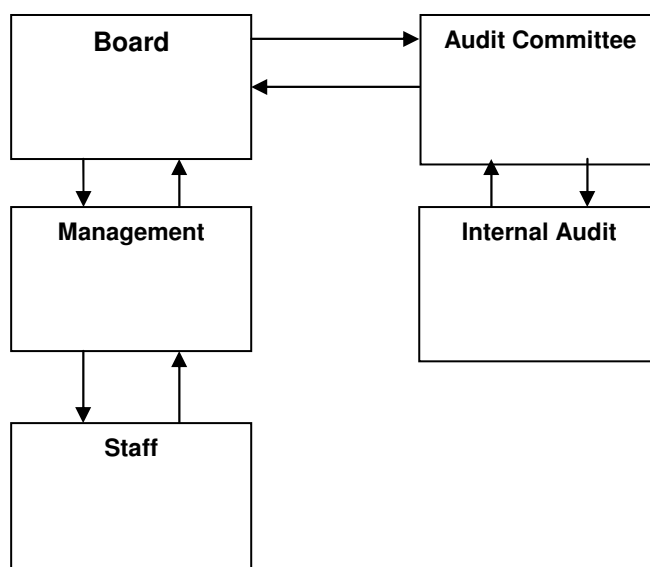
	Note	2010 \$	2009 \$
<b>18. CAPITAL RESERVE ACCOUNT</b>			
Balance at the beginning of the year		3,294	2,944
Transfer from retained earnings on share redemptions		228	350
Balance at the end of year		<u>3,522</u>	<u>3,294</u>
a. Share Redemption			
<p>The accounts represent the amount of redeemable preference shares redeemed by the credit union since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.</p>			
<b>19. GENERAL RESERVE FOR CREDIT LOSSES</b>			
General reserve for credit losses		<u>424,070</u>	<u>424,070</u>
<b>General reserve for credit losses</b>			
<p>This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA</p>			
Balance at beginning of year		424,070	411,777
Add: increase (decrease) transferred from retained earnings		-	12,293
Balance at end of year		<u>424,070</u>	<u>424,070</u>

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Introduction

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

The credit union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Audit Committee which are integral to the management of risk. The following diagram gives an overview of the structure.



The diagram shows the risk management structure. The main elements of risk governance are as follows:

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

The Board 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 the board. All exposures are checked daily against approved limits, and are reported to the Board monthly.

**Audit Committee:** This is a key body in the control of risk and is made up of representatives from the Board. The Audit Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Audit Committee through review of operational reports and control assignments monthly to confirm whether risks are within the parameters outlined by the Board.

The Audit Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the board, where actual exposures to risks are measured against prescribed limits.

## **20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

Its 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 a feedback loop between internal audit and the organisation.

The Audit Committee also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be in place regarding the authorisation of new loans.

All loans are managed weekly 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 are checked weekly and reported to the Board 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 Board, 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 statement of financial position date.

**Market Risk:** Senior staff, in conjunction with the Audit Committee, are responsible 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 GAP. The scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the Board.

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

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

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

- Interest rate risk
- Liquidity Risk Management
- Credit risk management
- Operations risk management including data risk management.

The credit union has undertaken the following strategies to minimise the risks arising from financial instruments:

### **A. MARKET RISK AND HEDGING POLICY**

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

Market risk is the risk that changes in interest rates, foreign exchange (currency risk) 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 or 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 senior management who report directly to the Board.

## **20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

### **(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. This credit union does not have a treasury operation and does not trade in financial instruments.

#### **Interest rate risk in the banking book**

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

The interest rate risk on the banking book is measured and presented to the Board 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 23 below. The table set out at Note 23 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

#### **Method of managing risk**

The credit union manages its interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

#### **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 maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured monthly to identify large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the credit union is not to undertake derivatives to match the interest rate risks. The credit union's exposure to interest rate risk is set out in Note 23 which details the contractual interest change profile.

Based on the calculations as at 31 March 2010 (31 March 2009), the net profit impact for a 1% (2009: 1%) movement in interest rates would be \$12,475 (2009: \$18,000).

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 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 reprice in the event of a rate change ;
- mortgage loans would all reprice to the new interest rate within 30 days;
- personal loans would reprice after 30 days delay;
- 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.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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 weekly.

The credit union has a longstanding arrangement with the industry liquidity support scheme, 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 13% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked weekly. 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 26 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 assets and financial liabilities, based on the contractual repayment terms are set out in the specific Note 22. The ratio of liquid funds over the past year is set out below:

	31 March 2010	31 March 2009
	\$	\$
<b>Liquid Funds to total adjusted liabilities</b>		
<b>Prescribed liquidity %</b>	9%	9%
As at 31 March	19.73%	23.28%
Average for the year	20.38%	20.92%
Minimum during the year	17.55%	17.60%

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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 and investment assets.

**(i) CREDIT RISK – LOANS**

The analysis of the credit union's loans by class, is as follows:

	2010	2010	2010		2009	2009	2009
Loans to	Carrying value	Commitments	Max exposure		Carrying value	Commitments	Max exposure
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Mortgage	36,506	3,773	40,279		34,435	5,425	39,860
Personal	4,074	110	4,184		4,007	44	4,051
Overdrafts	25	61	86		26	63	89
Total to natural persons	40,605	3,944	44,549		38,468	5,532	44,000
Corporate borrowers	-	-	-		-	-	-
Total	40,605	3,944	44,549		38,468	5,532	44,000

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (Loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities). The details are shown in Note 25.

All loans and facilities are within Australia. Concentrations are described in Note 7.c.

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

The credit union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, 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;
- Review of compliance with the above policies;

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

## **20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

### **Past due and impaired**

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

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, the credit union may engage external consultants to conduct recovery action once the loan 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.

Statement of Financial Position 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. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in regional risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to the loans to members. Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more.

Details are as set out in Note 8.

### **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 lenders mortgage insurance.

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

### **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 of 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.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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 7. Concentration exposures to counterparties are closely monitored. The credit union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of a maximum 80 per cent and annual reviews of compliance with this policy are conducted.

**Concentration risk – industry**

The credit union has a concentration in the retail lending for members who comprise employees and family in the steel industry (Bluescope Steel). 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. The details of the geographical and industry concentrations are set out in Note 7.

**(ii) CREDIT RISK – LIQUID INVESTMENTS**

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 institutions that are credit worthy. Directors have established policies that a maximum of 5% can be invested with any one financial institution at a time (excluding CUSCAL).

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 institution. Also the relative size of the institution as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in CUSCAL, to allow the scheme to have adequate resources to meet its obligations if needed.

**External Credit Assessment for Institution Investments**

The credit union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

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

	2010	2010	2010	2009	2009	2009
Investments with	Carrying value	Past due value	Provision	Carrying value	Past due value	Provision
CUSCAL – rated AA-	4,980,253	-	-	8,615,589	-	-
Banks – rated AA and above	3,500,000	-	-	1,500,000	-	-
Unrated institutions – credit unions / building societies	2,000,000	-	-	2,000,000	-	-
<b>Total</b>	<b>10,480,253</b>	<b>-</b>	<b>-</b>	<b>12,115,589</b>	<b>-</b>	<b>-</b>

## **20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

### **D. OPERATIONAL RISK**

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

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

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

#### **Fraud**

Fraud can arise from member card PINS, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The credit union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the credit union. Fraud losses may arise from card skimming, internet password theft and false loan applications.

#### **IT systems**

The worst case scenario would be the failure of the credit union's core banking and IT network suppliers to meet customer obligations and service requirements. The credit union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on the credit union by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and BPAY etc.

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

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**E. CAPITAL MANAGEMENT**

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

- Credit risk
- Market risk (trading Book )
- Operations risk.

The market risk component is not required as the credit union is not engaged in a trading book for financial instruments.

**Capital resources**

**Tier 1 Capital**

The vast majority of Tier 1 capital comprises

- Retained profits
- Capital reserve.

**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:

- A general reserve for Credit Losses.

Capital in the credit union is made up as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Tier 1</b>		
Share capital		
Capital reserve	3,522	3,294
Retained earnings	5,517,347	5,285,805
	<u>5,520,869</u>	<u>5,289,099</u>
Less prescribed deductions	(185,989)	(166,917)
Net tier 1 capital	<u>5,334,880</u>	<u>5,122,182</u>
 <b>Tier 2</b>		
Reserve for credit losses	<u>256,680</u>	<u>254,520</u>
Less prescribed deductions	<u>(63,142)</u>	<u>(63,142)</u>
Net tier 2 capital	<u>193,538</u>	<u>191,378</u>
 <b>Total Capital</b>	<u><u>5,528,418</u></u>	<u><u>5,313,560</u></u>

Under the APRA Prudential Standards the credit union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time, although APRA has determined Lysaght Credit Union must hold a Prescribed Capital Ratio of 12%.

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.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

		Carrying Value	Risk Weighted Value	Carrying Value	Risk Weighted Value
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	0%	96,317	-	67,187	-
Deposits in highly rated ADI's	20%	10,528,025	2,105,605	12,145,380	2,429,076
Standard Loans secured against eligible residential mortgages up to 80% LVR or up to 90% LVR with Mortgage Insurance	35%	35,410,160	12,393,556	32,857,460	11,500,111
Standard Loans secured against eligible residential mortgages over 80% LVR	50%	680,903	340,452	1,128,028	564,014
Standard Loans secured against non-eligible residential mortgages	50% - 75%	415,425	207,713	444,047	229,338
Investments in equity instruments	400%	19,368	78,272	-	-
Other assets	100%	4,464,239	4,464,239	4,703,790	4,703,790
<b>Total On Statement of Financial Position Assets</b>		<b>51,614,437</b>	<b>19,589,837</b>	<b>51,345,892</b>	<b>19,426,329</b>
Total Commitments undrawn		3,943,740	620,085	5,531,747	2,005,702
<b>Total Risk weighted assets</b>		<b>55,558,177</b>	<b>20,209,922</b>	<b>56,877,639</b>	<b>21,432,031</b>

*The risk weighted assets processes were modified by APRA as from the 1 January 2009 as part of the Basel 2 Prudential framework enhancements. Comparative data has not been available on the revised methods – the capital ratio for 2008 and prior reflect the previous methodology.*

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

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
23.70%	22.89%	22.99%	22.90%	20.58%

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

To manage the credit unions capital the credit union reviews the ratio weekly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 12%.

**Pillar 2 Capital on Operational Risk**

This capital component was introduced as from the 1 January 2009 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 capital	\$2,858,610 (2010)
	\$2,875,718 (2009)

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

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**Internal capital adequacy management**

The credit union manages its internal capital levels for both current and future activities. 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.

In relation to the operational risks, the major measurements for additional capital are:

1. Fraud risk - The capital held to cover fraud risks is equal to the higher of our largest loss in the last ten years at \$10,000 (2009: \$10,000).
2. Property value decline - The credit union's approach is to take a 5 per cent capital charge in instances where the LVR exceeds 80 per cent only in instances where the exposure is on an impaired loan in excess of 90 days. This is considered appropriate as it is only in these relatively poor quality exposures where there is a significant risk that the credit union may need to draw on the security held.

The optional additional capital charge recognised by the board equates to \$0 (2009: \$0).

**21. CATEGORIES OF FINANCIAL INSTRUMENTS**

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

	Note	2010 \$	2009 \$
<b>Financial assets - carried at amortised cost</b>			
Cash	4	4,076,570	5,696,283
Receivables	6	83,925	58,876
Receivables from financial institutions	5	6,500,000	6,486,492
Loans to members	7 & 8	40,604,799	38,467,996
<b>Total loans and receivables</b>		<u>51,265,294</u>	<u>50,709,647</u>
Available for sale investments - carried at cost	9	145,851	127,643
Total available for sale investments		<u>145,851</u>	<u>127,643</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u><u>51,411,145</u></u>	<u><u>50,837,290</u></u>
<b>Financial liabilities - carried at amortised cost</b>			
Creditors		110,911	112,343
Deposits from other institutions		-	1,000,000
Deposits from members	13	45,150,082	43,486,726
Sundry Creditors		302,878	703,321
<b>TOTAL FINANCIAL LIABILITIES</b>		<u><u>45,563,871</u></u>	<u><u>45,302,390</u></u>

**b. Assets measured at fair value**

Fair value measurement at end of the reporting period using:

	Balance \$	Level 1 \$	Level 2 \$	Level 3 \$
Available for sale investments	145,851			145,851
Total	<u>145,851</u>			<u>145,851</u>

The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

**21. CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)**

**c. Assets measured at fair value based on Level 3**

Fair value measurement at the end of the reporting period

Opening balance

Total gains or losses

- in profit or loss

- in other comprehensive income

Purchases

Transfers out of Level 3

Closing balance

Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period

	Available for sale financial assets \$	Total \$
Opening balance	137,033	137,033
Total gains or losses		
- in profit or loss	28,386	28,386
- in other comprehensive income	-	-
Purchases	19,568	19,568
Transfers out of Level 3		
Closing balance	145,851	145,851
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	28,386	28,386

## 22. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2010	Book value \$'000	Up to 3 months \$'000	3-12 months \$'000	1-5 years \$'000	After 5 years \$'000	No Maturity \$'000	Total cash flows \$'000
<b>ASSETS</b>							
Cash	4,077	4,085	-	-	-	-	4,085
Receivables	84	-	-	-	-	84	84
Receivables from Financial Institutions	6,500	6,570	-	-	-	-	6,570
Loans & advances	40,591	1,305	3,719	16,279	52,464	-	73,767
Available for Sale Investments	146	-	-	-	-	146	146
<b>Statement of financial position</b>	<b>51,398</b>	<b>10,946</b>	<b>4,733</b>	<b>16,279</b>	<b>52,464</b>	<b>230</b>	<b>84,652</b>
Undrawn Commitments	-	3,944	-	-	-	-	3,944
<b>Total financial assets</b>	<b>51,398</b>	<b>14,890</b>	<b>4,733</b>	<b>16,279</b>	<b>52,464</b>	<b>230</b>	<b>88,596</b>
<b>LIABILITIES</b>							
Borrowings	-	-	-	-	-	-	-
Creditors	110	-	-	-	-	110	110
Deposits from financial institutions	-	-	-	-	-	-	-
Deposits from members – at call	21,079	21,079	-	-	-	-	21,079
Deposits from members – term	24,065	11,278	13,447	-	-	-	24,725
Sundry Creditors	302	-	-	-	-	302	302
<b>Statement of financial position</b>	<b>45,556</b>	<b>32,357</b>	<b>13,447</b>	-	-	<b>412</b>	<b>46,216</b>
Undrawn loan commitments	-	300	-	-	-	-	300
<b>Total financial liabilities</b>	<b>45,556</b>	<b>32,657</b>	<b>13,447</b>	-	-	<b>412</b>	<b>46,516</b>

2009	Book value \$'000	Up to 3 months \$'000	3-12 months \$'000	1-5 years \$'000	After 5 years \$'000	No Maturity \$'000	Total cash flows \$'000
<b>ASSETS</b>							
Cash	5,696	5,707	-	-	-	-	5,707
Receivables	59	-	-	-	-	59	59
Receivables from Financial Institutions	6,486	4,510	2,025	-	-	-	6,535
Loans & advances	38,468	1,242	3,498	11,119	51,980	-	67,839
Available for Sale Invest	128	-	-	-	-	128	128
<b>Statement of financial position</b>	<b>50,837</b>	<b>11,459</b>	<b>5,523</b>	<b>11,119</b>	<b>51,980</b>	<b>187</b>	<b>80,268</b>
Undrawn Commitments	-	5,532	-	-	-	-	5,532
<b>Total financial assets</b>	<b>50,837</b>	<b>16,991</b>	<b>5,523</b>	<b>11,119</b>	<b>51,980</b>	<b>187</b>	<b>85,800</b>
<b>LIABILITIES</b>							
Creditors	112	-	-	-	-	112	112
Deposits from other financial institutions	1,000	1,007	-	-	-	-	1,007
Deposits from members – at call	23,360	23,360	-	-	-	-	23,360
Deposits from members – term	20,127	10,209	10,454	-	-	-	20,663
Sundry Creditors	703	-	-	-	-	703	703
<b>Statement of financial position</b>	<b>45,302</b>	<b>34,576</b>	<b>10,454</b>	-	-	<b>815</b>	<b>45,845</b>
Undrawn loan commitments	-	300	-	-	-	-	300
<b>Total financial Liabilities</b>	<b>45,302</b>	<b>34,876</b>	<b>10,454</b>	-	-	<b>815</b>	<b>46,145</b>

### 23. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2010	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash	3,980	-	-	-	-	-	3,980
Advance to financial Institutions	3,000	3,500	-	-	-	-	6,500
Receivables	-	-	-	-	-	84	84
Loans & advances - mortgage	35,666	-	-	-	-	-	35,666
Loans & advances - personal	4,098	-	-	-	-	-	4,098
Loans & advances - other	841	-	-	-	-	-	841
Available for Sale Investments	-	-	-	-	-	146	146
<b>Statement of financial position</b>	<b>47,585</b>	<b>3,500</b>				<b>230</b>	<b>51,315</b>
Undrawn loan commitments	3,944	-	-	-	-	-	3,944
<b>Total financial assets</b>	<b>51,529</b>					<b>230</b>	<b>55,259</b>
<b>LIABILITIES</b>							
Borrowings	-	-	-	-	-	-	-
Deposit from financial institution	-	-	-	-	-	-	-
Deposits from members	24,663	7,244	13,237	-	-	-	45,144
Other	-	-	-	-	-	412	412
<b>Sub total</b>	<b>24,663</b>	<b>7,244</b>	<b>13,237</b>			<b>412</b>	<b>45,556</b>
Undrawn loan commitments	300	-	-	-	-	-	300
<b>Total financial liabilities</b>	<b>24,963</b>	<b>7,244</b>	<b>13,237</b>			<b>412</b>	<b>45,856</b>
<b>2009</b>							
	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
Cash	5,629	-	-	-	-	67	5,696
Receivables	-	-	-	-	-	59	59
Advance to financial Institution	2,995	1,991	1,500	-	-	-	6,486
Loans & advances - mortgage	33,521	-	-	-	-	-	33,521
Loans & advances - personal	4,064	-	-	-	-	-	4,064
Loans & advances - other	883	-	-	-	-	-	883
Investments	-	-	-	-	-	128	128
<b>Sub total</b>	<b>47,092</b>	<b>1,991</b>	<b>1,500</b>			<b>254</b>	<b>50,837</b>
Undrawn loan commitments	5,532	-	-	-	-	-	5,532
<b>Total financial assets</b>	<b>52,624</b>	<b>1,991</b>	<b>1,500</b>			<b>254</b>	<b>56,369</b>
<b>LIABILITIES</b>							
Deposit from financial institution	1,000	-	-	-	-	-	1,000
Deposits from members	25,899	7,460	10,128	-	-	-	43,487
Other	-	-	-	-	-	815	815
<b>Sub total</b>	<b>26,899</b>	<b>7,460</b>	<b>10,128</b>			<b>815</b>	<b>45,302</b>
Undrawn loan commitments	300	-	-	-	-	-	300
<b>Total financial liabilities</b>	<b>27,199</b>	<b>7,460</b>	<b>10,128</b>			<b>815</b>	<b>45,602</b>

## 24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value **of expected future cash flows** under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held regularly traded by the credit union, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to original term.

	2010			2009		
	Fair Value \$'000	Carrying Value \$'000	Variance \$'000	Fair Value \$'000	Carrying Value \$'000	Variance \$'000
<b>FINANCIAL ASSETS</b>						
Cash	4,077	4,077	-	5,696	5,696	-
Receivables (1)	84	84	-	59	59	-
Advances to other financial institutions	6,500	6,500	-	6,486	6,486	-
Loans - mortgage	35,666	35,666	-	33,521	33,521	-
Loans - personal	4,098	4,098	-	4,064	4,064	-
Loans - other	841	841	-	883	883	-
Investments	146	146	-	128	128	-
<b>Total financial assets</b>	<b>51,398</b>	<b>51,398</b>	<b>-</b>	<b>50,837</b>	<b>50,837</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>						
Creditors (1)	110	110	-	112	112	-
Deposits from other financial institutions	-	-	-	1,000	1,000	-
Deposits from members – Call	21,079	21,079	-	23,360	23,360	-
Deposits from members – Term	23,942	24,065	(123)	20,209	20,127	82
Sundry Creditors (1)	302	302	-	703	703	-
<b>Total financial liabilities</b>	<b>45,433</b>	<b>45,556</b>	<b>(123)</b>	<b>45,384</b>	<b>45,302</b>	<b>82</b>

(1) For these assets and liabilities the carrying value approximates fair value.

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

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

### Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

**24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)**

**Loans and advances**

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

For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value.

**Deposits from members**

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of term deposits, based upon the deposit type and the rate applicable to its related period maturity. The rates applied to give effect to the discount of cash flows were 3.85%-6.3% ( 2009 2.5%-4.25% )

**Short term borrowings**

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

	Note	2010 \$	2009 \$
<b>25. FINANCIAL COMMITMENTS</b>			
<b>a. Outstanding loan commitments</b>			
The loans approved but not funded		<u>696,084</u>	<u>1,910,592</u>
<b>b. Loan redraw facilities</b>			
The loan redraw facilities available		<u>3,186,592</u>	<u>3,557,740</u>
<b>c. Undrawn loan facilities</b>			
Loan facilities available to members for overdrafts and line of credit loans are as follows:			
Total value of facilities approved		85,500	89,500
Less: Amount advanced		<u>(24,436)</u>	<u>(26,085)</u>
Net undrawn value		<u>61,064</u>	<u>63,415</u>
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
<b>Total financial commitments</b>		<u>3,943,740</u>	<u>5,531,747</u>

**26. STANDBY BORROWING FACILITIES**

The credit union has a borrowing facility with Credit Union Services Corporation (Australia) Limited (CUSCAL) of:

	Gross	2010		Gross	2009	
	\$	Current Borrowing	Net Available	\$	Current Borrowing	Net Available
	\$	\$	\$	\$	\$	\$
Loan facility	-	-	-	-	-	-
Overdraft facility	300,000		300,000	300,000		300,000
<b>TOTAL STANDBY BORROWING FACILITIES</b>	<u>300,000</u>		<u>300,000</u>	<u>300,000</u>		<u>300,000</u>

Withdrawal 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 under the facility arrangements.

## **27. CONTINGENT LIABILITIES**

### **Liquidity support scheme**

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

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the credit union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating credit union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

### **Guarantees**

The credit union has provided a guarantee to CUSCAL for drawings made by a member up to a limit of \$250,000, to enable CUSCAL to settle the funds transferred by way of direct debit with other financial institutions. The guarantee is cancellable by either the credit union or CUSCAL. The credit union has arrangements with the member to maintain sufficient funds in their account to settle the payments as and when required.

The credit union has issued guarantees on behalf of members for the purpose of lease and trade credit facilities. The amounts of the guarantees as at 31 March 2010 were \$239,932 (\$132,640 – 2009). The guarantee is payable only on the member defaulting on the contractual repayments to the Lessor / supplier. The guarantees are fully secured against registered first mortgages or deposited funds.

## **28. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL**

### **a. Remuneration of key management persons [KMP]**

*Key management persons* 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 credit union. *Control* is the power to govern the financial and operating policies of a credit union so as to obtain benefits from its activities.

*Key management persons (KMP)* have been taken to comprise the directors and the 1 member 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:

**28. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (Continued)**

	<b>2010 Directors &amp; KMP \$</b>	<b>2010 Total \$</b>	<b>2009 Directors &amp; KMP \$</b>	<b>2009 Total \$</b>
(a) short-term employee benefits;	168,017	168,017	189,704	189,704
(b) post-employment benefits - superannuation contributions	-	-	-	-
(c) other long-term benefits – net increases in long service leave provision	-	-	-	-
(d) termination benefits;	-	-	-	-
(e) share-based payment.	-	-	-	-
<b>Total</b>	<b>168,017</b>	<b>168,017</b>	<b>189,704</b>	<b>189,704</b>

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to directors was approved by the members at the previous Annual General Meeting of the credit union.

	<b>2010 \$</b>	<b>2009 \$</b>
<b>b. Loans to Directors and other Key Management Persons</b>	<b>569,790</b>	<b>700,702</b>

The credit union's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit 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 receive a concessional rate of interest on their loans and facilities. These benefits where subject to fringe benefits tax are included in the remuneration above.

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

The detail of transactions during the year are as follows

	<b>2010 \$</b>	<b>2009 \$</b>
The total value of revolving credit facilities to KMP's as at balance date amounted to:	3,000	3,000
Less amounts drawn down and included in (b) above	1,708	152
Net Balance Available	<b>1,292</b>	<b>2,848</b>
During the year the aggregate value of loans disbursed to Directors and other KMP's amounted to:		
Revolving Credit Facilities	24,046	47,039
Term Loans	86,000	137,355
TOTAL	<b>110,046</b>	<b>184,394</b>

During the year the value of revolving credit facilities granted or increased to Directors and other KMP's amounted to: -

**28. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (Continued)**

	2010 \$	2009 \$
Interest and other revenue earned on loan and revolving credit facilities to Directors and other KMP's amounted to:	58,356	56,443
Other transactions between related parties include deposits from directors, and other KMP are -		
Total value term and savings deposits	<u>436,696</u>	<u>428,640</u>
Total Interest paid on deposits	<u>15,249</u>	<u>21,308</u>

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

There are no benefits paid or payable to the close family members of the key management persons.

There are no service contracts to which key management persons or their close family members are an interested party.

**29. ECONOMIC DEPENDENCY**

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

**a. CUSCAL Limited**

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. This organisation :

- (i) provides the license rights to Visa Card in Australia and settlement other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Redicards for use by members;
- (iii) provides treasury and money market facilities to the credit union. The credit union invests a portion of its liquid assets with CUSCAL to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

**b. First Data Limited (FD)**

First Data operates the computer network used to link Redicards operated through Reditellers and other approved ATM suppliers to the credit union's core banking systems.

**c. Ultradata Australia Pty Limited**

Provides and maintains the application software utilised by the credit union in its day to day operations.

**29. ECONOMIC DEPENDENCY (Continued)**

**d. Combined Financial Processing Pty Limited (CFP) / Transaction Solutions (TAS)**

CFP operates the computer facility on behalf of the credit union in conjunction with other credit unions. The credit union has a management contract with the company to supply computer support staff and services to meet the day to day needs of the credit union and compliance with the relevant Prudential Standards.

As at 31 March 2010 CFP transferred engagements to TAS.

**30. SEGMENTAL REPORTING**

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

**31. SUPERANNUATION LIABILITIES**

The credit union contributes to the BlueScope Steel Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee.

The credit union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

**32. SECURITISATION**

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 on-going administration of the processing of the loan repayments and the issue of statements to the members.

The amount of securitised loans under management as at 31 March 2010 is \$685,201 (2009: \$964,722)

	Notes	2010 \$	2009 \$
<b>33. NOTES TO STATEMENT OF CASH FLOW</b>			
<b>a. Reconciliation of cash</b>			
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:			
Cash on hand		96,317	67,187
Deposits at call		3,980,253	5,629,096
<b>Total cash</b>		<b>4,076,570</b>	<b>5,696,283</b>
<b>b. Reconciliation of cash from operations to accounting profit</b>			
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax			
Profit after income tax		231,542	174,101
<b>Add ( Deduct) :</b>			
Bad debts written off		-	3,702
Depreciation expense		35,200	38,578
Amortisation expense		53,243	49,573
Reserve transfer		227	-
Amortised transaction costs & fees on loans		10,694	-
Loss / (Gain) on sale of assets		(26,886)	(1,420)
(Decrease) in provision for shares		(9,390)	-
(Decrease) / Increase in provision for income tax		51,201	(47,645)
(Decrease) in other provisions		-	(5,687)
(Decrease) / Increase in accrued expenses		(1,432)	569,022
Increase in interest payable		677	12,775
(Increase) / Decrease in deferred tax liability		8,066	(30)
Decrease in sundry receivables		-	27,709
(Increase) in deferred tax assets		(13,753)	(2,493)
Increase in loan provision		12,000	18,204
(Increase) / Decrease in interest receivable		(17,981)	40,615
(Increase) in prepayments		(509)	-
<b>Net cash from revenue activities</b>		<b>332,899</b>	<b>877,004</b>
<b>Add (Deduct) non revenue operations</b>			
Reduction / (Increase) in loans balances		(2,150,945)	(4,235,021)
(Reduction) / Increase in liquid investment balances		(13,508)	459,848
(Reduction) / Increase in deposit balances		1,256,353	5,717,984
<b>Net cash from operating activities</b>		<b>(575,201)</b>	<b>2,819,815</b>

**34. CORPORATE INFORMATION**

The credit union is a company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office is 13 Auburn St Wollongong  
 The address the principal place of business is 13 Auburn St Wollongong

The nature of the operations, and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the credit union.