Annual Report 2011

people's choice
CREDIT UNION

Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities

I choose the organisation that gives back to the community.

I'm choosing an organisation where I have a say in its future.

I'm choosing the credit union that cares more about people than profit.

I chose the credit union that offers a real choice in banking.

I've chosen a genuine alternative to the banks.

My choice is the financial institution that is run by members, not by numbers.

Content

Directors' Report

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (the "Holding Entity"), (trading as People's Choice Credit Union) and the consolidated financial report of the Consolidated Entity, being the Holding Entity and its controlled entities, for the year ended 30 June 2011 and the auditor's report thereon.

DIRECTORS

The Directors of the Holding Entity at any time during or since the end of the financial year are:

William Raymond Cossey AM
NON-EXECUTIVE CHAIR
B.Sc., MAICD

John Leonard Cossons
NON-EXECUTIVE DEPUTY CHAIR
FAMI, MAICD

Peter Hans Torsten Evers
EXECUTIVE DIRECTOR
BA (Acc), FCPA, FAICD, SF Fin

Dr Rosemary Helen Simon Brooks
NON-EXECUTIVE DIRECTOR
PhD, MBA, MA, BA (Hons), LLB (Hons), GDLP, FAICD, FAMI, JP

Stephen Mark Day
NON-EXECUTIVE DIRECTOR
B.Bus, Grad Dip (Applied Finance and Investment), FAICD, SA Fin

Edward Terrence McGuirk
NON-EXECUTIVE DIRECTOR
BA (Hons), FAICD, AFAMI, SA Fin

Jan McMahon
NON-EXECUTIVE DIRECTOR
BA (Hons.), FAICD, AFAMI

Kathryn Anne Skipper AM
NON-EXECUTIVE DIRECTOR
Dip. Nursing, FAICD, FAIM

Details of Directors, their experience and any special responsibilities, are set out in the Online Annual Report, which is available from our website at www.peopleschoicecu.com.au. Organisations with which certain Directors have associations, also set out in the Online Annual Report, conduct business with the Holding Entity on standard terms and conditions.

Directors were in office from the beginning of the financial year until the date of this report.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement commencing on page 8.

CORPORATE SECRETARY

Mr Ross Mallett JD GDLP BBus MAICD FCIS FCPA was appointed to the position of Corporate Secretary on 18 March 2011. Mr Mallett was appointed to the position of Corporate Secretary after the resignation of Mr Paul Albert Macdonald on 7 December 2010. Mr Peter Evers continues to act as an alternate Corporate Secretary.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the provision of loans to members and customers (including "Choice of Home Loans" via a panel of lenders), savings and investment facilities, the sale of insurance policies, Mutual Aid, financial planning and corporate superannuation services. There was no significant change in the nature of these activities during the year.

Directors' Report

DIVIDENDS

The Holding Entity's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

The 2011 financial year's disclosures are the first full financial year of the merged entity's operations. The 2010 comparative financial year comprises a full 12 month result of Australian Central Credit Union Limited and 7 months contribution from Savings & Loans Credit Union (S.A.) Limited (being from the date of the merger, 1 December 2009, to 30 June 2010). The current year performance has been disclosed below with a comparison to the prior year, however these need to be considered in the context of the merger impacts in the prior year as outlined above.

The Consolidated Entity recorded a profit after tax for the year ended 30 June 2011 of $33.039 million (2010: $22.983 million). Total consolidated on balance sheet assets reached $6.064 billion (2010: $6.006 billion), representing an increase of $57.708 million (0.96%) from 30 June 2010. On balance sheet personal and residential disbursements for the twelve months ended 30 June 2011 reached $786.118 million (2010: $407.149 million) and mortgages under advice off balance sheet grew by 6.33% to $683.558 million during the year (2010: $642.843 million).

STATE OF AFFAIRS

A significant milestone in the Credit Union's merger integration was reached in March 2011 when the banking systems of the two heritage credit unions were brought together onto one banking platform. This has enabled members to access their finances through all branches, one contact centre and a single internet banking system.

Another important milestone was reached on 27 June 2011 when members voted at a General Meeting to approve the use of 'People's Choice Credit Union' as the new trading name for the credit union.

On 31 July 2010 the Holding Entity repaid in full a $5.000 million Series 3 Subordinated Capital Notes issue maturing 31 July 2015. The repayment of the issue was the result of the Holding Entity exercising its option under the Trust Deed to repay the entire face value of these notes to registered holders on 31 July 2010.

In the opinion of the Directors other than the events above, there have been no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

DIRECTORS' INTERESTS

None of the above Directors has declared any interest in existing or proposed contracts with the Holding Entity since 1 July 2010.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Holding Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS

In the course of meeting its goals the Consolidated Entity will continue to pursue profitable market share growth whilst maintaining efficient and effective business operations. The size and strength the Holding Entity will gain from the merger will create many new efficiencies and opportunities which will directly result in enhanced value for members including an improved range of products and services, as well as a broader network of branches.

Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the period, the Holding Entity paid a premium in relation to a Directors & Officers liability insurance policy indemnifying the Directors and its Executives against certain liabilities.

The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

Directors' Report

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2011.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed at Adelaide this 29th day of August, 2011
in accordance with a resolution of the Board of Directors of the Holding Entity.

W. R. COSSEY AM
Chair

P.H.T. EVERS
Managing Director

Lead Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Central Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

DM Scammell
Partner

Melbourne

29 August 2011

Corporate Governance Statement

HOW WE DO BUSINESS

The Credit Union's Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that the Credit Union's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

A principles based approach is taken to achieve sound corporate governance and business practices. To achieve this, policies have been adopted by the Board and cascaded throughout all levels of the Credit Union. We strive to ensure that our governance "in action" is of the highest standard, consistent with our mutual underpinnings, while at the same time practical and transparent to our members.

The Board has committed to following the Australian Securities Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" to the extent that they are applicable to People's Choice Credit Union as a mutual organisation and appropriate for the Credit Union. Further the Board has carefully considered and implemented a "fit and proper" framework in accordance with relevant legislation, that endeavours to ensure that Directors and Senior Management are appropriate persons to lead the Credit Union. The "fit and proper" framework deals with matters such as minimum competencies, Director development, independence, Director refreshment and renewal and performance.

ROLE OF THE BOARD

The Board comprises a majority of Non-Executive Directors, who together with the Managing Director have extensive business acumen and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community. The role and responsibilities of the Board are set out in the Board Charter a copy of which is published on our website.

In particular, the Board:

- provides strategic direction to the Credit Union;
- provides leadership in terms of corporate governance;
- appoints and manages the performance of the Managing Director;
- reports to members and monitors compliance with regulatory requirements;
- approves the remuneration of the Managing Director, executive managers and other designated persons in accordance with the Board Remuneration Policy and APRA's Prudential Standards;
- oversees the Credit Union's financial performance and position and monitors its business and affairs on behalf of all members;
- oversees internal controls and processes for identifying areas of significant business risk;
- makes decisions in relation to major expenditures, acquisitions or merger opportunities;
- ensures that the Credit Union's business is conducted ethically and transparently.

Responsibility for day-to-day activities is delegated to the Managing Director by the Board.

STRUCTURE OF THE BOARD

The size and composition of the Board is determined by the Board subject to the limits set out in the Credit Union's constitution, which requires a minimum of four member elected Non-Executive Directors. The constitution also allows for Board and merger appointed Non-Executive Directors, or a Managing Director. At all times, member elected Directors must constitute a majority of Directors, a requirement which protects our mutuality.

The Corporate Governance Committee reviews the independence of each Non-Executive Director on an annual basis. All Non-Executive Directors have been determined to be independent.

The Board currently comprises seven Non-Executive Directors, six of whom are member elected and one Board appointed Director (Mr Day) and one Managing Director (Mr Evers), ensuring independence and objectivity. All Directors are shareholding members of the Credit Union. Board members are elected by the members or appointed in accordance with the constitution. The Chair of the Board is a member elected Non-Executive Director. Generally all elected Directors are appointed for a term of three years upon election however as part of the merger with Savings & Loans, transitional amendments to the constitution were made to specify Directors who were deemed elected and the end date of their term.

The above framework operates to ensure that the Board is able to function independently of Executive Management.

Refer to Page 4 of this financial report for the names of Directors who held office during or since the end of the financial year.

Corporate Governance Statement

STRUCTURE OF THE BOARD (Continued)

Minimum Competencies

Board policy sets out the minimum competencies regarding personal attributes, skills and knowledge that each Director should bring to the Credit Union. The Nominations Committee in forming its view assesses all election candidates with regard to these minimum competencies. During the year the Board commenced a review of the skills, experience and diversity of Directors to determine if there were any gaps that needed to be filled either through Director development, additional appointments or by bringing in the expertise as and when required. The skills review will continue during the 2011/12 financial year.

Independence

As a behavioural principle, Directors are required to be independent in both judgement and action. Each Director is required to maintain and demonstrate this independence of thought and action at all times while acting in the role of Director. Board policy also addresses issues relating to Director benefits and conflicts of interest. Directors generally are not permitted to offer, seek or accept benefits in the performance of their duties and any unsolicited benefits received are to be disclosed at the following Board meeting. Where a Director has a material personal interest in a matter, that Director is required to disclose the interest and leave the meeting during the consideration of, or voting on, that matter.

Director Development

Relevant Board policy outlines the knowledge requirements for Directors and provides the high level guidelines for new Director induction, new committee member induction as well as the standards for ongoing Director development. As part of the development program each Director is expected to attend at least one industry related conference annually.

Refreshment and Renewal

Individual Directors are required on a regular basis to refresh and renew their knowledge generally and specific to the Credit Union and the environment in which it operates. Board policy requires that each Director must be able to demonstrate his/her own refreshment and renewal process to the Board and relevant third parties as needed. Refreshment and renewal are also included as part of an individual Director's performance assessment. In accordance with Board policy the Corporate Governance Committee is required to undertake a review of the Board's refreshment and renewal where effective change in the composition of the Board has not occurred over a three years period.

Performance

The Board conducts an annual review of its performance, its committees and individual Directors including the Chair. The performance reviews are undertaken via a survey of relevant questions completed by Directors and where appropriate Executive Managers. Whole of Board review findings are then discussed by Directors and development plans formulated at a subsequent meeting as are committee findings at the next committee meeting. Findings from individual Director surveys are discussed on a confidential basis between each Director and the Chair and findings from the Chair's review are discussed between the Chair and the Audit Committee Chair. Performance reviews of the Board as a whole, Board Committees, the Chair and individual Directors were commenced during the year.

COMMITTEES OF THE BOARD

The Board has established three standing committees as described below to consider detailed matters. Generally committees consider the various matters and make recommendations to the Board, however some decisions, within the parameters of Board policy, have been delegated to committees. Each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board. Other committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other relevant qualities they bring to the committee.

The committees generally meet to consider and make recommendations or decisions on matters within their terms of reference. Committee Chairs give verbal reports to the Board at the next Board meeting, and minutes of all committee meetings are reviewed by the Board. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation at any time during or since the end of the financial year were:

Audit Committee - the Committee meets at least quarterly and assists the Board in fulfilling its responsibilities relating to the audit, accounting, and reporting obligations, monitoring compliance with the established policies of the Credit Union, monitoring internal and external auditors (including the independence of the internal and external auditors). This committee has a number of particular requirements which include that the Chair of the committee cannot be the Chair of the Board and that the committee can and did meet with the internal and/or External Auditors without the presence of the Managing Director or Management.

Corporate Governance Statement

COMMITTEES OF THE BOARD (Continued)

Corporate Governance Committee - the Committee meets bi-monthly and assists the Board in adopting and implementing good corporate governance in the areas of the Managing Director's appointment, Non-Executive Director appointment, remuneration, recommending to the Board management remuneration levels in accordance with the Board Remuneration Policy, Director elections, Board performance reviews, oversight of the "fit and proper" framework, monitoring the size and composition of the Board and reviewing Executive and Director succession plans. A Nominations Committee is established in association with Director elections, and operates under the guidance of the Corporate Governance Committee.

Risk Committee - The Risk Committee meets bi-monthly and ensures that the Credit Union adopts an integrated approach to risk management including treasury risk management and capital management dealing with all risks of the portfolio including those to do with the balance sheet and interest rates, credit risk that arises in the credit portfolio, operational risk management including regulatory risk management as part of the day to day conduct of the business and alignment with prudential standards.

STANDARDS

The Board acknowledges the need for, and continued maintenance of the highest standards of corporate governance and therefore adopts practices including:

- a Code of Conduct that applies to all staff, Management and Directors;
- an annual review of Board performance;
- active participation by all Directors at all meetings and open access to information;
- regular Executive Management presentations;
- the Managing Director, General Manager Risk and General Manager Finance and Treasury and the Senior Manager Finance provide an assurance statement on the accuracy and completeness of financial information and risk management processes;
- the Executive Managers provide assurance to the Board that the business of the Credit Union has been conducted ethically and all dealings have been conducted transparently with the Board;
- the transparency of information to members through publication of regulatory notices on the Credit Union's website www.peopleschoicecu.com.au;
- the gearing of Board Policies towards risk management to safeguard the assets and interests of the Credit Union;
- Non-Executive Director remuneration approved by members at the Annual General Meeting. The Board undertakes benchmarking and/or seeks independent advice to determine recommended Non-Executive Director remuneration levels;
- allowing Non-Executive Directors to seek independent professional advice at the expense of the Credit Union.

DIVERSITY

The Board is committed to diversity and the promotion of an environment conducive to the appointment of well qualified employees, senior managers and Directors. The Credit Union is in the process of updating its diversity policy and is considering the merits of adopting the ASX Corporate Governance recommendations on diversity. At present the gender breakdown in the organisation is as follows:

	Male	%	Female	%	Total
Board members	5	63	3	37	8
Executive managers	4	57	3	43	7
Other managers	71	47	81	53	152
Other employees	210	23	707	77	917
Total workforce	**290**	**27**	**794**	**73**	**1,084**

INTERNAL AUDIT

The Credit Union's Internal Audit Services department assists the Board via the Audit Committee in reviewing, reporting and making recommendations on the existence, effectiveness and efficiency of internal controls and compliance with internal controls and regulatory requirements. The Audit Committee is responsible for approving the program and scope of internal and external Audit Services activities each financial year.

INTERNAL AND EXTERNAL AUDIT INDEPENDENCE

The Audit Committee oversees, and makes recommendations to the Board on, the appointment of the Credit Union's External Auditors. In addition, the appointment or dismissal of the head of Internal Audit is subject to endorsement by the Audit Committee Chair.

The External Auditors were appointed in 1997. The current lead External Audit engagement partner was appointed in June 2008 and is due for rotation in 2012. The rotation of lead External Audit engagement partner is overseen by the Audit Committee.

Corporate Governance Statement

INTERNAL AND EXTERNAL AUDIT INDEPENDENCE (Continued)

The Audit Committee closely monitors the independence of the External Auditors and regularly reviews the independence safeguards put in place by the External Auditors.

During the course of the financial year the Audit Committee meets with the Internal Auditor without the External Auditors or other members of management being present and with the External Auditors without the Internal Auditor or members of management being present.

REMUNERATION OF THE BOARD

The Corporate Governance Committee assists the Board in determining the aggregate level of remuneration of Non-Executive Directors to be recommended for approval by members at the Annual General Meeting following benchmarking and/or receipt of independent advice.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at meetings of the Credit Union's Board and Committees are outlined below:

	Director Type	Board		Audit		Corporate Governance		Risk	
		A *	B	A	B	A	B	A	B
Director									
W. R. Cossey AM (Chair)	M	15	15	-	-	6	6	-	-
J.L. Cossons (Deputy Chair)	M	15	15	-	-	6	6	6	6
P.H.T. Evers (Managing Director)	E	15	15	-	-	-	-	-	-
Dr R.H.S. Brooks	M	15	12	6	6	-	-	-	-
S.M. Day	B	15	15	-	-	-	-	6	6
E.T. McGuirk	M	15	15	6	6	-	-	-	-
J. McMahon	M	15	15	6	6	-	-	6	6
K.A. Skipper AM	M	15	13	-	-	6	6	-	-

* Twelve scheduled Board meetings and three special Board meetings were held during the year.

A - The number of meetings held during the period the Director was a member of the Board or Board Committee.
B - The number of meetings attended by the Director.
M - Member elected Directors.
E - Executive Director.
B - Board appointed Directors.

The following leaves of absence were granted by the Board:

Director	Number of Board and Committee Meetings
Dr R.H.S. Brooks	3
K. A. Skipper AM	2

Independent Auditor's Report

Independent auditor's report to the members of Australian Central Credit Union Ltd

We have audited the accompanying financial report of Australian Central Credit Union Ltd (the Credit Union), which comprises the Statements of Financial Position as at 30 June 2011, and Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, notes 1 to 44 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the Credit Union and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 Credit Union's preparation of the financial report that gives a true and fair view 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 Credit Union'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Credit Union's and the Group's financial position and of their performance.

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

Independent Auditor's Report

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Australian Central Credit Union Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Darren Scammell

Partner

Melbourne

29 August 2011

Directors' Declaration

In the opinion of the Directors of the Holding Entity:

a) the financial statements and notes of the Holding Entity and of the Consolidated Entity, set out on pages 15 to 64 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Holding Entity's and the Consolidated Entity's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date;

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

b) the financial statements also comply with the International Financial Reporting Standards as disclosed in Note 1;

c) there are reasonable grounds to believe that the Holding Entity will be able to pay its debts as and when they become due and payable.

Signed at Adelaide this 29th day of August, 2011
in accordance with a resolution of the Board of Directors of the Holding Entity.

W. R. COSSEY AM	**P.H.T. EVERS**
Chair	**Managing Director**

Statements of Financial Position

		Credit Union		Consolidated	
	Note	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Assets					
Cash and cash equivalents	10	**149,968**	38,132	**162,775**	44,982
Trade and other receivables	11	**21,771**	29,860	**22,026**	28,408
Loans and advances	12	**4,945,994**	4,979,923	**4,945,994**	4,979,923
Investments:					
Available-for-Sale investment securities	14	**831,899**	817,368	**842,149**	822,627
Held-to-Maturity investment securities	14	**-**	35,850	**-**	35,850
Other investments	14	**48,930**	31,252	**13,082**	12,905
Property, plant and equipment	15	**32,225**	36,336	**32,227**	36,505
Deferred tax assets	16	**16,439**	21,734	**15,522**	19,325
Intangible assets	17	**16,257**	14,489	**24,592**	22,824
Other financial assets	18	**3,302**	8,220	**324**	107
Other assets	19	**5,052**	2,562	**5,087**	2,614
Total Assets		**6,071,837**	6,015,726	**6,063,778**	6,006,070
Liabilities					
Deposits	20	**4,003,242**	3,935,050	**4,002,816**	3,934,728
Other financial liabilities	21	**13,673**	22,622	**11,085**	22,622
Trade and other payables	22	**782,278**	452,694	**101,086**	92,898
Borrowings	23	**861,211**	1,222,965	**861,211**	1,222,965
Notes payable	24	**-**	-	**673,400**	350,030
Current tax payable	25	**5,952**	4,926	**6,307**	5,266
Deferred tax liabilities	26	**7,629**	10,716	**6,672**	8,282
Employee benefits	27	**13,502**	12,128	**13,614**	12,199
Subordinated debt	28	**-**	5,000	**-**	5,000
Total Liabilities		**5,687,487**	5,666,101	**5,676,191**	5,653,990
Net Assets		**384,350**	349,625	**387,587**	352,080
Equity					
Redeemed preference share capital	29	**507**	489	**507**	489
General reserve for credit losses		**8,193**	8,193	**8,193**	8,193
Hedging reserve - cash flow hedges		**(2,536)**	(5,961)	**(2,536)**	(5,961)
Asset revaluation reserve		**122**	287	**128**	293
Fair Value Reserve - Available For Sale Financial Assets		**650**	1,433	**650**	1,442
Other equity reserves		**171,745**	171,745	**171,745**	171,745
Retained earnings		**205,669**	173,439	**208,900**	175,879
Total Equity attributable to members of the Holding Entity		**384,350**	349,625	**387,587**	352,080
Total Equity		**384,350**	349,625	**387,587**	352,080

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Comprehensive Income

	Note	Credit Union		Consolidated	
		2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Interest income	2,3	**422,578**	299,237	**421,998**	299,146
Interest expense	2,3	**(284,215)**	(197,830)	**(281,541)**	(196,358)
Net interest income		**138,363**	101,407	**140,457**	102,788
Non-interest income	4	**71,876**	56,824	**73,126**	58,671
Non-interest income		**71,876**	56,824	**73,126**	58,671
Impairment losses on loans and advances	5	**(2,848)**	(2,490)	**(2,848)**	(2,490)
Other expenses	6	**(163,650)**	(124,713)	**(165,862)**	(126,763)
Profit before tax		**43,741**	31,028	**44,873**	32,206
Income tax expense	8	**(11,493)**	(8,870)	**(11,834)**	(9,223)
Profit for the year		**32,248**	22,158	**33,039**	22,983
Other comprehensive income					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**13,452**	22,898	**13,452**	22,898
Effective portion of changes in fair value of cash flow hedges		**(8,559)**	(9,846)	**(8,559)**	(9,846)
Changes in fair value of Available-for-Sale financial assets		**(948)**	1,433	**(957)**	1,442
Revaluation of property, plant and equipment		**-**	175	**-**	175
Income tax (expense)/benefit on items of other comprehensive income		**(1,468)**	(3,968)	**(1,468)**	(3,968)
Other comprehensive income for the year, net of tax		**2,477**	10,692	**2,468**	10,701
Total comprehensive income for the year		**34,725**	32,850	**35,507**	33,684
Profit attributable to:					
Members of the Holding Entity		**32,248**	22,158	**33,039**	22,983
Total comprehensive income attributable to:					
Members of the Holding Entity		**34,725**	32,850	**35,507**	33,684

The Statements of Comprehensive Income are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

Holding Entity 2011	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair Value Reserve - Available For Sale Financial Assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2010		489	8,193	(5,961)	287	1,433	171,745	173,439	349,625
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	32,248	32,248
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(5,991)	-	-	-	-	(5,991)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	9,416	-	-	-	-	9,416
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(948)	-	-	(948)
Revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	-
Total other comprehensive income		-	-	3,425	-	(948)	-	-	2,477
Total comprehensive income for the period		-	-	3,425	-	(948)	-	32,248	34,725
Transactions with members recorded directly in equity									
Transfer to reserves		18	-	-	(165)	165	-	(18)	-
Closing balance at 30 June 2011		507	8,193	(2,536)	122	650	171,745	205,669	384,350

Consolidated Entity 2011	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair Value Reserve - Available For Sale Financial Assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2010		489	8,193	(5,961)	293	1,442	171,745	175,879	352,080
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	33,039	33,039
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(5,991)	-	-	-	-	(5,991)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	9,416	-	-	-	-	9,416
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(957)	-	-	(957)
Revaluation of property, plant and equipment, net of tax		-	-	-	-	-	-	-	-
Total other comprehensive income		-	-	3,425	-	(957)	-	-	2,468
Total comprehensive income for the period		-	-	3,425	-	(957)	-	33,039	35,507
Transactions with members recorded directly in equity									
Transfer to reserves		18	-	-	(165)	165	-	(18)	-
Closing balance at 30 June 2011		507	8,193	(2,536)	128	650	171,745	208,900	387,587

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

Holding Entity 2010	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair Value Reserve - Available For Sale Financial Assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2009		441	3,696	(15,127)	-	-	-	155,377	144,387
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	22,158	22,158
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(6,892)	-	-	-	-	(6,892)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	16,029	-	-	-	-	16,029
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	1,433	-	-	1,433
Revaluation of property, plant and equipment, net of tax		-	-	-	122	-	-	-	122
Total other comprehensive income		-	-	9,137	122	1,433	-	-	10,692
Total comprehensive income for the period		-	-	9,137	122	1,433	-	22,158	32,850
Transactions with members recorded directly in equity									
Net capital reserves established on merger with Savings & Loans Credit Union (S.A.) Limited	42b	-	-	-	-	-	171,745	-	171,745
Establishment of Redeemable preference shares and General reserve for credit losses upon merger		-	4,571	-	-	-	-	(4,586)	(15)
Transfer to reserves		48	(74)	29	165	-	-	490	658
Closing balance at 30 June 2010		489	8,193	(5,961)	287	1,433	171,745	173,439	349,625

Consolidated Entity 2010	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair Value Reserve - Available For Sale Financial Assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2009		441	3,696	(15,127)	6	-	-	156,863	145,879
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	22,983	22,983
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(6,892)	-	-	-	-	(6,892)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	16,029	-	-	-	-	16,029
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	1,442	-	-	1,442
Revaluation of property, plant and equipment, net of tax		-	-	-	122	-	-	-	122
Total other comprehensive income		-	-	9,137	122	1,442	-	-	10,701
Total comprehensive income for the period		-	-	9,137	122	1,442	-	22,983	33,684
Transactions with members recorded directly in equity									
Net capital reserves established on merger with Savings & Loans Credit Union (S.A.) Limited	42b	-	-	-	-	-	171,745	-	171,745
Establishment of Redeemable preference shares and General reserve for credit losses upon merger		-	4,571	-	-	-	-	(4,586)	(15)
Transfer to reserves		48	(74)	29	165	-	-	619	787
Closing balance at 30 June 2010		489	8,193	(5,961)	293	1,442	171,745	175,879	352,080

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

	Note	Credit Union		Consolidated	
		2011	2010	**2011**	2010
		$'000	$'000	**$'000**	$'000
Cash from operating activities					
Interest received		**426,076**	279,037	**425,496**	278,922
Interest paid		**(279,923)**	(190,709)	**(285,987)**	(183,129)
Fee and commission received		**34,873**	38,978	**37,939**	42,001
Other income received		**30,328**	12,188	**28,609**	10,925
Recoveries on loans and advances previously written off		**629**	849	**629**	849
New loans disbursed		**(790,072)**	(778,762)	**(790,072)**	(778,762)
Principal collected on loans		**834,639**	798,220	**834,639**	798,220
Net decrease in revolving credit loans		**(14,176)**	(512)	**(14,176)**	(512)
Cash payments to employees and suppliers		**(156,961)**	(106,810)	**(140,260)**	(109,666)
Income taxes paid		**(10,466)**	(1,332)	**(10,810)**	(1,747)
Net cash from operating activities	39b	**74,947**	51,147	**86,007**	57,101
Cash from investing activities					
Net decrease/(increase) in Available-for-Sale investment securities		**391,685**	(445,000)	**391,685**	(445,000)
Proceeds from sale of non-tradeable investments		**5**	-	**5**	-
Acquisition of property plant and equipment		**(13,865)**	(3,668)	**(13,865)**	(3,668)
Acquisition of non-tradeable investments		**(17,652)**	(13,850)	**(152)**	(650)
Proceeds from sale of property, plant and equipment		**74**	119	**74**	119
Net cash received on merger		**-**	317,582	**-**	317,582
Dividends and distributions received		**5,648**	1,007	**5,648**	1,007
Net increase in Held-to-Maturity investment securities		**20,000**	86,250	**20,000**	86,250
Net cash used in investing activities		**385,895**	(57,560)	**403,395**	(44,360)
Cash from financing activities					
Net increase in deposits and withdrawable share capital		**68,192**	44,854	**68,088**	44,854
New borrowings		**844,954**	777,292	**504,084**	777,292
Proceeds from residential backed securities issue		**-**	-	**530,000**	250,000
Repayment of borrowings		**(865,838)**	(667,805)	**(865,838)**	(794,486)
Payment to Noteholders		**-**	-	**(206,630)**	(136,519)
Subordinated debt repayment		**(5,000)**	(25,000)	**(5,000)**	(25,000)
Net cash from financing activities		**42,308**	129,341	**24,704**	116,141
Net (decrease)/increase in cash and cash equivalents		**503,150**	122,928	**514,106**	128,882
Cash and cash equivalents at 1 July		**366,718**	243,790	**378,818**	249,936
Cash and cash equivalents at 30 June	39a	**869,868**	366,718	**892,924**	378,818

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

Australian Central Credit Union Ltd (the “Holding Entity”), (trading as People's Choice Credit Union) is a company domiciled in Australia. The consolidated financial report of the Holding Entity for the financial year ended 30 June 2011 comprises the Holding Entity and its controlled entities (together referred to as the “Consolidated Entity”).

b) Basis of preparation

Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the Group and of the Holding Entity comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial report was authorised for issue by the Directors on 29 August 2011.

Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for the following material assets and liabilities in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Available-for-Sale financial assets are measured at fair value;
- Land and buildings are measured at fair value; and
- Loans are measured at amortised cost.

The financial report has been prepared on a going concern basis.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Holding Entity's functional currency.

The Holding Entity is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of a financial report in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 17(a) - measurement of the recoverable amounts of cash-generating units
- Note 13 - provision for impairment of loans and advances
- Note 41(i) - valuation of financial instruments
- Note 42 - business combination
  The merger with Savings & Loans Credit Union (S.A.) Limited was accounted for using the requirements applicable to mergers between mutual entities. All the identifiable assets and liabilities of Savings & Loans Credit Union (S.A.) Limited were required to be initially recognised at their fair values on the date of merger. This involved critical accounting assumptions, judgements and estimates.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation (continued)

Issued standards early adopted

The Consolidated Entity has not early adopted any issued standards in the financial year.

The accounting policies set out below have been consistently applied by each entity in the Consolidated Entity.

c) Basis of consolidation

(i) Controlled Entities

Controlled Entities are entities controlled by the Holding Entity. Control exists when the Holding Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The controlled entities are fully consolidated from the date on which control is transferred to the Holding Entity and they are de-consolidated from the date that control ceases.

In the financial statements, investments in controlled entities are carried at cost.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for the purpose of the issuance of Residential Mortgage Backed Securities ("RMBS"). The SPEs have been consolidated as the Group is exposed to the majority of the residual risks and rewards of the SPEs. For the accounting policy on securitisation refer to Note 1(t).

(iv) Business combinations

All business combinations that occurred on or after 1 July 2009 are accounted for by applying the acquisition method. The Consolidated Entity has applied the acquisition method for the business combination that occurred during the prior period as disclosed in Note 42.

The acquirer, which is the combining entity that obtains control of the other combining entities or businesses, has been identified by management. Control is the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Trade and other receivables

Receivables comprising of non-interest bearing sundry debtors are stated at their cost less impairment losses (see Note 1(g)).

f) Loans and advances

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, less impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

- **Past-due loans** - are loans and advances where the borrower has failed to make a repayment when contractually due.

- **Restructured loans** - arise when the borrower is granted concessional terms or conditions due to difficulties in meeting the original contractual terms, and the revised terms are more favourable than comparable new facilities.

- **Impaired loans** - are loans and advances where the full recovery of outstanding principal and interest is considered doubtful.

- **Assets acquired through the enforcement of security** - are assets (usually residential property or motor vehicles) acquired in full or partial settlement of an advance through the enforcement of security arrangements. The recoverable value of such assets forms part of the net value of loans and advances as part of the estimated future cashflows.

Provision for impairment
All loans are subject to a continuous management review process to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment of loans and advances is recognised when objective evidence is available that a loss event has occurred.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

Impairment losses are recognised in profit or loss.

- **Specific Provision**

Loans and advances, that meet significant delinquency and loan size criteria, are individually assessed for impairment to estimate the likely loss on the loan.

- **Collective Provision**

Loans and advances that do not meet significant delinquency criteria are not individually assessed but are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed based on objective evidence from historical experience.

The quantitative effect is disclosed in Note 13.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Loans and advances (continued)

- **General Reserve for Credit Losses**

The Australian Prudential Regulatory Authority ("APRA") requires Authorised Deposit-Taking institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by a General Reserve for Credit Losses within Equity. Transfers to and from the General Reserve for Credit Losses are made from retained earnings.

g) Impairment

The carrying amount of the Consolidated Entity's assets, other than deferred tax assets (see Note 1(p)) and loans and advances (see Note 1(f)), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated (see Note 1(f)) for signs of objective evidence indicating that impairment may have occurred. Where objective evidence of impairment exists the asset's recoverable amount is determined.

For goodwill and other intangible assets that have an indefinite life, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an Available-for-Sale financial asset has been recognised in other comprehensive income, and presented in the fair value reserve in Equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is transferred to profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

For the accounting policy on impairment of loans and advances, refer to Note 1(f).

The recoverable amount is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short term duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to the 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(i) Reversals of impairment

An impairment loss in respect of a Held-to-Maturity or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an Equity instrument classified as Available-for-Sale is not reversed through profit or loss. If the fair value of a debt instrument classified as Available-for-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the reversal recognised in profit or loss.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment (continued)

(ii) Reversals of impairment (continued)

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: a) the right to receive cash flows from the asset has expired, b) the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or c) the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

h) Financial Instruments - Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Investments in controlled entities are carried at cost.

(i) Available-for-Sale investment securities

Financial instruments held by the Consolidated Entity classified as being Available-for-Sale are non-derivative financial assets and are stated at fair value, with any resultant gain or loss recognised in other comprehensive income and presented within Equity in the fair value reserve, except for impairment losses. Where the financial instruments are derecognised, the cumulative gain and loss previously recognised in other comprehensive income, and presented in the fair value reserve in Equity, is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the Effective Interest Rate method is recognised in profit or loss.

The fair value of financial instruments classified as Available-for-Sale is estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Financial instruments classified as Available-for-Sale investment securities are recognised/derecognised by the Consolidated Entity on the date it commits to purchase/sell the investments.

(ii) Held-to-Maturity investment securities

Financial instruments classified as Held-to-Maturity are non-derivative financial assets that have determinable payments, fixed maturity and there is an ability and intent by the Holding Entity to hold the financial instrument until maturity. If during the current or previous two reporting periods the entity has derecognised or reclassified more than an insignificant amount of an asset class within this category then all of the assets within that class are reclassified as Available-for-Sale. When the financial instrument is derecognised any gain or loss on de-recognition is recognised directly in profit or loss. Where an asset is reclassified as being Available-for-Sale it is re-measured at fair value and any difference between its carrying amount and the fair value is recognised in Equity.

Held-to-Maturity investment securities are measured at amortised cost using the effective interest method.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments - Non-derivative financial instruments (continued)

(iii) Liabilities

The Holding Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Holding Entity becomes a party to the contractual provisions of the instrument. The Holding Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iv) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

i) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being their fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Consolidated Entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

j) Property, plant and equipment

Owned assets

Land and buildings
Land and buildings are held at their fair value. Independent valuations of land and buildings are performed on a regular basis to ensure the carrying amount of each asset is stated at its fair value at reporting date.

If the revaluation results in a net revaluation increment, the net increment is credited directly to an asset revaluation reserve, except that, to the extent that the increment reverses a decrement previously recognised as an expense in the statement of comprehensive income, in which case it is recognised as revenue in the statement of comprehensive income. A net revaluation decrement is recognised as an expense in the statement of comprehensive income, except that, to the extent that a credit balance exists in the asset revaluation reserve, the decrement is debited directly to the reserve.

Property, plant and equipment
Plant and equipment of the Consolidated Entity are brought to account at cost, less any accumulated depreciation and impairment losses.

Depreciation
With the exception of freehold land, items of property, plant and equipment are depreciated on a straight line basis so as to write off the net cost of each non-current asset over their expected useful lives. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, plant and equipment (continued)

Property, plant and equipment	2011	2010
Leasehold improvements	**10% to 67%**	10% to 67%
Information technology	**7.5% to 40%**	7.5% to 40%
Office equipment	**7.5% to 25%**	7.5% to 25%
Fixtures and fittings	**7.5% to 25%**	7.5% to 25%
Motor vehicles	**20%**	20%

Land and buildings are not depreciated.

The expected useful life and the depreciation method applied to an asset are reassessed at least annually.

Leased assets
Leases of plant and equipment under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases and not recognised in the Consolidated Entity's statement of financial position. The Consolidated Entity is not currently engaged in any finance leases.

Payments made under operating leases are expensed over the term of the lease.

k) Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (refer Note 17 a).

Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Acquired Contractual Rights

The amount relating to acquired contractual rights to future cashflows is measured at cost less accumulated amortisation and accumulated impairment losses. Acquired Contractual Rights are amortised to profit or loss over the expected useful life of the asset. The amortisation rates for intangible assets for the current and comparative periods are outlined in the table at k (iv).

(iii) Software

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Where the expenditure is of a significant amount and there are related benefits which are expected to be realised over the medium to long term, it is deferred and amortised on a straight line basis over the period in which the benefits are expected to be realised. The amortisation rates for the current and comparative periods are outlined in the table at k (iv).

(iv) Amortisation

Items of intangible assets are amortised on a straight line basis so as to write off the net cost of each non-current asset over their expected useful lives. The amortisation rates used for each class of intangible asset in the current and comparative periods are as follows:

Intangibles	2011	2010
Computer Software	**14% to 40%**	14% to 40%
Core Deposit Intangible	**11%**	11%
Brand Name*	**-**	-
Acquired Contractual Rights	**20%**	20%

* Brand Name intangible assets were fully amortised as at 30 June 2010.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Intangible assets (continued)

(v) Brand Name

Brand intangible assets were recognised on merger. Brand intangible assets represent the value attributed to the brand names associated with businesses acquired through merger. The useful life of the brands recognised is estimated to be finite as the merged entity is implementing a new brand, with the brand acquired upon the merger of Savings & Loans Credit Union (S.A.) Limited being fully amortised as at 30 June 2010.

(vi) Core Deposit Intangible

A core deposit intangible was recognised following the merger with Savings & Loans Credit Union (S.A.) Limited and represents the value of having a deposit base from customer and business transaction accounts, savings accounts and term deposits, providing a more favourable source of funding than alternative sources of funding such as in wholesale and securitisation markets.

The core deposit intangible is amortised over a period of nine years and is stated at cost less accumulated amortisation and accumulated impairment losses. The amortisation period is based on the underlying expected life of the deposit portfolio. The core deposit intangible is assessed for any indication of impairment at each reporting date.

(vii) Financial Planning and General Insurance Contractual Relationships

Assets reflecting the value of the financial planning and general insurance relationships were recognised following the merger with Savings & Loans Credit Union (S.A.) Limited and represent a value attributable to future revenue generation from these relationships. The financial planning contracts are amortised over three years and the general insurance contracts are amortised over four years on a straight line basis.

l) Employee entitlements

Wages, salaries and annual leave
The provision for employee benefits for wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services up to balance date. The provision has been calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on costs, such as workers compensation insurance and payroll tax.

Long service leave
The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at the reporting date which most closely match the terms of maturity of the related liabilities.

Banked hours
The provision for banked hours represents the amount, measured at current rates, that the Consolidated Entity expects to pay as at reporting date. Banked hours, are a form of flexible working arrangements for non-packaged staff that provides many of the advantages of traditional flexi-time and rostered days off with the added advantage of being able to be tailored to both the individuals' and organisational requirements. Staff are able to draw down on their entitlements during the year to meet their personal needs whilst ensuring operational requirements are satisfied or in certain circumstances convert provisions to normal remuneration payments during the year.

Sick leave
Sick leave entitlements of employees of the Consolidated Entity are non-vesting. No provision has been raised for unused entitlements to non-vesting sick leave as it is not probable that sick leave to be taken in the future will exceed entitlements to be accrued in the future.

Defined contribution plans
All employees, upon satisfying eligibility tests, may participate in an accumulation superannuation scheme. The Holding Entity's contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. The Holding Entity has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Interest-bearing borrowings

Interest-bearing borrowings (inclusive of member deposits) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on thirty day terms.

o) Revenue recognition

(i) Loan interest

Interest on loans and advances is recognised on an amortised cost basis using the Effective Interest Rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees and points paid or received that are integral to the contract (refer Note 1(f)). All interest is recognised on an accruals basis.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the costs incurred or to be incurred cannot be measured reliably.

(iii) Dividends

Dividends from other investments are recognised when the right to receive the dividend has been established.

(iv) Commissions

Revenue is recognised on an accrual basis upon the provision of services from acting in the capacity of an agent rather than as the principal in a transaction.

(v) Other non-interest income

Mutual Aid income is recognised over the average life of the associated loans.

p) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income tax (continued)

Tax consolidation

The Holding Entity and its Australian wholly-owned controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the consolidated group is Australian Central Credit Union Ltd., trading as People's Choice Credit Union.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

q) Deferred borrowing costs

Deferred borrowing costs include costs associated with the establishment of a number of separate securitisation facilities. These costs are amortised over the expected life of the facilities.

r) Financial instruments - Derivative Financial instruments

The Consolidated Entity uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However derivatives that do not qualify for hedge accounting are accounted for at fair value through profit and loss.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 1(r)(i)).

The fair value of interest rate swaps is the present value of the future cash flows that the Consolidated Entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Further details of derivative financial instruments are disclosed in Note 41.

(i) Hedging

On entering into a hedging relationship, the Consolidated Entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period as designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit in the same period or periods during which the asset acquired or liability assumed affects the Statement of Comprehensive Income (i.e. when the interest income is recognised).

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Hedging (continued)

Cash flow hedges (continued)

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by the Consolidated Entity. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria any gain or loss on the instrument previously recognised in other comprehensive income is reversed through profit or loss with all subsequent gains or losses recognised through profit or loss.

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes to its fair value are recognised directly in profit or loss.

s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

t) Securitisation

The Holding Entity through its loan securitisation program, securitises mortgage loans to SPEs, which in turn issue rated securities to investors. Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. The Holding Entity also provides arms-length interest rate swaps and loan facilities to the SPEs.

Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

Details of the transfer of financial assets to third parties and/or special purpose entities are disclosed in Note 35.

u) New Standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Holding Entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Holding Entity has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and includes an explicit requirement to disclose commitments involving related parties. The amendments will become mandatory for the Holding Entity's 30 June 2012 financial statements.

v) Comparatives

Where appropriate, amounts shown for prior periods have been reclassified to facilitate comparison.

The 2011 financial year's disclosures are the first full financial year of the merged entity's operations. The 2010 comparative financial year comprises a full 12 month result of Australian Central Credit Union Limited and 7 months contribution from Savings & Loans Credit Union (S.A.) Limited (being from the date of the merger , 1 December 2009 to 30 June 2010). The current year performance has been disclosed below with a comparison to the prior year, however these need to be considered in the context of the merger impacts in the prior year as outlined in the Directors' Report.

Notes to the Financial Statements

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the interest of each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	Credit Union		Consolidated	
	Interest $'000	Average Interest Rate %	Interest $'000	Average Interest Rate %
Interest Income 2011				
Cash and cash equivalents	**6,820**	**1.99%**	**7,818**	**1.69%**
Loans and advances	**372,511**	**7.54%**	**372,547**	**7.54%**
Investments				
Available-for-Sale investment securities	**41,633**	**5.61%**	**41,633**	**5.61%**
Held-to-Maturity investment securities	**-**	**-**	**-**	**-**
Other investments	**1,614**	**3.90%**	**-**	**-**
	422,578	**7.08%**	**421,998**	**7.06%**
Interest Expense 2011				
Payables due to other financial institutions	**-**	**-**	**-**	**-**
Deposits	**181,179**	**4.67%**	**181,173**	**4.67%**
Borrowings	**88,685**	**6.11%**	**59,019**	**6.11%**
Interest Rate Hedges	**14,313**	**-**	**6,591**	**-**
Notes Payable	**-**	**-**	**34,720**	**5.79%**
Subordinated debt	**38**	**9.51%**	**38**	**9.51%**
	284,215	**4.95%**	**281,541**	**4.94%**
Net Interest Income 2011	**138,363**	**2.12%**	**140,457**	**2.13%**
Interest Income 2010				
Cash and cash equivalents	5,970	0.83%	6,528	0.66%
Loans and advances	267,711	6.56%	267,061	7.29%
Available-for-Sale investment securities	8,591	5.34%	8,783	5.39%
Held-to-Maturity investment securities	16,965	5.34%	16,774	5.39%
	299,237	6.39%	299,146	7.02%
Interest Expense 2010				
Payables due to other financial institutions	1,971	4.73%	1,971	4.73%
Deposits	106,920	3.83%	106,917	3.83%
Borrowings	71,086	3.62%	45,231	5.76%
Interest Rate Hedges	16,927	-	22,898	-
Notes Payable	-	-	18,415	4.62%
Subordinated debt	926	6.44%	926	6.44%
	197,830	4.20%	196,358	4.86%
Net Interest Income 2010	101,407	2.19%	102,788	2.17%

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
3. NET INTEREST INCOME				
Interest income				
Cash and short term funds	**6,820**	5,969	**7,818**	6,528
Investment securities	**41,633**	25,557	**41,633**	25,557
Loans and advances	**374,125**	267,711	**372,547**	267,061
Total interest income	**422,578**	299,237	**421,998**	299,146
Interest expense				
Banks and customers	**225,424**	134,429	**215,245**	125,332
Debt securities issue	**38**	926	**38**	926
Net change in fair value of cash flow hedges transferred from equity	**13,452**	22,898	**13,452**	22,898
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**861**	(5,971)	**(6,861)**	-
Other borrowed funds	**43,453**	44,973	**58,613**	46,597
Other	**987**	575	**1,054**	605
Total interest expense	**284,215**	197,830	**281,541**	196,358
4. NON-INTEREST INCOME				
Fee and commission income				
Loan fee income	**3,007**	2,210	**3,007**	2,210
Transactional fee income	**12,878**	10,966	**12,878**	10,966
Insurance fees and commissions	**12,375**	9,656	**12,375**	9,656
Financial planning fees and commissions	**6,996**	5,780	**9,965**	8,845
Other commissions	**6,355**	4,910	**6,355**	4,910
Superannuation income	**371**	228	**371**	228
Other fees	**16,543**	12,868	**14,824**	11,650
Total fee and commission income	**58,525**	46,618	**59,775**	48,465
Bad debts recovered	**629**	849	**629**	849
Dividends received	**5,648**	1,007	**5,648**	1,007
Profit on sale of property, plant and equipment	**16**	25	**16**	25
Property rental income	**97**	55	**97**	55
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**-**	4,633	**-**	4,633
Mutual Aid Income	**6,961**	3,637	**6,961**	3,637
Total non-interest income	**71,876**	56,824	**73,126**	58,671
5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES				
Bad debts written off to profit or loss	**2,290**	2,069	**2,290**	2,069
Increase in provision for impairment	**558**	421	**558**	421
Total impairment on loans and advances	**2,848**	2,490	**2,848**	2,490
6. OTHER EXPENSES				
Staff costs (Note 7)	**75,763**	52,783	**76,913**	53,878
Provision for impairment on other investments	**(328)**	-	**(328)**	-
Administrative expenses	**19,798**	13,009	**20,413**	13,491
Merger expenses (Note 42)	**-**	5,003	**-**	5,003
Depreciation:				
Property, plant and equipment	**8,761**	7,470	**8,899**	7,636
Amortisation:				
Computer software	**149**	102	**178**	138
Intangible Assets - computer software	**1,791**	612	**1,791**	612
- acquired contractual rights	**3,052**	7,566	**3,052**	7,566
- core deposit intangible	**2,398**	667	**2,398**	667
Marketing costs	**9,491**	6,017	**9,491**	6,017
Operating lease:				
Rentals	**11,592**	9,226	**11,784**	9,412
Other occupancy expenses	**4,454**	3,209	**4,542**	3,294
Distribution channel costs	**15,752**	11,177	**15,752**	11,177
Information technology costs	**10,977**	7,575	**10,977**	7,575
Loss on disposal of property, plant and equipment	**-**	297	**-**	297
	163,650	124,713	**165,862**	126,763

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
7. STAFF COSTS				
Wages and salaries	**63,950**	46,004	**64,922**	46,962
Employee on costs	**3,695**	2,704	**3,747**	2,758
Superannuation contributions	**5,784**	4,150	**5,868**	4,232
Increase/(decrease) in liability for annual leave	**1,640**	(250)	**1,661**	(249)
Increase in liability for long service leave	**513**	179	**534**	179
Increase/(decrease) in liability for banked leave	**181**	(4)	**181**	(4)
	75,763	52,783	**76,913**	53,878
8. INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax	**10,872**	9,236	**11,228**	9,590
Deferred tax	**532**	(449)	**517**	(450)
Under provided in prior years	**89**	83	**89**	83
	11,493	8,870	**11,834**	9,223
Deferred income tax/(revenue) expense included in income tax expense comprises:				
Decrease in deferred tax assets (Note 16)	**3,829**	985	**2,337**	984
Decrease in deferred tax liabilities (Note 26)	**(3,297)**	(1,434)	**(1,820)**	(1,434)
	532	(449)	**517**	(450)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before tax	**43,741**	31,028	**44,873**	32,206
Tax at the tax rate of 30% (2010: 30%)	**13,122**	9,309	**13,462**	9,662
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Fully franked dividends received	**(1,694)**	(302)	**(1,694)**	(302)
Sundry items	**(24)**	(220)	**(23)**	(220)
	11,404	8,787	**11,745**	9,140
Under/(over) provision in prior years	**89**	83	**89**	83
Income tax expense	**11,493**	8,870	**11,834**	9,223
(c) Amounts recognised directly in Equity				
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to Equity:				
Net deferred tax debited/(credited) directly to Equity (Notes 16 and 26)	**1,186**	11,952	**1,186**	11,949
	1,186	11,952	**1,186**	11,949
(d) Income tax recognised in other comprehensive income				
Before Tax				
Cash flow hedges	**4,893**	13,052	**4,893**	13,052
Revaluation of property, plant and equipment	**-**	175	**-**	175
	4,893	13,227	**4,893**	13,227
Tax (expense)/benefit				
Cash flow hedges	**1,468**	3,915	**1,468**	3,915
Revaluation of property, plant and equipment	**-**	53	**-**	53
	1,468	3,968	**1,468**	3,968
Net of tax				
Cash flow hedges	**3,425**	9,137	**3,425**	9,137
Revaluation of property, plant and equipment	**-**	122	**-**	123
	3,425	9,259	**3,425**	9,260

Notes to the Financial Statements

9. FRANKING ACCOUNT

The Consolidated Entity has generated franking credits through paying income tax with a total of $71,684,775 (@ 30%) (2010: $57,608,233 (@ 30%)) worth of franking credits having been accumulated. This includes credits which will arise from the payment of income tax provided for in the financial statements.

The ability to use these franking credits is restricted by the Constitution of the Holding Entity which does not currently permit dividend payments. The balance of the franking account is adjusted for franking credits that the Holding Entity is currently prevented from distributing in the subsequent financial year.

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
10. CASH AND CASH EQUIVALENTS				
Cash on hand and at bank	**15,784**	12,706	**28,591**	19,556
Deposits at call	**121,550**	9,650	**121,550**	9,650
Deposits with Cuscal Ltd	**12,634**	15,776	**12,634**	15,776
	149,968	38,132	**162,775**	44,982
11. TRADE AND OTHER RECEIVABLES				
Other receivables	**14,112**	18,021	**14,360**	18,284
Allowance for impairment	**-**	(351)	**-**	(351)
	14,112	17,670	**14,360**	17,933
Interest receivable	**7,644**	10,453	**7,666**	10,475
Amounts receivable from controlled entities	**15**	1,737	**-**	-
	21,771	29,860	**22,026**	28,408
Maturity analysis				
Not longer than 3 months	**21,721**	28,048	**21,739**	28,201
No maturity specified	**50**	1,812	**287**	207
	21,771	29,860	**22,026**	28,408
12. LOANS AND ADVANCES				
Credit card outstandings	**62,622**	56,458	**62,622**	56,458
Revolving credit facilities	**471,581**	485,757	**471,581**	485,757
Term loans	**4,420,971**	4,447,671	**4,420,971**	4,447,671
Gross Loans and advances	**4,955,174**	4,989,886	**4,955,174**	4,989,886
Provision for impairment (Note 13)	**(4,677)**	(4,119)	**(4,677)**	(4,119)
Loan origination and processing costs	**684**	932	**684**	932
Unearned loan fees	**(5,187)**	(6,776)	**(5,187)**	(6,776)
Net loans and advances	**4,945,994**	4,979,923	**4,945,994**	4,979,923
(a) Maturity analysis:				
Scheduled for repayment:				
Overdrafts and line of credit facilities	**534,203**	542,215	**534,203**	542,215
Not longer than 3 months	**5,145**	4,927	**5,145**	4,927
Longer than 3 and not longer than 12 months	**7,057**	6,426	**7,057**	6,426
Longer than 1 and not longer than 5 years	**334,911**	337,249	**334,911**	337,249
Longer than 5 years	**4,073,858**	4,099,069	**4,073,858**	4,099,069
	4,955,174	4,989,886	**4,955,174**	4,989,886
(b) Loans by security				
Secured by mortgage	**4,354,598**	4,376,798	**4,354,598**	4,376,798
Secured other	**467,483**	465,116	**467,483**	465,116
Unsecured	**133,093**	147,972	**133,093**	147,972
	4,955,174	4,989,886	**4,955,174**	4,989,886

Notes to the Financial Statements

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
12. LOANS AND ADVANCES (continued)				
(c) Loans by purpose				
Residential loans	**3,637,321**	3,801,492	**3,637,321**	3,801,492
Personal loans	**557,258**	590,257	**557,258**	590,257
Residential investment loans	**720,035**	558,663	**720,035**	558,663
Commercial	**40,560**	39,474	**40,560**	39,474
	4,955,174	4,989,886	**4,955,174**	4,989,886
(d) Aggregate amounts receivable from related parties				
Key management personnel	**4,029**	3,973	**4,029**	3,973
	4,029	3,973	**4,029**	3,973

Details of loans to Directors and key management personnel are set out in Note 40 (d).

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
13. IMPAIRMENT OF LOANS AND ADVANCES				
(a) Provision for impairment				
Total provisions:				
Balance at beginning of year	**4,119**	1,079	**4,119**	1,079
Additions upon merger	**-**	2,619	**-**	2,619
Increase/(decrease) in provision for loan impairment	**558**	421	**558**	421
Balance at end of year	**4,677**	4,119	**4,677**	4,119
Specific provision for impairment:				
Balance at beginning of year	**850**	328	**850**	328
Additions upon merger	**-**	395	**-**	395
Increase/(decrease) in provision	**1,629**	127	**1,629**	127
Balance at end of year	**2,479**	850	**2,479**	850
Collective provision for impairment:				
Balance at beginning of year	**3,269**	751	**3,269**	751
Additions upon merger	**-**	2,224	**-**	2,224
Increase/(decrease) in provision	**(1,071)**	294	**(1,071)**	294
Balance at end of year	**2,198**	3,269	**2,198**	3,269
Charge to profit or loss comprises:				
Provision for loan impairment (Note 5)	**558**	421	**558**	421
Loans written off during the year as uncollectible (Note 5)	**2,290**	2,069	**2,290**	2,069
Total charge to profit or loss	**2,848**	2,490	**2,848**	2,490
(b) Impaired loans				
Gross impaired loans	**2,857**	3,766	**2,857**	3,766
Specific provision for impairment	**(2,479)**	(2,529)	**(2,479)**	(2,529)
Net impaired loans	**378**	1,237	**378**	1,237
(c) Restructured loans	**8,259**	6,957	**8,259**	6,957
(d) Assets acquired through the enforcement of security				
Real estate assets acquired through enforcement of security:				
Value of real estate assets acquired	**964**	610	**964**	610
Other assets acquired through enforcement of security:				
Value of other assets acquired	**14**	50	**14**	50
Total assets acquired through the enforcement of security	**978**	660	**978**	660

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
14. INVESTMENTS				
a) Available-for-Sale investment securities				
(i) At the beginning of year	**817,368**	50,000	**822,627**	50,000
Additions/disposals (sale and redemption)	**15,036**	415,536	**20,036**	420,786
Additions upon merger	**-**	350,399	**-**	350,399
Fair value adjustments	**(505)**	1,433	**(514)**	1,442
At end of year	**831,899**	817,368	**842,149**	822,627
(ii) Classification:				
Interest-bearing deposits	**453,899**	577,368	**464,149**	582,627
Negotiable certificates of deposit	**378,000**	240,000	**378,000**	240,000
	831,899	817,368	**842,149**	822,627
b) Held-to-Maturity investment securities				
(i) At the beginning of year	**35,850**	288,500	**35,850**	292,500
Additions/(maturities)	**(35,850)**	(252,650)	**(35,850)**	(256,650)
At end of year	**-**	35,850	**-**	35,850
(ii) Classification:				
Interest-bearing deposits	**-**	15,850	**-**	15,850
Negotiable certificates of deposit	**-**	20,000	**-**	20,000
	-	35,850	**-**	35,850
Maturity of investments:				
Not longer than 3 months	**-**	15,850	**-**	15,850
Longer than 3 and not longer than 12 months	**-**	20,000	**-**	20,000
	-	35,850	**-**	35,850
c) Other investments				
Shares in unlisted entities (at cost)	**12,580**	5,882	**12,580**	5,883
Capital notes	**30,700**	13,200	**-**	-
Allowance for impairment	**-**	(30)	**-**	(30)
	43,280	19,052	**12,580**	5,853
Additions upon merger	**-**	6,552	**-**	6,552
Other investments	**502**	500	**502**	500
	43,782	26,104	**13,082**	12,905
Shares in controlled entities (Note 38)	**5,148**	5,148	**-**	-
	48,930	31,252	**13,082**	12,905
Maturity of investments:				
No fixed maturity	**48,930**	31,252	**13,082**	12,905
	48,930	31,252	**13,082**	12,905
Total Investments	**880,829**	884,470	**855,231**	871,382
15. PROPERTY, PLANT AND EQUIPMENT				
Land and buildings - at fair value	**13,325**	-	**13,325**	-
Additions upon merger	**-**	13,150	**-**	13,150
Fair value adjustments	**-**	175	**-**	175
	13,325	13,325	**13,325**	13,325
Leasehold improvements - at cost	**23,199**	15,351	**23,207**	15,358
Additions upon merger	**-**	5,888	**-**	5,888
Accumulated depreciation	**(14,096)**	(10,540)	**(14,103)**	(10,545)
	9,103	10,699	**9,104**	10,701

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
15. PROPERTY, PLANT AND EQUIPMENT (continued)				
Information Technology - at cost	**24,222**	19,007	**24,462**	19,247
Additions upon merger	**-**	3,456	**-**	3,456
Accumulated depreciation	**(18,453)**	(14,591)	**(18,693)**	(14,815)
	5,769	7,872	**5,769**	7,888
Plant and equipment - at cost	**10,668**	7,699	**11,409**	8,440
Additions upon merger	**-**	2,554	**-**	2,554
Accumulated depreciation	**(7,126)**	(6,177)	**(7,866)**	(6,796)
	3,542	4,076	**3,543**	4,198
Computer software - at cost	**1,982**	1,712	**2,158**	1,887
Accumulated depreciation	**(1,496)**	(1,348)	**(1,672)**	(1,494)
	486	364	**486**	393
Total property, plant and equipment - at cost or fair value	**73,396**	43,769	**74,561**	44,932
Additions upon merger	**-**	25,048	**-**	25,048
Total accumulated depreciation	**(41,171)**	(32,656)	**(42,334)**	(33,650)
Fair value adjustments	**-**	175	**-**	175
	32,225	36,336	**32,227**	36,505

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
Buildings				
Carrying amount at beginning of year	**13,325**	-	**13,325**	-
Additions upon merger	**-**	13,150	**-**	13,150
Fair value adjustments	**-**	175	**-**	175
Carrying amount at end of year	**13,325**	13,325	**13,325**	13,325
Leasehold improvements				
Carrying amount at beginning of year	**10,699**	7,781	**10,701**	7,785
Additions	**1,689**	60	**1,689**	60
Additions upon merger	**-**	5,888	**-**	5,888
Work in progress	**552**	306	**552**	306
Disposals	**-**	(60)	**-**	(60)
Depreciation	**(3,837)**	(3,276)	**(3,838)**	(3,278)
Carrying amount at end of year	**9,103**	10,699	**9,104**	10,701
Information Technology				
Carrying amount at beginning of year	**7,872**	5,716	**7,888**	5,751
Additions	**1,363**	1,338	**1,363**	1,338
Additions upon merger	**-**	3,456	**-**	3,456
Work in progress	**866**	660	**866**	660
Transfers	**(458)**	-	**(458)**	-
Disposals	**-**	(48)	**-**	(48)
Depreciation	**(3,874)**	(3,250)	**(3,890)**	(3,269)
Carrying amount at end of year	**5,769**	7,872	**5,769**	7,888
Plant and equipment				
Carrying amount at beginning of year	**4,076**	2,056	**4,198**	2,317
Additions	**434**	505	**434**	505
Additions upon merger	**-**	2,554	**-**	2,554
Work in progress	**139**	211	**139**	211
Disposals	**(57)**	(306)	**(57)**	(306)
Depreciation	**(1,050)**	(944)	**(1,171)**	(1,083)
Carrying amount at end of year	**3,542**	4,076	**3,543**	4,198

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
15. PROPERTY, PLANT AND EQUIPMENT (continued)				
Computer software				
Carrying amount at beginning of year	**364**	189	**393**	253
Additions	**155**	277	**155**	277
Work in progress	**116**	-	**116**	-
Amortisation	**(149)**	(102)	**(178)**	(137)
Carrying amount at end of year	**486**	364	**486**	393

The Holding Entity's properties were independently valued as at 31 May 2010 by Mr A Harry, AAPI MRICS, Certified Practising Valuer B.Bus.Prop of Colliers International Consultancy and Valuation Pty Limited in accordance with the Holding Entity's policy of obtaining independent valuations. These independent valuations were performed on the basis of the fair value of the properties in their existing use.

16. DEFERRED TAX ASSETS

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Loans and advances impairment	**1,402**	1,236	**1,402**	1,236
Accrued superannuation	**163**	85	**166**	85
Unearned income on term loans	**793**	2,033	**793**	2,033
Unearned fee income	**3,066**	2,206	**3,066**	2,206
Depreciation	**2,008**	1,695	**2,010**	1,698
Provisions	**4,238**	3,872	**4,272**	3,894
Financial liabilities at fair value through profit or loss	**3,098**	6,634	**2,141**	4,200
Intangible assets	**284**	1,010	**284**	1,010
Other items	**266**	376	**267**	376
	15,318	19,147	**14,401**	16,738
Amounts recognised directly in Equity				
Cash flow hedges	**1,121**	2,587	**1,121**	2,587
Net deferred tax assets	**16,439**	21,734	**15,522**	19,325
Movements:				
Opening Balance	**21,734**	11,910	**19,325**	10,845
Additions upon merger	**-**	12,650	**-**	12,650
Credited/(charged) to the profit or loss (Note 8)	**(3,829)**	985	**(2,337)**	984
(Charged)/credited to Equity	**(1,466)**	(3,811)	**(1,466)**	(5,154)
Closing balance	**16,439**	21,734	**15,522**	19,325
Deferred tax assets to be recovered after more than 12 months	**10,663**	13,264	**10,678**	13,288
Deferred tax assets to be recovered within 12 months	**5,776**	8,470	**4,844**	6,037
	16,439	21,734	**15,522**	19,325

17. INTANGIBLE ASSETS

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
Goodwill - at cost	**202**	202	**9,174**	9,174
Accumulated impairment	**(60)**	(60)	**(697)**	(697)
	142	142	**8,477**	8,477
Computer software - at cost	**26,304**	17,295	**26,304**	17,295
Accumulated amortisation	**(17,502)**	(15,711)	**(17,502)**	(15,711)
	8,802	1,584	**8,802**	1,584
Core deposit intangible - at fair value	**6,884**	6,884	**6,884**	6,884
Accumulated amortisation	**(3,065)**	(667)	**(3,065)**	(667)
	3,819	6,217	**3,819**	6,217

Notes to the Financial Statements

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
17. INTANGIBLE ASSETS (continued)				
Brand names - at fair value	**5,215**	5,215	**5,215**	5,215
Accumulated amortisation	**(5,215)**	(5,215)	**(5,215)**	(5,215)
	-	-	**-**	-
Acquired contractual rights - at cost	**9,177**	1,366	**9,177**	1,366
- additions upon merger	**-**	7,811	**-**	7,811
Accumulated amortisation	**(5,683)**	(2,631)	**(5,683)**	(2,631)
	3,494	6,546	**3,494**	6,546
Total intangible assets - at cost or fair value	**47,782**	30,962	**56,754**	39,934
Total additions upon merger	**-**	7,811	**-**	7,811
Total accumulated impairment and amortisation	**(31,525)**	(24,284)	**(32,162)**	(24,921)
	16,257	14,489	**24,592**	22,824

Reconciliations
Reconciliations of the carrying amounts for each class of intangible assets are set out below:

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
Goodwill				
Carrying amount at beginning of year	**142**	142	**8,477**	8,477
Impairment charge	**-**	-	**-**	-
Carrying amount at end of year	**142**	142	**8,477**	8,477
Computer software				
Carrying amount at beginning of year	**1,584**	1,935	**1,584**	1,935
Additions less opening work in progress	**8,522**	(56)	**8,522**	(56)
Work in progress	**29**	317	**29**	317
Transfers	**458**	-	**458**	-
Amortisation	**(1,791)**	(612)	**(1,791)**	(612)
Carrying amount at end of year	**8,802**	1,584	**8,802**	1,584
Core deposit intangible				
Carrying amount at beginning of year	**6,217**	-	**6,217**	-
Additions upon merger	**-**	6,884	**-**	6,884
Amortisation	**(2,398)**	(667)	**(2,398)**	(667)
Carrying amount at end of year	**3,819**	6,217	**3,819**	6,217
Brand Name				
Carrying amount at beginning of year	**-**	-	**-**	-
Additions upon merger	**-**	5,215	**-**	5,215
Amortisation	**-**	(5,215)	**-**	(5,215)
Carrying amount at end of year	**-**	**-**	**-**	**-**
Acquired contractual rights				
Carrying amount at beginning of year	**6,546**	1,086	**6,546**	1,086
Additions upon merger	**-**	7,811	**-**	7,811
Amortisation	**(3,052)**	(2,351)	**(3,052)**	(2,351)
Carrying amount at end of year	**3,494**	6,546	**3,494**	6,546

(a) Impairment tests for goodwill
Goodwill is allocated to the Consolidated Entity's cash generating units (CGUs) identified according to business segment and region of operation.

A segment level summary of the goodwill allocation is presented below:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Financial Planning	**8,477**	8,477

Notes to the Financial Statements

17. INTANGIBLE ASSETS (continued)

(a) Impairment tests for goodwill (continued)

The recoverable amount has been calculated in accordance with Note 1 (g) and no impairment has been identified.

Key assumptions used in value in use calculations:

The recoverable amount of a CGU is determined on either a fair value less costs to sell or a "Value in Use" methodology. The net present value (NPV) of the relevant CGU's anticipated cashflows is used as a basis for determining whether any impairment exists.

• Cash flows were projected using the budgeted operating results for the next financial year as a base level, with cash flows extrapolated over a further three years using a revenue growth rate of 2.0% (based on the budgeted revenue growth rate) and an overhead growth rate of 3% (based on the budgeted average CPI increase) and a final terminal value calculation with no further growth rate applied.

• A discount rate of 15.663% was applied in determining the recoverable amounts for the CGUs. These discount rates were estimated based on the weighted average cost of debt and capital allocated by the Consolidated Entity to these CGUs, reflecting the market assessment of any risks specific to a financial planning business.

• Management has undertaken sensitivity analysis and believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGUs to exceed their recoverable amount.

Acquired contractual rights includes the value of financial planning and general insurance relationships recognised following the merger with Savings & Loans Credit Union (S.A.) Limited and represents a value attributable to future revenue generation from these relationships.

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
18. OTHER FINANCIAL ASSETS				
Interest rate swaps used for hedging	**114**	107	**114**	107
Financial assets at fair value through profit or loss	**3,188**	8,113	**210**	-
	3,302	8,220	**324**	107
19. OTHER ASSETS				
Deferred borrowing costs	**4,662**	2,893	**4,662**	2,893
Accumulated amortisation	**(1,628)**	(980)	**(1,628)**	(980)
Prepayments	**2,018**	649	**2,053**	701
	5,052	2,562	**5,087**	2,614
20. DEPOSITS				
Members' deposits	**4,002,557**	3,934,361	**4,002,131**	3,934,039
Withdrawable shares (issued and paid up shares at $2.00 per share)	**685**	689	**685**	689
	4,003,242	3,935,050	**4,002,816**	3,934,728
(a) Maturity analysis:				
At call	**1,890,693**	1,813,489	**1,890,267**	1,813,167
Not longer than 3 months	**1,105,786**	1,244,892	**1,105,786**	1,244,892
Longer than 3 and not longer than 12 months	**892,362**	803,832	**892,362**	803,832
Longer than 1 and not longer than 5 years	**114,233**	72,775	**114,233**	72,775
Longer than 5 years	**168**	62	**168**	62
	4,003,242	3,935,050	**4,002,816**	3,934,728

Withdrawable shares are included as part of at call deposits.

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
21. OTHER FINANCIAL LIABILITIES				
Interest rate swaps used for hedging	**10,875**	22,622	**8,287**	22,622
Financial liabilities at fair value through profit or loss	**2,798**	-	**2,798**	-
	13,673	22,622	**11,085**	22,622

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
22. TRADE AND OTHER PAYABLES				
Accounts payable	**40,715**	56,641	**65,013**	60,361
Loan from SPE's	**704,100**	363,230	**-**	-
Accrued interest payable	**37,375**	32,823	**36,073**	32,537
Amounts payable to controlled entities	**88**	-	**-**	-
	782,278	452,694	**101,086**	92,898

23. BORROWINGS

The Consolidated Entity has access to the following funding facilities:

	Credit Union 2011	Credit Union 2010	Consolidated 2011	Consolidated 2010
Wholesale funding facilities				
National Australia Bank Ltd	**200,000**	250,000	**200,000**	250,000
Westpac Banking Corporation Ltd	**400,000**	640,000	**400,000**	640,000
Waratah Finance Pty Ltd	**400,000**	400,000	**400,000**	400,000
Credit Union Services Corporation (Australia) Ltd	**-**	50,000	**-**	50,000
Other	**1,900**	2,276	**1,900**	2,276
	1,001,900	1,342,276	**1,001,900**	1,342,276
Wholesale funding facilities utilised				
National Australia Bank Ltd	**159,995**	231,290	**159,995**	231,290
Westpac Banking Corporation Ltd	**365,000**	640,000	**365,000**	640,000
Waratah Finance Pty Ltd	**334,316**	299,399	**334,316**	299,399
Credit Union Services Corporation (Australia) Ltd	**-**	50,000	**-**	50,000
Other	**1,900**	2,276	**1,900**	2,276
	861,211	1,222,965	**861,211**	1,222,965
Wholesale funding facilities unutilised				
National Australia Bank Ltd	**40,005**	18,710	**40,005**	18,710
Westpac Banking Corporation Ltd	**35,000**	-	**35,000**	-
Waratah Finance Pty Ltd	**65,684**	100,601	**65,684**	100,601
Credit Union Services Corporation (Australia) Ltd	**-**	-	**-**	-
Other	**-**	-	**-**	-
	140,689	119,311	**140,689**	119,311
Wholesale funding facilities maturity analysis				
Longer than 3 and not longer than 12 months	**1,000,000**	1,340,000	**1,000,000**	1,340,000
Longer than 1 and not longer than 5 years	**1,900**	2,276	**1,900**	2,276
	1,001,900	1,342,276	**1,001,900**	1,342,276

Wholesale funding (National Australia Bank Ltd, Westpac Banking Corporation Ltd and Waratah Finance Pty Ltd) represents amounts drawn by the Consolidated Entity, at balance date, from three separate warehouse facilities whereby the equitable ownership of qualifying mortgage receivables are sold whilst their legal ownership is retained. As the majority of the benefits associated with the sold receivables remains with the Holding Entity, the transactions have been accounted for as a borrowing facility in these financial statements.

The borrowings from Credit Union Services Corporation (Australia) Ltd total NIL million (2010: $50.000 million).

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
24. NOTES PAYABLE				
SPE Noteholders	**-**	-	**673,400**	350,030

On 18 November 2010 the Holding Entity established a new securitisation facility (Light Trust No. 3) and issued $530.000 million term Residential Mortgage Backed Securities "RMBS".

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
25. CURRENT TAX PAYABLE				
Current income tax payable	**5,952**	4,926	**6,307**	5,266
26. DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	**1,001**	927	**1,001**	927
Depreciation	**2,083**	1,798	**2,083**	1,798
Intangibles	**3,275**	5,454	**3,275**	5,454
Financial assets at fair value through profit or loss	**957**	2,434	**-**	-
	7,316	10,613	**6,359**	8,179
Amounts recognised directly in Equity				
Cash flow hedges	**34**	32	**34**	32
Fair Value Reserve - Available for Sale Financial Assets	**279**	71	**279**	71
Total deferred tax liabilities	**7,629**	10,716	**6,672**	8,282
Movements:				
Opening balance	**10,716**	2,134	**8,282**	1,046
Additions upon merger	**-**	1,875	**-**	1,875
Charged/(credited) to profit or loss (Note 8)	**(3,297)**	(1,434)	**(1,820)**	(1,434)
Charged/(credited) to Equity	**210**	8,141	**210**	6,795
Closing balance	**7,629**	10,716	**6,672**	8,282
Deferred tax liabilities to be settled after more than 12 months	**6,393**	8,139	**6,393**	8,139
Deferred tax liabilities to be settled within 12 months	**1,236**	2,577	**279**	143
	7,629	10,716	**6,672**	8,282

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

27. EMPLOYEE BENEFITS

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
Provision for annual leave	**5,464**	4,365	**5,534**	4,415
Provision for banked hours	**326**	80	**326**	80
Provision for long service leave	**7,712**	7,683	**7,754**	7,704
	13,502	12,128	**13,614**	12,199

a) Superannuation commitments
The Holding Entity has established superannuation funds for employees of the Consolidated Entity, which existed for the full financial year. The benefit is the provision of retirement lump sums via accumulation type funds.

The basis of contributions to the funds is by way of employer and employee contributions. The obligation to contribute to the funds is to ensure compliance with the superannuation guarantee charge.

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	No.	No.	**No.**	No.
b) Number of employees at year end				
Equivalent full time	**938**	901	**947**	910

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
28. SUBORDINATED DEBT				
At the beginning of the year	**5,000**	20,000	**5,000**	20,000
Additions upon merger	**-**	10,000	**-**	10,000
Repayment made during the year	**(5,000)**	(25,000)	**(5,000)**	(25,000)
	-	5,000	**-**	5,000
Deferred borrowing costs	**668**	668	**668**	668
Accumulated amortisation	**(668)**	(668)	**(668)**	(668)
	-	-	**-**	-
Net Subordinated unsecured notes	**-**	5,000	**-**	5,000

On the 31 July 2010 the Holding Entity repaid in full a $5.000 million Series 3 Subordinated Capital Notes issue maturing 31 July 2015. The repayment of the issue was the result of the Holding Entity exercising its option under the Trust Deed to repay the entire face value of these notes to registered holders on the 31 July 2010.

	Credit Union	
	2011	2010
	$'000	$'000
29. REDEEMED PREFERENCE SHARE CAPITAL		
Redeemed Member shares		
Opening Balance	**489**	441
Transfer from retained earnings	**18**	48
Closing Balance	**507**	489

Under the Corporations Act 2001 (S 254K), redeemable preference shares (Members $2 Shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Holding Entity therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Holding Entity), from retained earnings to the redeemed preference share capital account. The value of members shares for existing members is disclosed in Note 20.

30. RESERVES

(i) General reserve for credit losses
The Australian Prudential Regulatory Authority ("APRA") requires Authorised Deposit-Taking Institutions ("ADI's") to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under AIFRS and those required by APRA is represented by the General reserve for credit losses. The reserve has been appropriated from retained earnings.

(ii) Hedging reserve - cash flow hedges
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

(iii) Asset revaluation reserve
The revaluation reserve relates to property, plant and equipment, and investment in controlled entities measured at fair value in accordance with applicable Australian Accounting Standards.

(iv) Retained Earnings
Retained earnings is the proportion of after-tax profit that is held by the Consolidated Entity.

(v) Fair Value Reserve - Available-for-Sale Financial Assets
The Fair Value Reserve is the difference in the carrying amount and the fair value of the Available-for-Sale financial assets held by the Consolidated Entity.

(vi) Other equity reserves
The other equity reserves represent the retained earnings of Savings & Loans Credit Union (S.A.) Limited recognised upon the merger with the Holding Entity.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
31. CONCENTRATION OF ASSETS AND LIABILITIES				
(a) Available-for-Sale financial assets				
Deposits with Credit Union Services Corporation (Australia) Ltd	**42,000**	62,050	**42,000**	62,050

(b) Loans and advances
As at 30 June 2011, the Holding Entity has no loan assets which represent 10% or more of capital (2010: $Nil).

The Holding Entity has an exposure to groupings of individual loans which concentrate risk and create exposure to particular geographic segments as follows:

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
South Australia	**3,836,251**	3,884,341	**3,836,251**	3,884,341
Northern Territory	**540,223**	523,801	**540,223**	523,801
Victoria	**295,539**	276,974	**295,539**	276,974
New South Wales	**154,276**	175,706	**154,276**	175,706
Western Australia	**59,402**	62,539	**59,402**	62,539
Queensland	**56,894**	55,557	**56,894**	55,557
Australian Capital Territory	**7,602**	7,746	**7,602**	7,746
Tasmania	**4,987**	3,222	**4,987**	3,222
	4,955,174	4,989,886	**4,955,174**	4,989,886

(c) Member deposits
As at 30 June 2011, the Holding Entity has no deposit liabilities with an outstanding balance in excess of 10% or more of its total liabilities (2010: $Nil).

The Holding Entity has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular geographic segments as follows:

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
South Australia	**3,008,837**	2,915,107	**3,008,411**	2,914,785
Northern Territory	**285,148**	275,505	**285,148**	275,505
Victoria	**211,138**	230,229	**211,138**	230,229
New South Wales	**343,707**	344,523	**343,707**	344,523
Western Australia	**29,919**	25,759	**29,919**	25,759
Queensland	**101,770**	115,259	**101,770**	115,259
Australian Capital Territory	**12,625**	18,187	**12,625**	18,187
Tasmania	**10,098**	10,481	**10,098**	10,481
	4,003,242	3,935,050	**4,002,816**	3,934,728

	Credit Union 2011 $'000	Credit Union 2010 $'000	Consolidated 2011 $'000	Consolidated 2010 $'000
(d) Borrowings				
National Australia Bank Ltd	**159,995**	231,290	**159,995**	231,290
Westpac Banking Corporation Ltd	**365,000**	640,000	**365,000**	640,000
Waratah Finance Pty Ltd	**334,316**	299,399	**334,316**	299,399
Credit Union Services Corporation (Australia) Ltd	**-**	50,000	**-**	50,000
Other	**1,900**	2,276	**1,900**	2,276
	861,211	1,222,965	**861,211**	1,222,965

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
32. COMMITMENTS				
a) Capital expenditure commitments				
Property, plant & equipment	**305**	3,663	**305**	3,663
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable not later than 1 year	**305**	2,535	**305**	2,535
b) Lease expenditure commitments				
Non-cancellable operating leases				
not later than 1 year	**11,566**	13,256	**11,821**	13,452
later than 1 and not later than 2 years	**8,337**	10,988	**8,602**	10,988
later than 2 and not later than 5 years	**18,081**	16,061	**18,854**	16,061
later than 5 years	**421**	3,956	**421**	3,956
Aggregate lease expenditure contracted for at 30 June	**38,405**	44,261	**39,698**	44,457

The Consolidated Entity leases various office and branch premises under non-cancellable leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
(c) Credit commitments				
Loans approved not disbursed	**98,825**	87,583	**98,825**	87,583
Members unused credit facility	**397,977**	451,990	**397,977**	451,990
	496,802	539,573	**496,802**	539,573

33. CONTINGENCIES

Details of contingent liabilities and contingent assets where the probability of further payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors consider should be disclosed.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that the future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
(a) Guarantees				
The Consolidated Entity has issued guarantees as follows:				
Guarantee issued for members	**1,694**	2,471	**1,694**	2,471

(b) Credit Union Financial Support System Limited

With effect from 1 July 1999, the Holding Entity is a party to the Credit Union Financial Support System ("CUFSS"). CUFSS is a voluntary scheme that all Credit Unions which are affiliated with Credit Unions Services Corporation (Australia) Limited ("Cuscal") have agreed to participate in. CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100. As a member of CUFSS, the Holding Entity:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
34. STANDBY BORROWING FACILITIES				
The Holding Entity has the following borrowing facilities:				
(a) Overdraft facility				
Gross facility amount	**5,000**	10,000	**5,000**	10,000
Less: current borrowing	**-**	-	**-**	-
Net available	**5,000**	10,000	**5,000**	10,000
(b) Wholesale funding facilities (Note 23)				
Gross facility amount	**1,001,900**	1,342,276	**1,001,900**	1,342,276
Less: current borrowing	**(861,211)**	(1,222,965)	**(861,211)**	(1,222,965)
Net undrawn	**140,689**	119,311	**140,689**	119,311

35. SECURITISATION

In the ordinary course of business, the Consolidated Entity enters into transactions that result in the transfer of financial assets to third parties or special purpose entities on an arms length basis. The information below sets out the extent of such transfers, and the Consolidated Entity's retained interest in transferred assets.

	Consolidated	
	2011	2010
	$'000	$'000
Light Trust No.1	**141,966**	186,615
Light Trust No.2	**129,599**	176,615
Light Trust No.3	**432,535**	-
Waratah Finance Pty Ltd	**517,224**	649,398
Titan No. 12 Trust	**159,995**	231,290
Integrity Trust	**1,900**	2,276
	1,383,219	1,246,194

The Consolidated Entity has transferred retail mortgage loans and advances to Light Trust No. 1., Light Trust No. 2., Light Trust No. 3., Titan No. 12 Trust, Waratah Finance Pty Ltd and Integrity Trust, but has retained substantially all of the risks and rewards associated with the transferred assets. Due to the retention of substantially all the risks and rewards on these assets, the Consolidated Entity continues to recognise these assets as loans and advances to members and the transfers are accounted for as secured financing transactions.

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
36. AUDITORS' REMUNERATION				
During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity:				
(a) Audit services				
KPMG				
Audit and review of the financial reports	**184**	263	**210**	273
Other regulatory audit services	**28**	29	**31**	29
	212	292	**241**	302
(b) Taxation services				
KPMG	**125**	55	**125**	55
(c) Other assurance services				
KPMG	**93**	82	**93**	115
(d) Other services				
KPMG				
IT advisory	**-**	3	**-**	3
Due Diligence	**-**	70	**-**	70
	-	73	**-**	73

Notes to the Financial Statements

37. INVESTMENT IN CONTROLLED ENTITIES

Name of entity	% held by Holding Entity 2011 %	2010 %	Book value of shares/units 2011 $	2010 $
Australian Central Credit Union Ltd (trading as People's Choice Credit Union)				
Australian Central Services Pty Ltd	**100**	100	**-**	-
Australian Central Travel Pty Ltd	**100**	100	**2**	2
Financial Solutions Australasia Pty Ltd	**100**	100	**4,987,973**	4,987,973
70 Light Square Pty Ltd	**100**	100	**-**	-
Flinders Finance Pty Ltd	**100**	100	**160,000**	160,000
Let's Talk Home Loans Group Pty Ltd	**100**	100	**1**	1
Austral Financial Planning Pty Ltd	**100**	100	**1**	1

All controlled entities are incorporated in Australia. All shares held are in ordinary shares. The amounts disclosed in relation to investments in controlled entities in this note have not been rounded to the nearest one thousand dollars in order to disclose amounts which would otherwise have been rounded down to zero.

Australian Central Travel Pty Ltd, 70 Light Square Pty Ltd, Flinders Finance Pty Ltd, Let's Talk Home Loans Pty Ltd and Austral Financial Planning Pty Ltd are small proprietary companies and have not been audited.

38. ECONOMIC DEPENDENCY

The Holding Entity has an economic dependency on the following suppliers of services:

(a) Credit Union Services Corporation (Australia) Ltd

This company provides the Holding Entity with the rights to and the production of members cheques, ATM management services, Redicards and Visa cards, provides finance facilities, settlement with bankers, electronic funds deposit, central banking and money market services.

(b) First Data Resources Australia Ltd

This company operates the switching system that links rediATM's, other approved EFT suppliers, Visa acquirers and merchants to the Holding Entity's computer systems.

(c) Datacom Systems

This company has been engaged to host a communication service for the Holding Entity.

(d) Fiserv (ASPAC) Pte Ltd

This company is a member of an international group which owns core computer software which the Holding Entity operates.

(e) CU Technology Development Ltd

This company holds the Australian Credit Union licence for the Fiserv computer software and sub-licenses the software, and provides ongoing support to the Holding Entity.

(f) Data Action Pty Ltd

This company operates a computer bureau which operates a processing system of the Holding Entity.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
39. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash and cash equivalents				
For purposes of the Statements of Cash Flows, cash and cash equivalents comprise the following:				
Cash and cash equivalents	**149,969**	38,132	**162,775**	44,982
Available-for-Sale investment securities with maturity < 3 months	**719,899**	312,736	**730,149**	317,986
Held-to-Maturity investment securities with maturity < 3 months	**-**	15,850	**-**	15,850
Overdraft	**-**	-	**-**	-
	869,868	366,718	**892,924**	378,818
(b) Reconciliation of profit after income tax to net cash from operating activities				
Profit for the period	**32,248**	22,158	**33,039**	22,983
Adjustments for:				
Depreciation and amortisation	**10,972**	8,456	**11,139**	8,651
Increase in provision for impairment	**558**	421	**558**	421
Increase/(decrease) in provision for impairment on other investments	**(328)**	-	**(328)**	-
Amortisation of fair value adjustments upon merger	**5,179**	4,983	**5,179**	4,983
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**861**	(5,971)	**(6,861)**	-
Bad debts written off	**2,290**	2,069	**2,290**	2,069
Dividend income classified as investing cash flow	**(5,648)**	(1,007)	**(5,648)**	(1,007)
Increase/(decrease) in provision for employee benefits	**1,374**	(521)	**1,415**	(528)
Increase in provision for income tax	**1,026**	4,926	**1,041**	5,266
Increase in current tax assets	**5,295**	2,923	**3,803**	2,508
Decrease in provision for deferred tax	**(3,087)**	(1,242)	**(1,610)**	(1,244)
Net (profit)/loss on sale of property, plant & equipment	**(16)**	272	**(16)**	272
Change in assets and liabilities:				
Increase in interest payable	**4,552**	5,247	**3,536**	5,390
Increase/(decrease) in payables and other liabilities	**(15,926)**	10,455	**4,652**	8,778
Decrease in net loans and advances	**33,929**	17,753	**33,929**	17,753
(Increase)/decrease in interest receivable	**2,809**	(7,751)	**2,809**	(7,744)
Increase/(decrease) in other financial assets/liabilities	**(4,893)**	(4,633)	**(4,893)**	(4,633)
(Increase)/decrease in other assets	**3,752**	(7,391)	**1,973**	(6,817)
Net cash from operating activities	**74,947**	51,147	**86,007**	57,101

Notes to the Financial Statements

40. RELATED PARTIES

(a) Directors

The following were Directors of the Consolidated Entity from the beginning of the financial year to the date of this report.

(i) Chair - Non-Executive
W. R. Cossey AM

(ii) Deputy Chair - Non-Executive
J.L. Cossons

(iii) Executive Director
P.H.T. Evers (Managing Director)

(iv) Non-Executive Directors
Dr. R. H. S. Brooks
S. M. Day
E. T. McGuirk
J. McMahon
K. A. Skipper AM

(b) Other key management personnel

The following persons, employed by the Holding Company, also had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, during the financial year:

Name	Position
D. Bateman	General Manager Advice and Relationships
A. Hamilton	General Manager Marketing and Product Management
T. Hampton	General Manager Technology
D. Lewis	General Manager Retail Banking
D. Mattiske-Wood	General Manager Organisational Development
G. Strawbridge	General Manager Finance and Treasury
L. Wilkinson	General Manager Risk

(c) Key management personnel compensation

Key management personnel compensation comprised:

	Credit Union		Consolidated	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**3,081**	2,231	**3,081**	2,231
Post-employment benefits - superannuation	**188**	152	**188**	152
Other long term benefits	**149**	81	**149**	81
Termination benefits	**-**	200	**-**	200
	3,418	2,583	**3,418**	2,664

(d) Loans to key management personnel

Loans
Loans to Directors and key management personnel are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies.

Notes to the Financial Statements

40. RELATED PARTIES (Continued)

(d) Loans to key management personnel (continued)

(i) Aggregates for key management personnel

Consolidated	Opening Balance $'000	Interest paid and payable for the year $'000	Closing Balance $'000
2011	**3,973**	**264**	**4,029**
2010	2,770	205	3,973

All Loans to Directors including their related parties are made on normal member terms and conditions which apply to each class of loan.

All loans to management personnel are made on normal staff terms and conditions that are applicable to normal staff benefit packages.

The key management personnel who conducted loan accounts with the Holding Entity during the year were W.R. Cossey AM, J.L. Cossons, K.A. Skipper AM, P.H.T. Evers, A. Hamilton, G. Strawbridge, D. Lewis, T. Hampton and L. Wilkinson.

(e) Other transactions with key management personnel

Apart from the details disclosed in this note, no key management personnel has entered into a material contract with the Holding Entity or the Consolidated Entity since the end of the previous year and there were no material contracts involving Key Management personnel interests existing at year end.

As required to be a member of the Holding Entity, each Key Management Personnel holds one $2 share.

(f) Non-key management personnel disclosures

(i) The Holding Entity has related party transactions with its subsidiaries with the transactions set out below.

Controlled entities
Interests in controlled entities are set out in Note 37.

Key personnel
Disclosures relating to key management personnel of the Consolidated Entity are set out in Note 40 (b) to (e).

(ii) Transactions with related parties

	Credit Union	
	2011 $'000	2010 $'000
Financial Solutions Australasia Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Financial Solutions Australasia Pty Ltd:		
Management fee income	**210**	206
Receivable	**-**	1,776
Payable	**17**	-
Australian Central Services Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Australian Central Services Pty Ltd:		
Management fee income	**96**	63
Payable	**70**	39

Notes to the Financial Statements

40. RELATED PARTIES (Continued)

(f) Non-key management personnel disclosures (continued)

(ii) Transactions with related parties (continued)

	Credit Union	
	2011 $'000	2010 $'000
Light Trust No. 1		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 1:		
Residual unitholder income	**1,848**	(217)
Loan	**141,966**	186,615
Net Swap Income	**825**	1,662
Light Trust No. 2		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 2:		
Residual unitholder income	**5,105**	(3,662)
Loan	**129,599**	176,615
Net Swap Income	**4,683**	4,309
Light Trust No. 3		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 3:		
Residual unitholder income	**3,364**	-
Loan	**432,535**	-
Net Swap Income/(Expense)	**(2,215)**	-
Flinders Finance Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Flinders Finance Pty Ltd:		
Interest Paid by the Holding Entity	**7**	3
Flinders Finance Pty Ltd has funds on deposit with the Holding Entity of $238,416 (2010: $180,930) for which it is paid a commercial interest rate.		
Let's Talk Home Loans Group Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Let's Talk Home Loans Group Pty Ltd:		
Other Revenue received by the Holding Entity	**28**	24
Interest Paid by the Holding Entity	**8**	7
Let's Talk Home Loans Group Pty Ltd has funds on deposit with the Holding Entity of $187,560 (2010: $140,884) for which it is paid a commercial interest rate.		

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS

a) Financial risk management objectives

The Holding Entity and the Consolidated Entity as part of its daily operations is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Holding Entity and the Consolidated Entity have in place an enterprise wide risk management process. The process is managed though the Risk Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures and a Business Risk and Continuity Plan.

The risk management process involves establishing the context and the identification, analysis, treatment, communication and ongoing monitoring of risks. A risk register has been established as part of the risk management process that enables a structured and logical assessment and reporting of identified risks including their consequences and likelihood, and the assessment of established risk mitigation controls.

b) Terms, conditions and accounting policies

The Consolidated Entity's accounting policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are disclosed in Note 1.

c) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets ("HQLA"), the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential standards place specific management and reporting requirements on credit unions in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Holding Entity of a minimum liquidity holding basis whereby the Holding Entity is required to maintain a minimum holding in specified HQLA at all times. The Holding Entity and the Consolidated Entity complied with all APRA liquidity requirements throughout the year. The Holding Entity's HQLA liquidity ratio as at the end of the reporting period (30 June) and the comparative period were as follows:

	Credit Union	
	2011	2010
Liquidity holdings	**15.03%**	17.51%

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk management (continued)

Contractual undiscounted cash flows

The tables below summarise the maturity profile of the Consolidated Entity's and the Holding Entity's financial liabilities as at 30 June 2011 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as notice where given immediately. However, the Consolidated Entity or the Holding Entity expect that many members will not request repayment on the earliest date the Consolidated Entity or the Holding Entity could be required to pay and the tables do not reflect the cash flows indicated by the Consolidated Entity's or the Holding Entity's deposit retention history. Derivatives designed in a hedging relationship are included to their contractual maturity.

Holding Entity

Financial Liabilities	Carrying Amount		Contractual Cashflows		On demand		Less than 3 months		3-12 months		1-5 years		Over 5 years	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Non Derivative Financial liabilities														
Payables due to other financial institutions	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Deposits	**4,003,242**	3,935,050	**4,056,057**	3,940,536	**1,896,687**	1,815,869	**1,127,852**	1,220,943	**907,176**	822,505	**124,154**	81,156	**188**	63
Trade and other payables	**782,278**	452,694	**783,720**	498,399	**-**	-	**108,699**	135,169	**-**	-	**-**	-	**675,021**	363,230
Borrowings	**861,211**	1,222,965	**865,181**	1,226,888	**-**	-	**865,181**	1,226,888	**-**	-	**-**	-	**-**	-
Notes Payable	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Subordinated debt	**-**	5,000	**-**	6,616	**-**	-	**-**	-	**-**	-	**-**	-	**-**	6,616
Derivative Financial liabilities														
Interest rate swaps	**10,371**	(14,402)	**10,800**	(20,169)	**-**	-	**2,061**	(7,458)	**6,221**	(5,420)	**2,980**	(7,291)	**(462)**	-
Total cash flows	**5,657,102**	5,601,307	**5,715,758**	5,652,270	**1,896,687**	1,815,869	**2,103,793**	2,575,542	**913,397**	817,085	**127,134**	73,865	**674,747**	369,909

Consolidated Entity

Financial Liabilities	Carrying Amount		Contractual Cashflows		On demand		Less than 3 months		3-12 months		1-5 years		Over 5 years	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Non Derivative Financial liabilities														
Payables due to other financial institutions	**-**	-	**-**	-	-	-	**-**	-	**-**	-	**-**	-	**-**	-
Deposits	**4,002,816**	3,934,728	**4,055,632**	3,940,536	**1,896,261**	1,815,869	**1,127,853**	1,220,943	**907,176**	822,505	**124,154**	81,156	**188**	63
Trade and other payables	**101,086**	92,898	**100,995**	92,898	**100,995**	-	**-**	92,898	**-**	-	**-**	-	**-**	-
Borrowings	**861,211**	1,222,965	**865,181**	1,226,888	**-**	-	**865,181**	1,226,888	**-**	-	**-**	-	**-**	-
Notes Payable	**673,400**	350,030	**676,504**	350,574	**-**	-	**-**	-	**-**	-	**-**	-	**676,504**	350,574
Subordinated debt	**-**	5,000	**-**	5,000	-	-	**-**	-	**-**	-	**-**	-	**-**	5,000
Derivative Financial liabilities														
Interest rate swaps	**10,761**	(22,515)	**11,191**	(23,598)	-	-	**2,035**	(8,284)	**6,148**	(6,248)	**3,007**	(9,066)	**1**	-
Total cash flows	**5,649,274**	5,583,106	**5,709,503**	5,592,298	**1,997,256**	1,815,869	**1,995,069**	2,532,445	**913,324**	816,257	**127,161**	72,090	**676,693**	355,637

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. Collateral takes the form of mortgage interests over real property. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

Exposure to credit risk	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash and cash equivalents	10	**162,775**	44,982
Trade and other receivables	11	**22,026**	28,408
Loans and advances	12	**4,945,994**	4,979,923
Available-for-Sale investment securities	14	**842,149**	822,627
Held-to-Maturity Investment securities	14	**-**	35,850
Financial assets at fair value through profit or loss	18	**324**	107
Interest rate swaps used for hedging	21	**11,085**	22,622
		5,984,353	5,934,519

Exposure to credit risk	Loans and advances to members 2011 $'000	Loans and advances to members 2010 $'000	Investment Securities 2011 $'000	Investment Securities 2010 $'000
Individually impaired				
- Mortgage secured	**403**	109	-	-
- Other loans	**2,454**	1,074	-	-
Gross amount	**2,857**	1,183	-	-
Less: Allowance for impairment	**(2,479)**	(850)	-	-
Carrying amount	**378**	333	-	-
Past due but not impaired				
1 - 30 days	**117,730**	165,133	-	-
31 - 60 days	**19,587**	8,625	-	-
61 - 90 days	**7,641**	3,946	-	-
90 days +	**6,201**	5,046	-	-
Gross amount	**151,159**	182,750	-	-
Less: Allowance for impairment	**(2,198)**	(3,269)	-	-
Carrying Amount	**148,961**	179,481	-	-
Neither past due nor impaired	**4,801,158**	4,805,953	**48,930**	31,282
Includes accounts with renegotiated terms	**8,259**	*6,957*	-	-
Total Carrying Amount	**4,950,497**	4,985,767	**48,930**	31,282

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

e) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

APRA Prudential Standards require ADI's to maintain at all times a minimum ratio of capital to risk weighted assets. As part of its risk management process, the Holding Entity has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market, credit and strategic risk.

The capital management plan ensures the ongoing capital management of the Holding Entity is maintained with the level and extent of the risks the Holding Entity is exposed to from its activities. The Holding Entity and Consolidated Entity complied with all APRA capital adequacy requirements throughout the year.

	Consolidated	
	2011	2010
	$'000	$'000
Total qualifying capital	**346,991**	307,204
Risk Weighted Assets	**2,633.891**	2,462,761
Capital Adequacy Ratio	**13.17%**	12.47%

f) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Holding Entity as part of its normal trading activities. As the Holding Entity does not deal in foreign exchange contracts or commodities, market risk for the Consolidated Entity consists solely of interest rate risk.

The management of interest rate risk is explained in more detail at Note (h) below.

g) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios include 50 and 100 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either a 12 month forecast net interest margin sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2011				30 June 2010			
	50 bp rise	**50 bp fall**	**100 bp rise**	**100 bp fall**	50 bp rise	50 bp fall	100 bp rise	100 bp fall
Holding Entity								
Equity Sensitivity	**0.11%**	**(0.10%)**	**0.01%**	**(0.21%)**	0.69%	(0.67%)	1.36%	(1.36%)
Net Revenue Sensitivity	**2.49%**	**(1.97%)**	**4.97%**	**(3.94%)**	0.92%	(1.36%)	2.33%	(2.11%)
Consolidated								
Equity Sensitivity	**0.21%**	**(0.42%)**	**0.62%**	**(0.84%)**	0.29%	(0.28%)	0.58%	(0.56%)
Net Revenue Sensitivity	**1.73%**	**(1.22%)**	**3.46%**	**(2.44%)**	0.77%	(1.21%)	2.02%	(1.81%)

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

h) Interest rate risk management

Both the Holding Entity's and the Consolidated Entity's activities primarily expose them to the financial risks of changes in interest rates. The Holding Entity utilises extensive modelling techniques to identify the value at risk to net interest income and the market value of equity, given a number of assumed changes in market interest rates. The Board has in place a market risk policy which sets risk limits above which the Holding Entity is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

The Holding Entity and the Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date, are as follows:

Holding Entity

Financial instruments	Floating interest rate		Fixed interest rate maturing in : 1 year or less		Over 1 to 5 years		More than 5 years		Non interest bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	**2010 $'000**	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 %**	2010 %
(i) Financial assets														
Cash and cash equivalents	**121,550**	9,650	**-**	-	**-**	-	**-**	-	**28,418**	28,482	**149,968**	38,132	**3.85%**	1.05%
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**21,771**	29,860	**21,771**	29,860	**-**	-
Loans and advances	**3,269,653**	3,045,717	**421,230**	509,070	**1,185,013**	1,313,942	**70,098**	111,194	**-**	-	**4,945,994**	4,979,923	**7.61%**	7.25%
Investments :			**-**		**-**		**-**		**-**					
Available-for-Sale investment securities	**-**	-	**771,500**	774,935	**60,000**	41,000	**-**	-	**399**	1,433	**831,899**	817,368	**5.48%**	5.73%
Held-to-Maturity investment securities	**-**	-	**-**	35,850	**-**	-	**-**	-	**-**	-	**-**	35,850	**-**	4.91%
Other investments	**-**	-	**30,700**	-	**-**	-	**-**	-	**18,230**	31,252	**48,930**	31,252	**4.31%**	-
Total financial assets	**3,391,203**	3,055,367	**1,223,430**	1,319,855	**1,245,013**	1,354,942	**70,098**	111,194	**68,818**	91,027	**5,998,562**	5,932,385	**7.15%**	6.93%
(ii) Financial liabilities														
Deposits	**1,890,693**	1,769,609	**1,998,148**	2,040,758	**114,233**	81,099	**168**	**-**	**-**	43,584	**4,003,242**	3,935,050	**4.82%**	4.55%
Other financial liabilities														
Trade and other payables	**-**	-	**704,100**	363,230	**-**	-	**-**	**-**	**78,178**	89,464	**782,278**	452,694	**5.36%**	4.45%
Borrowings	**-**	-	**861,211**	1,222,965	**-**	-	**-**	**-**	**-**	-	**861,211**	1,222,965	**6.12%**	5.84%
Notes Payable	**-**	-	**-**	-	**-**	-	**-**	**-**	**-**	-	**-**	-	**-**	-
Subordinated debt	**-**	-	**-**	5,000	**-**	-	**-**	**-**	**-**	-	**-**	5,000	**-**	9.51%
Total financial liabilities	**1,890,693**	1,769,609	**3,563,459**	3,631,953	**114,233**	81,099	**168**	**-**	**78,178**	133,048	**5,646,731**	5,615,709	**5.09%**	4.83%
(iii) Interest rate swaps	**1,488,666**	1,486,535	**(822,171)**	(550,745)	**(617,734)**	(933,790)	**(48,761)**	(2,000)	**-**	-	**(10,371)**	-	**(1.18%)**	(1.71%)

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

h) Interest rate risk management (continued)

Consolidated

Financial instruments	Floating interest rate		Fixed interest rate maturing in : 1 year or less		Over 1 to 5 years		More than 5 years		Non interest bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 %**	2010 %
(i) Financial assets														
Cash and cash equivalents	**121,550**	9,650	**-**	-	**-**	-	**-**	-	**41,225**	35,332	**162,775**	44,982	**3.55%**	-
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**22,026**	28,408	**22,026**	28,408	**-**	-
Loans and advances	**3,269,653**	3,045,717	**421,230**	509,070	**1,185,013**	1,313,942	**70,098**	111,194	**-**	-	**4,945,994**	4,979,923	**7.61%**	7.25%
Investments :			**-**						**-**				**-**	
Available-for-Sale investment securities	**-**	-	**781,759**	780,185	**60,000**	41,000	**-**	-	**390**	1,442	**842,149**	822,627	**5.48%**	5.73%
Held-to-Maturity investment securities	**-**	-	**-**	35,850	**-**	-	**-**	-	**-**	-	**-**	35,850	**-**	4.91%
Other investments	**-**	-	**-**	-	**-**	-	**-**	-	**13,082**	12,905	**13,082**	12,905	**-**	-
Total financial assets	**3,391,203**	3,055,367	**1,202,989**	1,325,105	**1,245,013**	1,354,942	**70,098**	111,194	**76,723**	78,087	**5,986,026**	5,924,695	**7.14%**	6.93%
(ii) Financial liabilities														
Deposits	**1,890,693**	1,769,609	**1,997,722**	2,040,436	**114,233**	81,099	**168**	-	**-**	43,584	**4,002,816**	3,934,728	**4.82%**	4.55%
Other financial liabilities			**-**											
Trade and other payables	**-**	-	**-**	-	**-**	-	**-**	-	**100,995**	92,898	**101,086**	92,898	**-**	-
Borrowings	**-**	-	**861,211**	1,222,965	**-**	-	**-**	-	**-**	-	**861,211**	1,222,965	**6.12%**	5.84%
Notes Payable	**-**	-	**673,400**	350,030	**-**	-	**-**	-	**-**	-	**673,400**	350,030	**5.93%**	5.74%
Subordinated debt	**-**	-	**-**	5,000	**-**	-	**-**	-	**-**	-	**-**	5,000	**-**	9.51%
Total financial liabilities	**1,890,693**	1,769,609	**3,532,333**	3,618,431	**114,233**	81,099	**168**	-	**100,995**	136,482	**5,638,513**	5,605,621	**5.06%**	4.83%
(iii) Interest rate swaps	**775,619**	(1,120,808)	**(216,000)**	(474,419)	**(557,619)**	(646,388)	**(2,000)**	-	**-**	-	**(10,761)**	-	**(1.18%)**	(1.71%)

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

Holding Entity	Note	30 June 2011 Carrying amount $'000	30 June 2011 Fair value $'000	30 June 2010 Carrying amount $'000	30 June 2010 Fair value $'000	Methods and assumptions used to determine net fair values
Assets carried at fair value						
Available-for-Sale investment securities	14	**831,899**	**831,899**	817,368	817,368	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Other investments	14	**48,930**	**48,930**	31,252	31,252	Other investments represents shares in unlisted companies for which fair value cannot be reliably measured as no active market exists for these assets. There are no current intentions to dispose of these investment.
		880,829	**880,829**	848,620	848,620	
Assets carried at amortised cost						
Cash and cash equivalents	10	**149,968**	**149,968**	38,132	38,132	Being cash at call deposits, the carrying amount is the net fair value.
Trade and other receivables	11	**21,771**	**21,771**	29,860	29,860	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Loans and advances	12	**4,945,994**	**4,950,087**	4,979,923	4,988,582	The net fair value of impaired loans has been estimated by their carrying amount net of the aggregate provision for impairment. The net fair value of other loans has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for loans with similar terms.
Held-to-Maturity investment securities	14	**-**	**-**	35,850	35,913	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,117,733	**5,121,826**	5,083,765	5,092,487	
Liabilities carried at fair value						
Interest rate swaps	18,21	**(10,371)**	**(10,371)**	(14,402)	(14,402)	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		(10,371)	**(10,371)**	(14,402)	(14,402)	
Liabilities carried at amortised cost						
Deposits	20	**4,003,242**	**3,980,223**	3,935,050	3,940,213	The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for deposits with similar terms.
Trade and other payables	22	**782,278**	**782,278**	452,694	452,694	Carrying amount approximates net fair value because of the short term to settlement of the amounts due.
Borrowings	23	**861,211**	**865,573**	1,222,965	1,226,888	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Notes Payable	24	**-**	**-**	-	-	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Subordinated debt	28	**-**	**-**	5,000	5,111	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,646,731	**5,628,074**	5,615,709	5,624,906	

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values (continued)

Consolidated	Note	30 June 2011 Carrying amount $'000	30 June 2011 Fair value $'000	30 June 2010 Carrying amount $'000	30 June 2010 Fair value $'000	Methods and assumptions used to determine net fair values
Assets carried at fair value						
Available-for-Sale investment securities	14	**842,149**	**842,149**	822,627	822,627	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Other investments	14	**13,082**	**13,082**	12,905	12,905	Other investments represents shares in unlisted companies for which fair value cannot be reliably measured as no active market exists for these assets. There are no current intentions to dispose of these investment.
		855,231	855,231	835,532	835,532	
Assets carried at amortised cost						
Cash and cash equivalents	10	**162,775**	**162,775**	44,982	44,982	Being cash at call deposits, the carrying amount is the net fair value.
Trade and other receivables	11	**22,026**	**22,026**	28,408	28,408	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Loans and advances	12	**4,945,994**	**4,950,087**	4,979,923	4,988,582	The net fair value of impaired loans has been estimated by their carrying amount net of the aggregate provision for impairment. The net fair value of other loans has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for loans with similar terms.
Held-to-Maturity investment securities	14	**-**	**-**	35,850	35,913	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,130,795	5,134,888	5,089,163	5,097,885	
Liabilities carried at fair value						
Interest rate swaps	18,21	**(10,761)**	**(10,761)**	(22,515)	(22,515)	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		(10,761)	(10,761)	(22,515)	(22,515)	
Liabilities carried at amortised cost						
Deposits	20	**4,002,816**	**3,980,223**	3,934,728	3,940,536	The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for deposits with similar terms.
Trade and other payables	22	**101,086**	**101,086**	92,898	92,898	Carrying amount approximates net fair value because of the short term to settlement of the amounts due.
Borrowings	23	**861,211**	**865,573**	1,222,965	1,226,888	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Notes Payable	24	**673,400**	**676,811**	350,030	350,574	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Subordinated debt	28	**-**	**-**	5,000	5,111	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,638,513	5,623,693	5,605,621	5,616,007	

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values (continued)

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011 %	2010 %
Loans and advances	**5.5% - 15.9%**	6.4% - 15.5%
Investment securities	**4.7% - 7.0%**	4.7% - 6.6%
Deposits	**4.0% - 6.0%**	0.0% - 7.2%
Borrowings	**6.0% - 6.3%**	6.0% - 7.0%
Notes Payable	**4.9% - 6.2%**	4.9% - 6.9%
Subordinated debt	**9.5% - 10.4%**	9.5% - 10.4%
Derivatives	**4.7% - 5.7%**	4.7% - 5.6%

j) Interest rate swap contracts

The Consolidated Entity uses interest rate contracts in managing interest rate exposure, including interest rate swap contracts. Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates. The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the statement of financial position and not for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

			Fair Value		**Notional principal amount**	
	2011 %	2010 %	**2011** $'000	2010 $'000	**2011** $'000	2010 $'000
Holding Entity						
Less than 1 year	**6.65%**	6.91%	**(1,494)**	(11,095)	**822,171**	553,738
1 to 2 years	**6.42%**	6.52%	**(5,133)**	(4,302)	**347,115**	346,751
2 to 5 years	**6.17%**	6.74%	**(3,744)**	995	**319,381**	586,047
	6.50%	6.75%	**(10,371)**	(14,402)	**1,488,667**	1,486,535
Consolidated						
Less than 1 year	**6.02%**	6.88%	**(1,394)**	(14,169)	**216,000**	477,412
1 to 2 years	**6.15%**	6.35%	**(5,160)**	(6,301)	**287,000**	270,425
2 to 5 years	**5.98%**	6.52%	**(4,207)**	(2,045)	**272,619**	372,971
	6.05%	**6.63%**	**(10,761)**	(22,515)	**775,619**	1,120,808

Interest rate swap contracts exchanging fixed rate interest are designed and assessed as effective cash flow hedges.

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

k) Liquidity Risk

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

	2011 $'000						
	Carrying Amount	**Expected cash flow**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Holding Entity							
Interest Rate Swaps							
Assets	**948**	**948**	**262**	**119**	**179**	**261**	**127**
Liabilities	**(13,673)**	**(13,673)**	**(4,412)**	**(4,340)**	**(3,038)**	**(1,191)**	**(692)**
Basis Swaps	**2,354**	**2,354**	**152**	**153**	**296**	**725**	**1,028**
	(10,371)	**(10,371)**	**(3,998)**	**(4,068)**	**(2,563)**	**(205)**	**463**
Consolidated							
Interest Rate Swaps							
Assets	**324**	**324**	**324**	**-**	**-**	**-**	**-**
Liabilities	**(11,085)**	**(11,085)**	**(4,270)**	**(4,021)**	**(2,518)**	**(276)**	**-**
Basis Swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	(10,761)	**(10,761)**	**(3,946)**	**(4,021)**	**(2,518)**	**(276)**	**-**

	2010 $'000						
	Carrying Amount	Expected cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Holding Entity							
Interest Rate Swaps							
Assets	3,186	3,186	706	560	757	1,163	-
Liabilities	(22,622)	(22,622)	(8,263)	(6,013)	(6,301)	(2,045)	-
Basis Swaps	5,034	5,034	990	925	1,242	1,877	-
	(14,402)	(14,402)	(6,567)	(4,528)	(4,302)	995	-
Consolidated							
Interest Rate Swaps							
Assets	107	107	107	-	-	-	-
Liabilities	(22,622)	(22,622)	(8,263)	(6,013)	(6,301)	(2,045)	-
Basis Swaps	-	-	-	-	-	-	-
	(22,515)	(22,515)	(8,156)	(6,013)	(6,301)	(2,045)	-

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

l) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method for the Consolidated Entity. The different levels have been identified as follows:

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

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Holding Entity	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-Sale financial assets	**-**	**831,899**	**-**	**831,899**
Financial assets designated at fair value though profit or loss	**-**	**7,138**	**-**	**7,138**
Derivative financial assets	**-**	**3,302**	**-**	**3,302**
	-	**842,339**	**-**	**842,339**
Derivative financial liabilities	**-**	**(13,673)**	**-**	**(13,673)**
	-	**828,666**	**-**	**828,666**

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Consolidated Entity	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-Sale financial assets	**-**	**842,149**	**-**	**842,149**
Financial assets designated at fair value though profit or loss	**-**	**7,138**	**-**	**7,138**
Derivative financial assets	**-**	**324**	**-**	**324**
	-	**849,611**	**-**	**849,611**
Derivative financial liabilities	**-**	**(11,085)**	**-**	**(11,085)**
	-	**838,526**	**-**	**838,526**

	2010			
	Level 1	Level 2	Level 3	Total
Holding Entity	$'000	$'000	$'000	$'000
Available-for-Sale financial assets	-	817,368	-	817,368
Financial assets designated at fair value though profit or loss	-	6,552	-	6,552
Derivative financial assets	-	8,220	-	8,220
	-	832,140	-	832,140
Derivative financial liabilities	-	(22,622)	-	(22,622)
	-	809,518	-	809,518

	2010			
	Level 1	Level 2	Level 3	Total
Consolidated Entity	$'000	$'000	$'000	$'000
Available-for-Sale financial assets	-	822,627	-	822,627
Financial assets designated at fair value though profit or loss	-	6,552	-	6,552
Derivative financial assets	-	107	-	107
	-	829,286	-	829,286
Derivative financial liabilities	-	(22,622)	-	(22,622)
	-	806,664	-	806,664

Notes to the Financial Statements

42. BUSINESS COMBINATION

a) Savings & Loans Credit Union (S.A.) Limited

On 1 December 2009, Australian Central Credit Union Ltd merged with Savings & Loans Credit Union (S.A.) Limited by way of a voluntary Transfer of Business pursuant to the Financial Sector *(Business Transfer and Group Restructure) Act of 1999 (Cth)*. Regulatory approval was obtained from the Australian Prudential Regulation Authority ("APRA") for the merger on 30 November 2009. The primary reasons for the merger were to provide a member-owned alternative to the major banks and create as a direct result efficiencies and opportunities which will provide greater value, improved products and services as well as a broader network of branches for members.

The merger, originally announced on 13 August 2009, was approved by both the members of Savings & Loans Credit Union (S.A.) Limited and Australian Central Credit Union Ltd on 27 November 2009. The transaction was effective from 1 December 2009 with the transfer of the Savings & Loans Credit Union (S.A.) Limited assets and liabilities being legally undertaken on that date.

b) Separately recognised transactions

The Holding Entity incurred merger related costs of $5.003 million in relation to external consultancy, legal fees, redundancy and due diligence costs. These costs have been separately disclosed in Note 6, and are included under "Other Expenses" in the consolidated statement of comprehensive income.

c) Identifiable assets and liabilities assumed

The effective fair value of the identifiable assets and liabilities of Savings & Loans Credit Union (S.A.) Limited as at the date of merger of 1 December 2009 were:

	Pre-merger carrying amount 30-Nov 2009 $'000	Recognised values on merger 1-Dec 2009 $'000
Assets		
Cash and cash equivalents	24,098	24,098
Trade and other receivables	2,855	2,855
Current tax assets	1,200	1,200
Loans and advances		
Gross value	2,813,959	2,821,074
Provision for impairment	(2,619)	(2,619)
Net loans and advances	2,811,340	2,818,455
Investments :		
Available-for-Sale and other investment securities	353,485	350,399
Other investments	6,552	6,552
Property, plant and equipment	25,048	25,048
Deferred tax assets	12,650	15,063
Intangible assets	-	19,910
Other financial assets	-	-
Other assets	-	-
Total Assets	**3,237,228**	**3,263,580**
Liabilities		
Deposits	2,293,692	2,296,781
Other financial liabilities	18,632	18,632
Trade and other payables	32,683	34,538
Borrowings	715,029	715,041
Notes payable	-	-
Deferred tax liability	1,875	9,983
Employee benefits	6,860	6,860
Subordinated debt	10,000	10,000
Total Liabilities	**3,078,771**	**3,091,835**
Final fair value of identifiable net assets attributable to Savings & Loans Credit Union (S.A.) Limited	**158,457**	**171,745**

Notes to the Financial Statements

43. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Holding Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

44. IMPACT OF ADOPTING TAXATION OF FINANCIAL ARRANGEMENTS ("TOFA")

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 ("TOFA legislation")* was enacted during the prior year. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing closer alignment between tax and accounting requirements. The regime also includes comprehensive tax hedging rules that would allow the tax recognition of gains and losses on many hedging instruments to be matched to the accounting recognition of gains and losses of the underlying hedged items.

TOFA is mandatory for the Consolidated Entity for tax years beginning on or after 1 July 2010. There are specific transitional provisions in relation to the taxation of existing financial arrangements outstanding at the transition date (i.e. there is a choice to bring pre-commencement financial arrangements into the new regime subject to a balancing adjustment being calculated on transition to be returned over the next succeeding four tax years).

The Consolidated Entity has assessed the potential impact of the changes on the Consolidated Entity's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances as at 30 June 2011 (2010:$Nil).

Registered Office

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Annual General Meeting

Friday, 28 October 2011
Sebel Playford Adelaide
120 North Terrace, Adelaide
11.00am (Central Daylight Saving Time)

Bankers

Cuscal Ltd
National Australia Bank Limited

Auditors

KPMG

Tax Agent

KPMG

Solicitors

Fisher Jeffries
Langes+