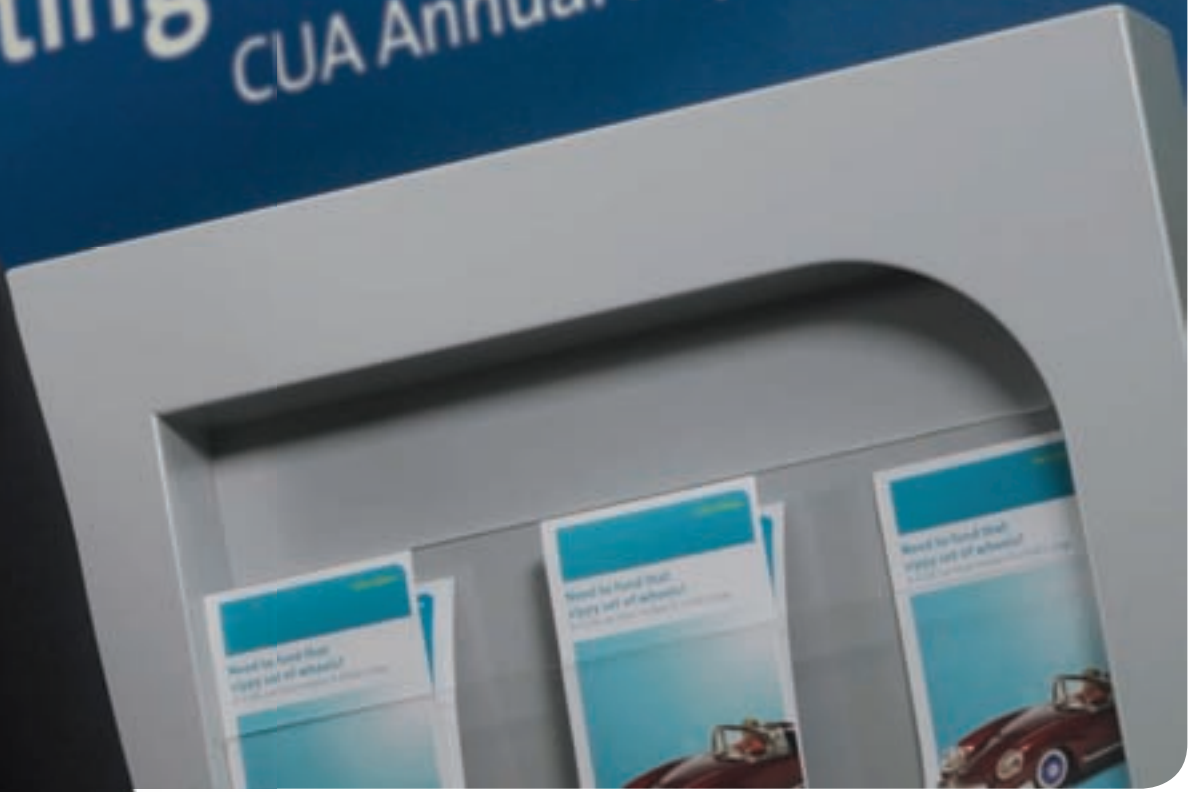


# Creating competition

CUA Annual Report 2011



A change for the better

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## Registered Office

Credit Union Australia Limited  
ABN 44 087 650 959  
AFSL/ACL No. 238317  
175 Eagle Street  
Brisbane QLD 4000  
Phone: 133 282

## Hub Offices

### Brisbane

175 Eagle Street  
Brisbane QLD 4000  
GPO Box 100  
Brisbane QLD 4001

### Melbourne

535 Bourke Street  
Melbourne VIC 3000  
GPO Box 2612  
Melbourne VIC 8060

### Sydney

309 George Street  
Sydney NSW 2000  
GPO Box 7013  
Sydney NSW 2001

## Branches

With 78 branches across Australia, there is sure to be one near you. Visit [www.cua.com.au](http://www.cua.com.au) to find your nearest CUA branch.

## Subsidiary Companies

CUA Financial Planning Pty Ltd  
ABN 60 010 003 853  
CUA Friendly Society Ltd  
ABN 34 087 649 241  
CUA Health Limited  
ABN 98 098 685 459  
CUA Travel Pty Limited  
ABN 72 009 991 002  
Credicorp Finance Pty Ltd  
ABN 79 010 052 981  
Credicorp Insurance Pty Ltd  
ABN 50 069 196 756

## Affiliations

Abacus - Australian Mutuals  
Credit Union Foundation Australia  
World Council of Credit Unions

# Highlights

## Financial highlights

- Reportable net profit after tax increases to \$54.4 million
- Underlying net profit after tax increased to \$46.2 million
- Total assets under management up 10% to record \$9 billion
- Loans settled increased by 14% to \$1.9 billion
- Deposits increased by 13% to \$6.1 billion
- Capital adequacy remains positive at 13.3%
- Membership increased to a record 416,899

## Key initiatives and achievements

### throughout the 2010 financial year

- At the Australian Banking and Finance Awards 2011, Credit Union Australia Ltd (CUA) won 'Credit Union of the Year' for the third successive year. This is CUA's seventh win in this category since 2003.
- CUA was awarded the prize of 'Best Mutual Lender' at the inaugural Australian Lending Awards.
- CUA was named as a 2011 Employer of Choice for Women by the Hon Kate Ellis, Minister for the Status of Women. This is the sixth consecutive year CUA has achieved this citation and been publicly acknowledged for its commitment to pursuing equality for women in the workplace.
- CUA was awarded CANSTAR CANNEX 5 Star ratings for an impressive eight fixed rate home loan products.
- Tata Consultancy Services, a leading global IT services and consulting firm, was announced as the successful tenderer for CUA's new core banking system. The system will deliver business, technology and customer service efficiencies for CUA, staff and customers.
- CUA received an investment grade credit rating from Standard and Poor's. The rating represents an independent assessment by one of the largest credit rating agencies in the world.
- CUA launched a market-leading three year fixed rate home loan rate. CUA's rate was the best three year fixed home loan in the market (available to all new and existing customers) - at least 20 basis points lower than the most competitive three year fixed rate home loan offered by the Big Four.
- The merger with Plenty Credit Union in Melbourne was completed.
- CUA received the third highest score in the annual CHOICE Financial Institutions - Satisfaction Ratings. CUA's score was 83% versus an average score of 65% for all banks.

# Chairman's report

## The year in review

Last year I reported that CUA had come through the Global Financial Crisis in a strong and secure position. This year's financial result is another solid outcome, despite difficult market conditions, with CUA showing a continuing modest increase in profit.

Our deposits continue to be strong with growth to \$6.1 billion, a performance above our peer group and supported by our successful eSaver campaign.

Loans and acceptances grew by 14% during the year, largely due to the success of our Spring Home Loan Lending campaign. This result exceeds both market growth rates in credit lending (3.6%) and our growth in loans in the prior year.

The performance for the year ended 30 June 2011 has been strong. Consolidated reportable net profit after tax was \$54.4 million, a 16.5% increase from last year. Consolidated underlying profit after tax was \$46.2 million (up from \$43.1 million for the previous year). CUA settled \$1.9 billion in new loans for the year, an increase of just over 14% on 2009/10.

Assets under management grew 10% to reach a record \$9 billion, further consolidating our position of strength.

CUA maintained its commitment to its members, our values, and our culture of responsible lending, with a high quality loan book and low levels of past due loans.

A continued focus on prudent capital management and funding

ensured that CUA continued to maintain a strong prudential standard for capital provisioning, despite the current year loss of securitisation relief. This strong performance underpins the longer term objectives of CUA to invest in change and focus on increasing member value whilst demonstrating that our customer-owned model is an important alternative to banks.

## Investment in the future

CUA continues to invest and build for the future, with an increased focus on people and infrastructure in the last year. Critical investment in salaries and technology, in particular the progression of the installation of our new core banking system, contributed towards an increase in operating costs.

The Board has been fully supportive of the development of CUA's capabilities during the year - both frontline and back office. The additional investment in people, processes and hardware has been significant and still continues. The benefits from these investments will take some time to be realised but are vital for CUA's future success. The new core banking system is a case in point, as it is capital intensive and will take some time to install and refine, but will serve CUA for decades. It is an integral operational step in CUA's journey to a size which enables us to truly compete with the banks. A further example is CUA's investment in the digital space where it is vital that the organisation keeps pace with this rapidly evolving form of customer communication and interaction.

## Increased competition

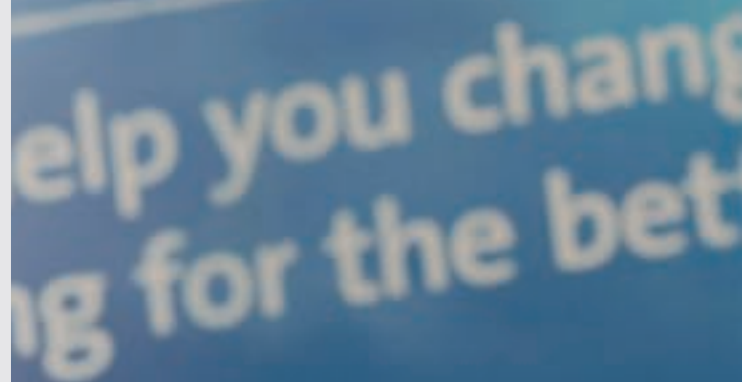
The customer-owned sector was propelled into the spotlight during 2010/11. This was a result of the Government's intention

to increase competition in banking, and its consequent use of the customer-owned model as a differentiator to the banks.

Creating competition was front of mind in the industry for most of the year and, as a consequence, we have seen a major publicity boost being given to the credit union sector. My experience has been that such events are episodic and normally of short duration and it is important that we take full advantage of the fortuitous circumstances. I am pleased that this has been the case with CUA during 2010/11. CUA's participation in the debate around competition has been both comprehensive and noticeable.

CUA's operational model has developed it into a large, sustainable and secure financial services organisation, subject to the same strict regulation and capital requirements as any bank. CUA operates as a provider of banking services, competing one on one with banks, but until recently unable to publicly declare that it is in the business of 'banking'. While CUA currently has the option to change its designation to a 'bank' we believe that the need, under existing government policy, to correspondingly alter our status from a credit union is not acceptable. We are proud to be a 'customer-owned financial institution' and believe it to be a key differentiator for us. Nevertheless, not all credit unions will take this view and the Board will carefully watch developments on this issue to ensure CUA is not strategically disadvantaged.

The customer-owned sector has been in a consolidation phase for some time, driven by seemingly endless waves of regulation, governance and technological change with consequent financial pressures, and indications are that further mergers are inevitable



and even desirable. During the year CUA completed its merger with Plenty Credit Union. Whilst Plenty was a considerably smaller credit union the merger was advantageous to CUA, increasing our regional coverage and widening our community credentials. CUA will certainly seek growth opportunities in the form of further mergers which meet our strategic objectives.

In addition, increasing regulation has resulted in an even greater focus on governance by the Board. The Board now has a Remuneration Committee and in 2011/12 the Board Audit and Risk Committee will be split into two committees (an Audit Committee and a Risk Committee). This separation will assist the Board in ensuring appropriate oversight, resourcing and governance is being applied to each area. The Board is also cognisant of the fact that CUA members wish to remain engaged with their organisation and is reviewing the Constitution with this in mind. This review also provides the opportunity of ensuring the Constitution continues to meet the needs of a significant institution in an increasingly complex financial services sector.

**Board renewal**

As I foreshadowed last year, a long serving CUA director and a former chairman, Bob Powell, has left the Board. His experience and enthusiasm will be sorely missed. However, this change also provided the opportunity for the Board to identify and seek skills that will assist in providing the governance and strategic guidance that CUA requires as it develops and grows. As a first step Nigel Ampherlaw was appointed as a director in March 2011. A former partner at PricewaterhouseCoopers for 22 years and head of PwC's financial services audit, business

advisory services and consulting business, Nigel brings extensive experience in delivering risk management, technology, consulting and audit services to a large number of financial services institutions in Australia and the Asia Pacific region.

Additionally, Paul Bedbrook joined the Board in July 2011, bringing over thirty years experience in financial services. He was an executive with the Dutch global banking, insurance and investment group ING for 26 years, holding a number of senior position including President and CEO, INGDirect, Canada; CEO and Director ING Australia and; Regional CEO ING Asia Pacific, Hong Kong. Paul brings a wealth of hands-on and senior executive experience in banking, insurance and investment management.

Last year I commented that CUA was poised to become a genuine and competitive force. If anything my view has strengthened. Over the year CUA has developed stronger public, government and industry credibility, invested wisely in good people and is developing skills and processes to support significant growth.

I would like to thank my fellow directors, the executive team, and the staff of CUA. This has been challenging year in many respects and we can be proud of what we have achieved. In particular, the response of CUA staff in dealing so successfully and pragmatically with the floods in Queensland should be noted and commended. Finally, and most importantly, I would like to thank all our members and customers for their ongoing support.

# CEO's report

I have been looking forward to providing my perspective of CUA's progress over the last twelve months. This has been the first full year pursuing our vision to make customer-owned banking relevant to more Australians and positioning CUA as a major competitor to the banks. Thinking back over the enormous challenges and changes faced during this period I am encouraged by CUA's progress and future possibilities.

## **Competition in banking**

It has been a momentous year for financial services in Australia. As a result of a number of missteps by the major banks, the customer-owned sector has gone from the best kept secret in Australian banking to a major platform of the Government's drive to increase competition. Support from the Government has been both real and symbolic. Real in the form of a package of measures designed to boost competition, and symbolic through public support of the mutual sector as the 'Fifth Pillar' of Australian banking. We have even seen the Treasurer demonstrate his confidence in the sector by becoming a CUA customer. While we are encouraged by this support there are still substantive issues where further Government reform and assistance could make the customer owned sector even more competitive.

As the largest customer owned financial institution, CUA has consciously sought a public profile in keeping with our aspirations and responsibilities. For example, CUA has developed

a considerable 'voice' in terms of competition issues, reflected most obviously in our submission to the Senate Inquiry into competition in banking and subsequent public testimony.

Many other aspects of our corporate strategy similarly reflect support for our ambitions. It was, for example, behind our decision during the year to become rated by Standard and Poor's. This provides the opportunity to undertake new and diversified funding programs in the Australian and international markets. It also has, in turn, been instrumental in the success of our Corporate Investments team achieving total deposit funds now exceeding \$500 million. These deposit funds are an extremely important part of CUA's funding strategy for future growth.

Of course, financial institutions rise and fall on the strength of their product and service offerings and CUA placed considerable emphasis on these during the year. As an example, CUA was awarded CANSTAR CANNEX 5 Star ratings for an impressive eight fixed rate home loan products. Additionally, to finish the year being awarded (for the third consecutive year) the Australian Banking & Finance award for Credit Union of the Year was a timely industry endorsement of our efforts.

## **Change - continuing to invest in our business**

Our ambitions for CUA cannot be achieved without major changes in the way we undertake many aspects of our business. Last year we reported on the six strategic

projects underway to improve CUA's capabilities - customer focus, core banking system, distribution, back-office automation, capital and funding, and digital. I am happy to report that all projects are substantially advanced. During the year I announced the selection of Tata Consultancy Services (TCS), a leading global IT services and consulting firm, and its world-leading TCS BaNCS banking platform to deliver CUA's new core banking system. Implementation of this system over the next two years will provide greater flexibility and integration across the business and deliver an enhanced customer experience and enable significant productivity improvements over time. This major project will underpin CUA's growth strategy.

Nowhere has change been more evident than in our Distribution network. During the year I completed my intention to visit all of CUA's branches, now up to 78. I have always been struck by the genuine enthusiasm our branches demonstrate to providing the highest standard of service to our customers. That we are successful in doing so can be seen from our scores in the annual CHOICE Financial Institutions - Satisfaction Ratings, substantially higher than those achieved by the major banks. We are now putting considerable emphasis on the support services necessary for our branches to deliver on ever more ambitious business targets. During the year we also formally welcomed the staff and members from Plenty Credit Union into the CUA fold.

### Conditions - in market and weather related

Our financial results for the year are very pleasing and provide a further boost to our capital position and hence our lending capacity. After rapid lending and deposit growth in the early part of the year, including the most successful lending campaign in CUA's history, market conditions tightened appreciably towards the year's end. Consumer unease over interest rates and domestic and international economic conditions translated to a flat or declining housing market in most centres with increased competition for business. The next year promises more of the same, although I am confident in CUA's ability to compete and continue its growth.

I particularly wanted to highlight the strong performance of CUA's Health Fund during 2010/11. Membership growth at 8.26% was more than double the industry average, reflecting the competitiveness of our health insurance products. Members were paid hospital, medical and extras benefits totalling some \$62 million. Our past year has also seen CUA Financial Planning being restructured and completely rebuilt with the support of an entire new leadership team and a new strategy. The business model that underpins this new strategy is the transition from a product driven advice model which heightens potential conflicts of interest over advice bias for clients, to a Comprehensive fee-for-advice model. Finally, CUA decided to exit the travel booking industry during the year, winding up CUA Travel Pty Limited as a result.

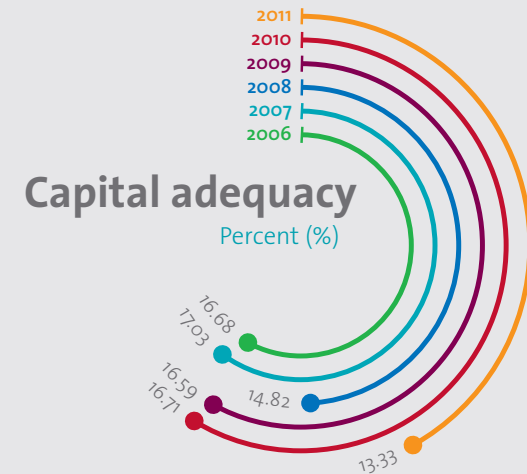
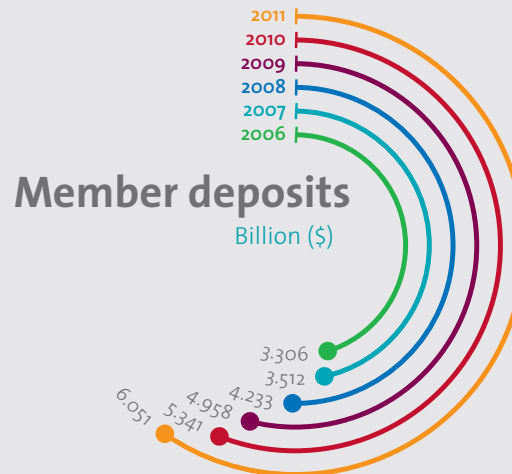
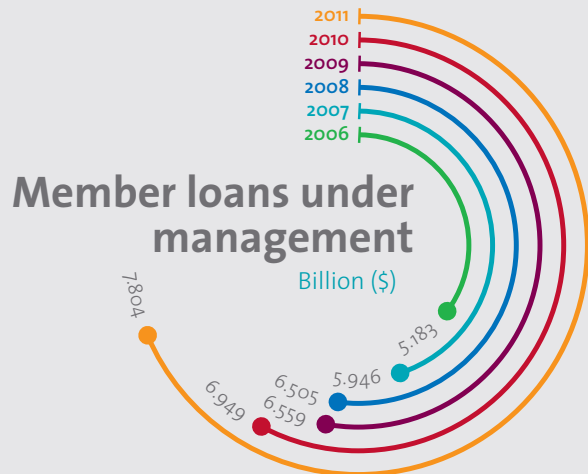
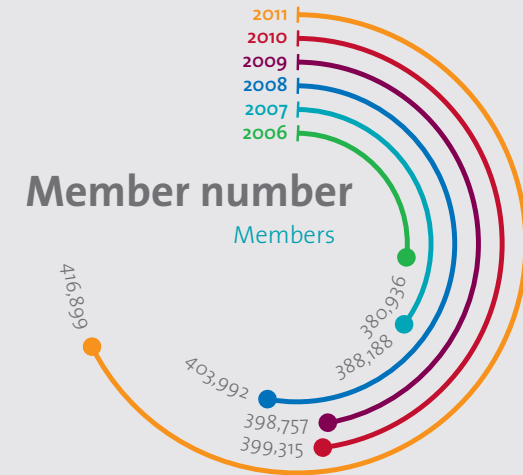
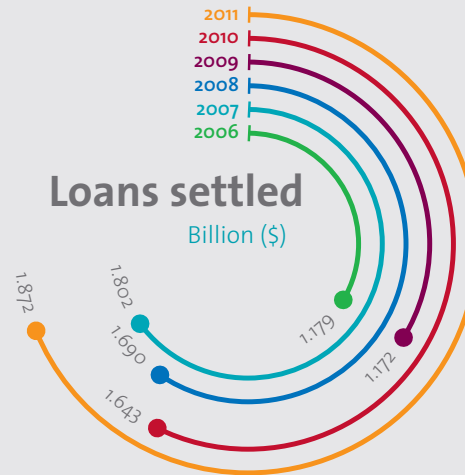
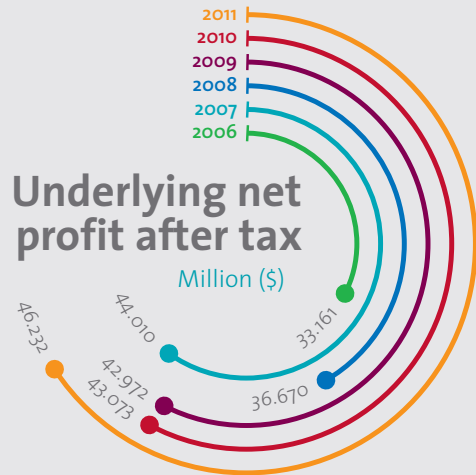
I cannot end this report without mentioning the serious flooding experienced in Queensland during January this year. CUA was not immune from this natural disaster and there were serious lessons for how we operate and secure our business from risk. The situation faced by CUA and many thousands of other businesses, families and individuals, tested our operational capabilities but did not break our spirits. CUA staff rose to the occasion magnificently and ensured operational break-downs were minimised.

### Looking forward

While the last twelve months have been challenging for CUA we can look forward with optimism. Our future is in our own hands and I believe we are more than capable of achieving our vision for CUA.



# Financials



# Corporate governance

The Board of Credit Union Australia Ltd (CUA) is responsible for the corporate governance of CUA and its controlled entities. CUA is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. CUA is also supervised by the Australian Securities & Investments Commission (ASIC) under the Corporations Act 2001 and has been granted an Australian Financial Services Licence.

## Role of the Board

The Board's primary role is to protect and enhance long-term member value. To fulfil this role, the Board is responsible for the overall corporate governance of CUA including its strategic direction, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

## Composition of the Board

The Constitution of CUA specifies that the number of directors shall be between six and nine and that their term of office is normally three years. During the financial year the Board was comprised of independent, non-executive directors. In determining whether a director is independent, the Board has regard to APRA's Prudential Standard APS 510 Governance.

## Conflict of interest

In accordance with the Corporations Act 2001 and CUA's constitution, directors must keep the Board advised of any interest that could potentially conflict with the interests of CUA. The Board has developed guidelines to assist directors in annually disclosing potential conflicts of interest.

## Board performance assessment

The Board is committed to ensuring its composition reflects the appropriate high level skills mix necessary to enable CUA to meet its strategic objectives. Renewal of board skills is carefully managed through an annual review process and formal evaluation of the performance of the Board and of individual directors.

## Member participation

Members have two relationships with CUA, as a customer and as an owner/shareholder. As customers, members exercise choice through their selection of the products and services they believe best suit their individual needs. As owners/shareholders, members have the right, and are encouraged, to participate in appropriate activities of their credit union.

## Ethics

To maintain member confidence in the integrity of CUA, directors have adopted and adhere to a Personal Code of Conduct, which is based on the code developed by the Australian Institute of Company Directors. At CUA we place great importance on the confidentiality of our customers' personal information. We take steps to ensure that customer information is not disclosed to, or accessed by, unauthorised persons.

## Risk management

CUA manages a diverse range of significant risks. To this end the Board is committed to the identification and management of these risks throughout the CUA Group. The Board, through the CEO, has established a risk management system for assessing, monitoring and managing these risks.

## Remuneration policies for directors

In determining director remuneration, the Board obtains independent advice on the appropriateness of remuneration given trends in comparative companies. Remuneration levels are designed to attract and retain appropriately qualified and experienced non-executive directors. Non-executive directors do not receive any performance related remuneration. Non-executive directors may maintain loans and credit facilities from CUA at normal member rates of interest.

## Board committees

To assist in the execution of its responsibilities the Board has established a number of committees. The following Board committees operated during the financial year:

- Board Audit and Risk Committee
- Board Remuneration Committee
- Director Nominations' Committee
- Board Strategy Consultative Committee
- Board Sustainability Committee

In June 2011 the Board made a number of changes to the structure and membership of its Board Committees. These include the separation of the Board Audit and Risk Committee into two separate committees, the disbanding of the Board Sustainability Committee and the introduction of the Board Community Committee. These new committees will commence operating following Board approval of appropriate committee charters. Further details on the responsibilities and operation of CUA's current Board committees can be found on the CUA website at [www.cua.com.au](http://www.cua.com.au).

# Our Board



**A. E. BEANLAND**

*B.Sc. University of London, FAICD*  
Chairman

Mr Beanland joined the Board in September 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards. Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently Chairman of Superpartners and a director of Spotless Group Limited (ASX Listed) and Colonial Foundation. Mr Beanland held senior executive positions with Colonial Mutual for 16 years. In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Strategy Consultative Committees.



**N. I. AMPHERLAW**

*B.Com., ACA*  
Independent non-executive director

Mr Ampherlaw was appointed a director on 22 March 2011. He is a chartered accountant by profession. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Mr Ampherlaw has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region. Since joining CUA he has been a member of the Board Audit and Risk Committee and the CUA Director Nominations' Committee (DNC). In 2012 Mr Ampherlaw will chair the Board Risk Committee and will be a member of the Board Strategy Consultative Committee, the Board Audit Committee and the DNC.



**P. J. BEDBROOK**

*B.Sc., FSIA, GAICD.*  
Independent non-executive director

Mr Bedbrook joined the Board on 3 July 2011. He was an executive with Dutch global banking, insurance and investment group ING for 26 years holding a number of senior positions in the decade to 2010 including: President and CEO, INGDIRECT, Canada; CEO and Director of ING Australia, and; Regional CEO, ING Asia Pacific, Hong Kong. Prior to that, Mr Bedbrook was General Manager Investments & Chief Investment Officer for the Mercantile Mutual (ING) Group in Sydney. Mr Bedbrook has over thirty years experience in financial services, specifically across the areas of banking, insurance and investment management. He is a member of the Board Remuneration Committee and a director of Credicorp Insurance Pty Ltd and CUA Health Ltd.



**P. G. DOWLING**

*AM, B.A.(Acc), FCPA, FAICD*  
Independent non-executive director

Mr Dowling has been a credit union director for more than seven years and was previously a Partner of the international accounting firm Ernst & Young. He is a chartered accountant, professional company director and the Queensland Honorary Consul for Botswana. He is a director of the Cooperative Research Centre for Infrastructure and Engineering Asset Management, CPA Australia, the Credit Union Foundation of Australia, Lexon Insurance, SPYRUS, Superior Coal, and Virgin Blue's aircraft leasing subsidiaries. He is also chair of the Sunshine Coast Regional Council's Audit and Risk Committee and chair of the Queensland Transport and Main Road's Audit and Risk Committee. Mr Dowling is a director of CUA Health Ltd, a member of the Board Strategy Consultative Committee and, during the 2010/11 financial year, was also a member of the Board Remuneration Committee at CUA.



**E. A. FOSTER**

*B.Bus.(Accounting), FCPA, GAICD, MAMI*  
Independent non-executive director

Ms Foster has been a credit union director for 20 years. She was a director of the Australian National Credit Union (ANCU) before it merged with CUA in 2006. She is a self-employed accountant who has extensive experience in finance, previously working for Telstra in senior management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. Ms Foster is Chair of the Board Audit and Risk Committee and a director of Credicorp Insurance Pty Ltd.



### C. FRANKS

*M.Mgt., B.A.(Statistics), FAICD, MAMI, RN*  
Independent non-executive director

Ms Franks is a company director with over 12 years experience on credit union and not-for-profit boards. She is a member of the Board Audit and Risk Committee, and a director of CUA Health Ltd, and was appointed Chair of Credicorp Insurance Pty Ltd on 27 July 2011. Ms Franks has extensive executive experience in sales, marketing, consumer research and customer service in the commercial and not-for-profit sectors. She is Chair of Habitat for Humanity Australia and serves on the International Development Committee for the Credit Union Foundation of Australia. Ms Franks previously held several NFP directorships including Oxfam and Save the Children NSW. She also served as Chair of the development sector industry code of conduct and NSW Charities Ministerial Advisory committees.



### C. M. GREER

*LLB., Grad.Dip. Legal.Prac. GAICD, MAMI*  
Independent non-executive director

Ms Greer has been a credit union director for more than seven years. A lawyer by profession, Ms Greer practised family and criminal law and civil litigation before working in stockbroking and the hospitality and marketing industries. She is a member of the Board Audit and Risk Committee at CUA and was recently appointed to the Board Remuneration Committee. During the 2010/11 financial year she was a director of CUA Financial Planning Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd. She has been a director of Queensland Events Corporation and Chair of Restaurant and Catering Queensland, Brisbane Branch. Ms Greer has also acted in an advisory capacity to the Committee for Economic Development of Australia.



### K. B. ROSS

*B.Econ., Dip. Pub. Admin., Dip F.S (Credit Union Directorship), J.P. (Qual.), FAMI, MAICD*  
Independent non-executive director

Mr Ross is an experienced non-executive Director who has served on successful boards in health, aged care, welfare and financial services sectors. He has had extensive executive experience in a number of diverse roles in lending and insurance, hospital management, compensation, health care and corporate services. Most recently, he was Director Health & Corporate Support in the Department of Veterans Affairs. Currently, Kevin is Chair of the CUA Director Nominations Committee. He is also a director of CUA Health Ltd and Chair of CUA Financial Planning Pty Ltd.



### C.M. WHITEHEAD

*FAICD*  
Chief Executive Officer\*

Chris joined CUA in August 2009 bringing the benefit of over 20 years experience in a broad range of organisations and roles. He commenced his career in the UK IT industry working in a large number of banks and building societies and gained an in-depth understanding of process design and management. Chris led a number of significant innovations including the development of a new core banking system eventually used to process over one third of UK mortgages. Since moving to Australia in 1990, he has had roles in a number of regional banks including Chief Executive – Retail Bank for BankWest between 2001 and 2006. Chris is passionate about customer service and is committed to CUA continuing to lead positive changes for members, the financial services industry and the community in general.  
*\*appointed as a director on 9 September 2011.*

*Mr R.E. Powell resigned from his position on the Board on 2 July 2011.*

# Executive management



**CHRIS WHITEHEAD**

*FAICD*

Chief Executive Officer\*

Chris joined CUA in August 2009 bringing the benefit of over 20 years experience in a broad range of organisations and roles. He commenced his career in the UK IT industry working in a large number of banks and building societies and gained an in-depth understanding of process design and management. Chris led a number of significant innovations including the development of a new core banking system eventually used to process over one third of UK mortgages. Since moving to Australia in 1990, he has had roles in a number of regional banks including Chief Executive – Retail Bank for BankWest between 2001 and 2006. Chris is passionate about customer service and is committed to CUA continuing to lead positive changes for members, the financial services industry and the community in general.

*\*appointed as a director on 9 September 2011.*



**PHILIP FRASER**

*CIMA, CPA*

Chief Financial Officer (Acting)

Philip joined CUA in March 2011, bringing a background of financial control and reporting gained over 15 years in the financial services industry. Over the past 10 years Philip has gained senior leadership experience within core financial services and investment management industries in both Australia and the UK. He has significant experience in leading large finance functions. His major areas of responsibility include Finance, Treasury and Corporate Services.



**DAVID GEE**

Chief Information Officer

David joined CUA on 5 September 2011. He is a highly experienced CIO with more than 28 years' IT experience across the USA, Japan, Asia and the Oceania region serving as CIO, director and consultant. David held a series of CIO roles at Eli Lilly across its US, Japanese, Chinese and broader Asian operations over a 15 year period. In his last CIO role at Eli Lilly USA, he was responsible for a US\$19B organisation. David's experience also includes providing strategic IT consulting at KPMG and at Ernst & Young across a number of industries. He has also successfully completed a number of large scale transformation programs at organisations such as IAG Insurance, John Fairfax and Pioneer International. Mr Gee is a past Global Advisory Board member for HP, Nokia and Oracle Siebel.



**ROD SAVILLE**

*F Fin*

General Counsel and Company Secretary

Rod joined CUA in June 2011, bringing over 25 years' experience as a lawyer, including senior roles with a number of Australia's leading financial institutions. He led the NSW legal team of nab as State General Counsel for several years and has extensive experience in the areas of banking and finance, consumer credit, corporate transactions, secured and unsecured financing and legal and regulatory compliance. Rod also has experience working with government, having worked for a number of years as a senior lawyer with the Federal Attorney-General's Department and the Australian Government Solicitor. Rod is a fellow of the Financial Services Institute of Australasia and is admitted as a solicitor of the Supreme Court of New South Wales. Rod is also a non-executive director of InfoChoice.



**JOHN GEORGE**

Group General Manager - Service Operations

John draws on over 30 years experience in the banking, finance and property industries. His deep, practical understanding of operational management, customer service, systems integration, change management and process re-engineering has led him to develop a passion for the creation and implementation of quality management systems. His major areas of responsibility include lending operations, collections, transactional banking operations, CUA Health Insurance, business process management and continuous improvement.

**ANDREW HADLEY***F Fin*

Group General Manager -  
Strategy and Marketing

Andrew's knowledge and understanding of the financial services industry is derived from two decades working in a broad and diverse range of retail banking positions. He has executive experience in both front and back office divisions and has played an integral role in the development of the key strategies that sees CUA today, as the undisputed leader in the customer-owned financial services sector. He is committed to positioning CUA as a genuine alternative to the major banks. His current areas of responsibility include Strategic Planning, Brand, Corporate Affairs, Market Research, Communications, Project Portfolio Management and Business Change.

**DARRIN NORTHEY**

Group General Manager - Distribution

Darrin commenced with CUA in April 2010 with a background of over 18 years in the banking and finance industry, across a broad range of roles. The past decade has been spent in senior leadership positions within both business and retail banking, most recently with Westpac as Head of Local Business Banking for QLD, and prior to this, as State General Manager for South Australia & the Northern Territory. Darrin has extensive experience leading distribution teams and a strong passion for customer service. His areas of responsibility include our branch and mobile lending network, CUA Financial Planning, CUA Direct, Bank@Work, corporate investments, member group alliances and CUA's digital services.

**ROYDEN JURIANZ***FCPA, CISA*

General Manager - Risk and Compliance

Royden has over 30 years experience in the financial services industry having worked in a number of banking institutions overseas prior to joining CUA. While he has had significant exposure to retail banking operations over his long career, he has focussed his attention on governance and risk issues in recent years. Royden has been instrumental in rolling out key fraud mitigation strategies and governance frameworks including Risk Management and Compliance across the group. His responsibilities include Internal Audit, Compliance, Operational Risk, Credit Risk, Fraud Management, Business Continuity and Crisis Management.

**DAWN TSOUBOS***CAHRI, MAITD*

General Manager - Human Resources

Dawn has some 20 years experience in financial service change leadership and human resources (HR) management. Joining CUA in October 2010, Dawn's previous appointment was heading up the HR function at a leading superannuation company where she supported the organisation through significant business transformation. Dawn's extensive experience includes consulting and developing HR and learning strategy, design and development, organisation design and change management. Commencing her financial services and HR career with ANZ, Dawn undertook a wide range of leadership roles in HR and change leadership. As an accomplished HR strategist, Dawn now focuses on shaping the CUA Human Resources function into one that supports and encourages high performance with key elements such as appropriate training for CUA staff, recruitment and remuneration.

*Geoff Grant resigned from his position as Chief Financial Officer and Company Secretary on 30 June 2011.*

*Barry Los resigned from his position as Chief Information Officer on 16 September 2011.*







**CREDIT UNION AUSTRALIA LIMITED**

ABN 44 087 650 959 AFSL/ACL NO. 238317

GPO Box 100, Brisbane, QLD 4001


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# Financial Report 2011

Credit Union Australia Limited  
ABN 44 087 650 959



A change for the better



**CREDIT UNION AUSTRALIA LTD**

ABN 44 087 650 959

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2011**

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## Directors' Report

The directors have pleasure in presenting their report together with the financial report of Credit Union Australia Ltd (CUA) and of the Group, being CUA and its controlled entities, for the year ended 30 June 2011 and the auditor's report thereon.

### Directors

The directors of CUA at any time during or since the end of the financial year are:

A.E.Beanland  
N.I.Ampherlaw  
P.J.Bedbrook  
P.G.Dowling  
E.A.Foster  
C.Franks  
C.M.Greer  
R.E.Powell  
K.B.Ross

### Details of Directors

**A. E. BEANLAND** B.Sc. (London), FAICD  
Chairman and independent non-executive director

Mr Beanland joined the Board in September 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards. Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently Chairman of Superpartners and a director of Spotless Group Limited (ASX Listed) and Colonial Foundation. Mr Beanland held senior executive positions with Colonial Mutual for 16 years. In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Strategy Consultative Committees.

**N. I. AMPHERLAW** B.Com. ACA  
Independent non-executive director

Mr Ampherlaw was appointed a director in March 2011. He is a chartered accountant by profession. He was a partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Mr Ampherlaw has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region. He is a member of the Board Audit and Risk Committee and the CUA Director Nominations' Committee.

**P. J. BEDBROOK** B.Sc., FSIA, GAICD.  
Independent non-executive director (appointed 3 July 2011)

Mr Bedbrook joined the Board in July 2011. He was an executive with Dutch global banking, insurance and investment group ING for 26 years holding a number of senior positions in the decade to 2010 including: President and CEO, INGDIRECT, Canada; CEO and Director of ING Australia, and; Regional CEO, ING Asia Pacific, Hong Kong. Prior to that, Mr Bedbrook was General Manager Investments & Chief Investment Officer for the Mercantile Mutual (ING) Group in Sydney. Mr Bedbrook has over thirty years experience in financial services, specifically across the areas of banking, insurance and investment management. He is a member of the Board Remuneration Committee and a director of Credicorp Insurance Pty Ltd and CUA Health Limited.

**P. G. DOWLING** AM, BA (Acc), FCPA, FAICD  
Independent non-executive director

Mr Dowling has been a credit union director for more than seven years and was previously a partner of the international accounting firm Ernst & Young. He is a chartered accountant, professional company director and the Queensland Honorary Consul for Botswana. He is a director of the Cooperative Research Centre for Infrastructure and Engineering Asset Management, CPA Australia, the Credit Union Foundation of Australia,

Lexon Insurance, SPYRUS, Superior Coal, and Virgin Blue's aircraft leasing subsidiaries. He is also chairman of the Sunshine Coast Regional Council's Audit and Risk Committee, the Queensland Water Commission's Audit and Risk Committee and Queensland Transport and Main Road's Audit and Risk Committee. Mr Dowling is a director of CUA Health Limited, a member of the Board Strategy Consultative Committee and, during the 2010/11 financial year, was also a member of the Board Remuneration Committee.

**E. A. FOSTER** B.Bus (Accounting), FCPA, GAICD, MAMI  
Independent non-executive director

Ms Foster has been a credit union director for 20 years. She was a director of the Australian National Credit Union (ANCU) before it merged with CUA in 2006. Ms Foster is a self-employed accountant who has extensive experience in finance, previously working for Telstra in executive management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. Ms Foster is Chair of the Board Audit and Risk Committee and a director of Credicorp Insurance Pty Ltd. She was director of the Credit Union Foundation from 2003 to 2008.

**C. FRANKS** M.Mgt, BA (Statistics), FAICD, MAMI, RN  
Independent non-executive director

Ms Franks is a company director with over 12 years experience on credit union and not-for-profit boards. She is a member of the Board Audit and Risk Committee, and a director of CUA Health Limited, and was appointed Chair of Credicorp Insurance Pty Ltd on 27 July 2011. Ms Franks has extensive executive experience in sales, marketing, consumer research and customer service in the commercial and not-for-profit sectors. She is Chair of Habitat for Humanity Australia and serves on the International Development Committee for the Credit Union Foundation of Australia. Ms Franks previously held several NFP directorships including Oxfam and Save the Children NSW. She also served as Chair of the development sector industry code of conduct and NSW Charities Ministerial Advisory committees.

**C. M. GREER** LLB, Grad.Dip. Legal.Prac. GAICD, MAMI  
Independent non-executive director

Ms Greer has been a credit union director for more than seven years. A lawyer by profession, Ms Greer practised family and criminal law and civil litigation before working in stockbroking and the hospitality and marketing industries. She is a member of the Board Audit and Risk Committee at CUA and was recently appointed to the Board Remuneration Committee. During the 2010/11 financial year she was a director of CUA Financial Planning Pty Ltd, CUA Health Limited and Credicorp Insurance Pty Ltd. She has been a director of Queensland Events Corporation and Chair of Restaurant and Catering Queensland, Brisbane Branch. Ms Greer has also acted in an advisory capacity to the Committee for Economic Development of Australia.

**R. E. POWELL** Cert. Bus Admin (Real Estate), FAICD, FAMI  
Independent non-executive director (resigned 2 July 2011)

Mr Powell was appointed a director on 1 January 2006 following the merger with ANCU where he was the previous Chairman. He resigned as a director of CUA and associated companies on 2 July 2011. Mr Powell has been a credit union director for 34 years. He is a licensed estate agent and auctioneer and has owned and operated his own real estate businesses. During the 2010/11 financial year he was Chairman of Credicorp Insurance Pty Ltd, Chairman of CUA Health Limited and a member of the Board Remuneration and Strategy Consultative Committees. He is former Chairman of Health Professionals Insurance Association (HPIA) 2002-2004. Bob is also a director of Disaster Aid Australia Limited, a not for profit humanitarian aid program.

**K. B. ROSS** B.Econ., Dip. Pub. Admin., Dip F.S (Credit Union Directorship), J.P. (Qual.), FAMI, MAICD  
Independent non-executive director

Mr Ross is an experienced non-executive director who has served on successful boards in the health, aged care, welfare and financial services sectors. He has had extensive executive experience in diverse roles in lending and insurance, hospital management, compensation, health care and corporate services. Most recently, he was Director of Health and Corporate Support in the Department of Veterans Affairs. Mr Ross is Chairman of the CUA Director Nominations Committee, Chairman of CUA Financial Planning Pty Ltd and is a director of CUA Health Limited.

## Directors' Report (continued)

### Company Secretaries

The company secretaries of CUA at any time during or since the end of the financial year are:

G.A.Grant  
L.P.Swenson  
R.P.M.Saville

### Details of Company Secretaries

**G. A. GRANT** B.Com, CA. F Fin  
(resigned 30 June 2011)

Mr Grant joined CUA in September 2007 and was appointed company secretary in October 2008. He has worked in the financial services industry for 26 years holding various positions in finance and treasury related areas. He was also a director of CUA Travel Pty Limited, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd.

**L. P. SWENSON** B.Com/LL.B (Hons), LL.M, ACIS

Ms Swenson jointly held the position of company secretary of Credit Union Australia Ltd, Credicorp Insurance Pty Ltd, CUA Health Limited and CUA Financial Planning Pty Ltd at the end of the financial year and has been the Assistant Company Secretary of CUA from 2 August 2010. She is a qualified solicitor and chartered secretary with extensive experience in corporate governance and the areas of commercial, corporate and construction law.

**R. P. M. SAVILLE** B.A./LL.B (Hons) F Fin  
(appointed 9 June 2011)

Mr Saville joined CUA in June 2011, bringing over 25 years' experience as a lawyer, including senior roles with a number of Australia's leading financial institutions. He led the NSW legal team of National Australia Bank as State General Counsel for several years and also worked as a senior lawyer with the Federal Attorney-General's Department and the Australian Government Solicitor. He is a fellow of the Financial Services Institute of Australasia and is admitted as a solicitor of the Supreme Court of New South Wales. Mr Saville is also a non-executive director of Infochoice. Within the CUA Group he is a director of Credicorp Insurance Pty Ltd, Credicorp Finance Pty Ltd and CUA Travel Pty Limited.

## Directors' Report (continued)

### Directors' Meetings

The number of meetings of Directors and meetings of Board Committees held during the year and the number of meetings attended by each Director were as follows:

**A** = Number of meetings eligible to attend.

**B** = Number of meeting attended.

	Board Meetings		Board Audit and Risk Committee		Board Remuneration Committee		Board Sustainability Committee <sup>1</sup>		Board Strategy Consultative Committee		Director Nominations' Committee <sup>2</sup>	
	A	B	A	B	A	B	A	B	A	B	A	B
A.E. Beanland	10	10	-	-	4	4	-	-	6	6	-	-
N. Ampherlaw	3	3	2	2	-	-	-	-	-	-	-	-
P.G. Dowling	10	10	-	-	4	4	2	2	6	6	-	-
E.A. Foster	10	10	6	6	-	-	-	-	-	-	-	-
C. Franks	10	9	6	6	-	-	2	2	-	-	-	-
C.M. Greer	10	10	6	6	-	-	-	-	-	-	-	-
R.E. Powell	10	10	-	-	4	3	-	-	6	6	-	-
K.B. Ross	10	10	-	-	-	-	-	-	-	-	1	1

### Directors' benefits

During, or since the end of the financial year, no director has received, or become entitled to receive, a benefit by reason of a contract entered into by CUA, or its controlled entities, with the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, other than a benefit to which the director is entitled as a member of CUA. All transactions with entities associated with Directors are at arms length and on commercial terms.

### Indemnification of directors and officers

During the financial year, CUA paid an insurance premium in respect of an insurance policy for the benefit of directors, secretaries, executive officers and employees of the credit union and related entities. The insurance policy grants indemnification in respect of certain liabilities for which the Corporations Act 2001 allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium.

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

<sup>1</sup> The Sustainability Committee ceased operating during the financial year and is to be replaced with the Board Community Committee in 2011/2012.

<sup>2</sup> In the 2010/2011 financial year the Director Nominations' Committee was made up of 3 persons: one CUA director and two external independent members – Ms Sue Mieog and Ms Elizabeth Jamieson.

## Directors' Report (continued)

### Financial performance disclosures

#### Principal activities

The principal activities of the credit union during the financial year comprised the raising of funds by deposit and the provision of loans and associated services to members. Through its controlled entities, the Group was also involved in general insurance, health insurance and financial planning activities.

The only significant change in these entities during the year was the cessation of CUA Travel Pty Ltd on 31 March 2011.

#### Operating results

The reportable net profit after income tax for the financial year ended 30 June 2011 was \$54.4 million which represents a 16.5% increase on the 2010 result of \$46.7 million.

The group recorded positive growth in lending volumes to our members, now at \$7.8 billion, resulting in increased net interest revenue for the year however, costs of funding continue to increase as competitive pressures remain especially for retail deposits. This higher cost of funding continued to exert downward pressure on margins. Notwithstanding this, CUA continues to offer attractive rates for both members and investors.

Deposit growth continues to be strong this year at \$6.1 billion, with growth above our peer group average, supported by our attractive deposit rates for members.

CUA Health contributed an increase of over \$4 million dollars in 2011 from financial year 2010, mainly through timing in provisioning over both years, but also through strong membership growth at just over 10% for 2011.

As CUA continues to invest for the future, higher operating expenses have been experienced, mainly from increases in salary related costs as we recruit more people to support both the increase in growth and governance requirements.

CUA received a once off special dividend in 2011 from its investment with Cuscal of \$2.1 million.

The table below is provided to assist the reader in identifying and adjusting the main profit result for transactions during the year which are seen as exceptional or not in the normal course of business.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reportable net profit after tax</b>	<b>54,381</b>	46,697
Less adjustment for specific items		
After tax gain/(loss) on fair values of derivatives	<b>6,049</b>	3,624
<i>Special dividends received</i>	<b>2,100</b>	-
<b>Underlying net profit after tax</b>	<b>46,232</b>	43,073

#### Dividends

The constitution of the parent does not currently allow for the payment of dividends.

## Directors' Report (continued)

### Review of operations

A review of the operations and the results of those operations are included in the Chairman and CEO's Review.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

### Events occurring after balance date

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations, or state of affairs of the credit union in subsequent financial years.

### Likely developments

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

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

in the financial years subsequent to this financial year.

### Rounding

Except where indicated, the amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars in accordance with ASIC Class Order 98/0100.

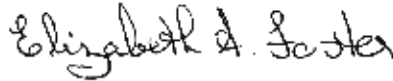
### Auditors independence

The Directors have obtained a copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001.

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

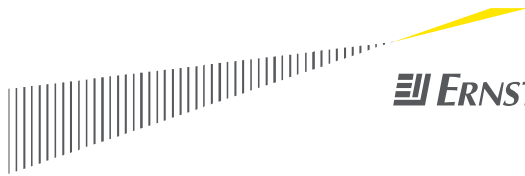


A.E. Beanland  
Chairman



E.A. Foster  
Director

Brisbane  
25 August 2011



**ERNST & YOUNG**

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## **Auditor's Independence Declaration to the Directors of Credit Union Australia Ltd**

In relation to our audit of the financial report of Credit Union Australia Ltd for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Mark Hayward  
Partner  
25 August 2011

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## Statement of Financial Performance

For the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue</b>					
Interest revenue	2	553,804	439,661	552,059	438,328
Interest expense	2	(380,807)	(282,230)	(382,272)	(283,429)
Net interest revenue	2	172,997	157,431	169,787	154,899
Fee and commission revenue	2	37,239	35,643	35,495	33,222
Net gain on derivatives at fair value through profit and loss	2	8,642	5,178	8,642	5,178
Contribution income - CUA Health Ltd	2	73,132	63,725	-	-
Other income	2	28,738	21,859	30,649	23,600
Net operating income		320,748	283,836	244,573	216,899
<b>Expenses</b>					
Impairment on loans and advances	2	3,083	4,556	3,096	4,536
Personnel	2	71,774	56,507	67,362	52,863
Occupancy	2	21,980	20,953	21,980	20,992
Depreciation of property, plant and equipment	2	8,655	8,885	8,624	8,853
Amortisation of intangible assets	2	1,510	1,436	1,489	1,436
Benefits paid - CUA Health Ltd	2	62,066	56,758	-	-
Information technology	2	12,196	11,685	11,625	11,226
Other expenses	2	65,475	57,318	62,977	54,073
Total operating expenses		246,739	218,098	177,153	153,979
<b>Profit/(loss) before income tax expense</b>		74,009	65,738	67,420	62,920
Income tax expense	3	(19,628)	(19,041)	(18,616)	(18,036)
<b>Net profit/(loss) after tax</b>		54,381	46,697	48,804	44,884
Profit for the period is attributable to:					
Non-controlling interest		-	30	-	-
Owners of the parent		54,381	46,667	48,804	44,884
		54,381	46,697	48,804	44,884

The above statement of financial performance should be read in conjunction with the accompanying notes.

## Statement of Comprehensive Income

For the year ended 30 June 2011

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Net profit after tax</b>	<b>54,381</b>	46,697	<b>48,804</b>	44,884
<b>Other comprehensive Income</b>				
Net fair value gain/(loss) on available for sale financial assets	(46)	11	(46)	11
Net gain on cash flow hedges taken to equity	2,697	31,826	2,697	31,826
Income tax on other comprehensive income	(796)	(9,551)	(796)	(9,551)
<b>Other comprehensive income after tax</b>	<b>1,855</b>	22,286	<b>1,855</b>	22,286
<b>Total comprehensive Income</b>	<b>56,236</b>	68,983	<b>50,659</b>	67,170
Total comprehensive income for the period is attributable to:				
Non-controlling interest	-	30	-	-
Owners of the parent	56,236	68,953	50,659	67,170
	<b>56,236</b>	68,983	<b>50,659</b>	67,170

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

As at 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Assets</b>					
Cash and cash equivalents	6	79,911	39,336	80,092	39,263
Financial assets - available for sale	7	532,835	343,111	532,835	343,111
Financial assets - held to maturity	8	530,832	752,663	540,138	767,240
Derivative financial instruments	9	-	-	-	-
Loans and advances	10	7,803,633	6,949,097	7,803,628	6,949,077
Other receivables	12	13,425	18,423	7,503	8,056
Investments in controlled entities	13	-	-	800	800
Property, plant and equipment	14	35,983	31,106	35,807	31,003
Deferred tax assets	15	15,311	18,095	15,314	18,051
Intangible assets	16	2,166	2,127	2,107	2,127
Other assets	17	1,665	1,325	1,644	1,306
<b>Total assets</b>		<b>9,015,761</b>	<b>8,155,283</b>	<b>9,019,868</b>	<b>8,160,034</b>
<b>Liabilities</b>					
Bank overdraft	18	-	-	-	-
Derivative financial instruments	9	7,991	20,079	7,991	20,079
Deposits	19	6,051,146	5,341,155	6,124,136	5,413,953
Borrowings	20	2,255,675	2,151,802	2,251,667	2,144,308
Other payables	21	28,967	29,814	13,269	13,011
Deferred tax liability	22	1,801	2,170	1,801	2,169
Income tax payable	23	3,212	7,896	3,160	7,771
Provisions	24	11,689	10,844	11,689	10,768
<b>Total liabilities</b>		<b>8,360,481</b>	<b>7,563,760</b>	<b>8,413,713</b>	<b>7,612,059</b>
<b>Net assets</b>		<b>655,280</b>	<b>591,523</b>	<b>606,155</b>	<b>547,975</b>
<b>Member funds</b>					
Reserves	25	21,284	11,775	21,284	11,775
Retained earnings	26	633,996	579,748	584,871	536,200
<b>Total member funds</b>		<b>655,280</b>	<b>591,523</b>	<b>606,155</b>	<b>547,975</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

For the year ended 30 June 2011

<b>Consolidated</b>										
(\$'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Non-Controlling Interests	Total Members Funds
<b>Balance at 1 July 2009</b>	1,872	7,457	2,086	(20)	(24,683)	-	(13,288)	533,252	1,330	521,294
Profit for the year	-	-	-	-	-	-	-	46,667	30	46,697
<b>Other comprehensive income after tax</b>										
Net fair value gains on available for sale financial assets	-	-	-	8	-	-	8	-	-	8
Net gain on cash flow hedges taken to equity	-	-	-	-	22,877	-	22,877	-	-	22,877
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(599)	-	(599)	-	-	(599)
<b>Total comprehensive income for the period</b>	-	-	-	8	22,278	-	22,286	46,667	30	68,983
Transfer of business	-	-	-	-	-	-	-	-	(1,360)	(1,360)
LCCC Merger	-	212	-	-	-	2,394	2,606	-	-	2,606
<b>Transactions with members in their capacity as members</b>										
Movements in preference share reserve	171	-	-	-	-	-	171	(171)	-	-
<b>Balance at 30 June 2010</b>	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	579,748	-	591,523
<b>Balance at 1 July 2010</b>	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	579,748	-	591,523
Profit for the year	-	-	-	-	-	-	-	54,381	-	54,381
<b>Other comprehensive income after tax</b>										
Net fair value loss on available for sale financial assets	-	-	-	(32)	-	-	(32)	-	-	(32)
Net gain on cash flow hedges taken to equity	-	-	-	-	6,003	-	6,003	-	-	6,003
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(4,116)	-	(4,116)	-	-	(4,116)
<b>Total comprehensive income for the period</b>	-	-	-	(32)	1,887	-	1,855	54,381	-	56,236
Plenty Merger	-	325	-	-	-	7,196	7,521	-	-	7,521
<b>Transactions with members in their capacity as members</b>										
Movements in preference share reserve	133	-	-	-	-	-	133	(133)	-	-
<b>Balance at 30 June 2011</b>	2,176	7,994	2,086	(44)	(518)	9,590	21,284	633,996	-	655,280

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity (continued)

For the year ended 30 June 2011

<b>Parent</b>									
(\$'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Total Members Funds
<b>Balance at 1 July 2009</b>	1,872	7,457	2,086	(20)	(24,683)	-	(13,288)	491,487	478,199
Profit for the year	-	-	-	-	-	-	-	44,884	44,884
<b>Other comprehensive income</b>									
Net fair value gains on available for sale financial assets	-	-	-	8	-	-	8	-	8
Net gain on cash flow hedges taken to equity	-	-	-	-	22,877	-	22,877	-	22,877
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(599)	-	(599)	-	(599)
<b>Total comprehensive income for the period</b>	-	-	-	8	22,278	-	22,286	44,884	67,170
	-	212	-	-	-	2,394	2,606	-	2,606
<b>Transactions with members in their capacity as members</b>									
Movements in preference share reserve	171	-	-	-	-	-	171	(171)	-
<b>Balance at 30 June 2010</b>	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	536,200	547,975
<b>Balance at 1 July 2010</b>	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	536,200	547,975
Profit for the year	-	-	-	-	-	-	-	48,804	48,804
<b>Other comprehensive income</b>									
Net fair value gains on available for sale financial assets	-	-	-	(32)	-	-	(32)	-	(32)
Net gain on cash flow hedges taken to equity	-	-	-	-	6,003	-	6,003	-	6,003
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(4,116)	-	(4,116)	-	(4,116)
<b>Total comprehensive income for the period</b>	-	-	-	(32)	1,887	-	1,855	48,804	50,659
Plenty Merger	-	325	-	-	-	7,196	7,521	-	7,521
<b>Transactions with members in their capacity as members</b>									
Movements in preference share reserve	133	-	-	-	-	-	133	(133)	-
<b>Balance at 30 June 2011</b>	2,176	7,994	2,086	(44)	(518)	9,590	21,284	584,871	606,155

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

For the year ended 30 June 2011

		Consolidated		Parent	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
		Inflows	Inflows	Inflows	Inflows
Note		(Outflows)	(Outflows)	(Outflows)	(Outflows)
<b>Cash Flows from Operating Activities</b>					
	Interest received	555,438	439,661	554,023	438,328
	Interest and other borrowing costs paid	(380,807)	(282,230)	(382,271)	(283,429)
	Other non interest income received	140,276	120,624	60,812	52,989
	Net increase in members' loans	(857,619)	(401,218)	(857,647)	(401,422)
	Payments to suppliers and employees	(231,637)	(201,766)	(160,871)	(136,407)
	Income tax paid	(25,726)	(15,275)	(24,500)	(14,470)
	Net cash provided by/(used in) operating activities	(800,075)	(340,204)	(810,454)	(344,411)
29					
<b>Cash Flows from Investing Activities</b>					
	(Purchase)/sale of investments	38,291	(89,578)	43,540	(103,338)
	Proceeds from sale of property, plant and equipment	162	410	162	440
	Dividends received	3,830	1,716	5,330	3,216
	Payments for plant, equipment and software	(15,496)	(13,339)	(15,291)	(13,327)
	Net cash (used in)/provided by investing activities	26,787	(100,791)	33,741	(113,009)
<b>Cash Flows from Financing Activities</b>					
	Proceeds from (repayments to) borrowings	103,872	45,766	107,359	57,854
	Net increase in members' deposits	709,991	383,457	710,183	388,071
	Net cash provided by financing activities	813,863	429,223	817,542	445,925
<b>NET INCREASE/ (DECREASE) IN CASH</b>					
		40,575	(11,772)	40,829	(11,495)
	Cash at the beginning of the year	39,336	51,108	39,263	50,758
	Cash at the end of the year	79,911	39,336	80,092	39,263
6					

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the financial statements

For the year ended 30 June 2011

### 1. Statement of significant accounting policies

#### Corporate information

The financial report of Credit Union Australia Ltd (the Company) and the Group for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

Credit Union Australia Ltd is a company limited by shares incorporated and domiciled in Australia.

#### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

This financial report has been prepared on an historical cost basis, except for derivative financial instruments, financial assets available for sale and land and buildings and financial assets held by Credicorp Insurance Pty Ltd and CUA Health Ltd which are carried at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

#### Statement of compliance

The financial report complies with Australian Accounting Standards (AAS) and International Accounting Standards (IAS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2011 are outlined in the table below.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	The Group may be impacted by these amendments but has not yet determined the full extent of the impact.	1 July 2013

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> <li>▶ These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</li> <li>▶ <u>This Standard shall be applied when AASB 9 is applied.</u></li> </ul>	1 January 2013	The Group may be impacted by these amendments but has not yet determined the full extent of the impact.	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> <li>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</li> <li>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</li> </ul> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	The Group may be impacted by these amendments but has not yet determined the full extent of the impact.	1 July 2011

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. <i>Disclosures</i> require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate <i>SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 January 2012	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054. The Trans-Tasman Convergence project encompasses [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
****	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation – Special Purpose Entities</i> .  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
****	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
****	Fair Value Measurement	<p>IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Statement of Compliance (continued)

The following amendments are not applicable to the Group and therefore have no impact:

Reference	Title
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 1054	Australian Additional Disclosures
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]

- \* Designates the beginning of the applicable annual reporting period unless otherwise stated
- \*\* Only applicable to not-for-profit/public sector entities
- \*\*\* Only applicable to entities that would fit in Tier 2 (Reduced Disclosure Requirements) category
- \*\*\*\* The AASB has not issued this standard, which was finalised by the IASB in May 2011

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Significant accounting judgments and estimates

In the process of applying the Group's accounting policies management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

##### *Impairment losses on loans and advances*

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Financial Performance. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, historical performance and economic outlook). The impairment loss on loans and advances is disclosed in more detail in Note 1 (f).

##### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available these assets are valued using valuation techniques based on non-observable data.

##### *Insurance claims payable*

A liability is recorded at the end of the year for the estimated cost of claims incurred but not yet settled at the reporting date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established. Refer to Note 1 (l) for additional disclosures.

##### *Deferred tax assets*

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with tax planning strategies.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

#### (a) Basis of consolidation

The parent entity financial statements comprise the financial statements of Credit Union Australia Ltd and the Harvey Securitisation Trusts. CUA does not retain an equity interest in the Harvey Securitisation Trusts, however under accounting standards we are required to consolidate them as we are deemed to exercise control over these entities.

The consolidated financial statements comprise the financial statements of Credit Union Australia Ltd and all of its controlled entities (the Group). A controlled entity is any entity (including special purpose entities) over which Credit Union Australia Ltd has the power to govern directly or indirectly in relation to financial and operating policies, so as to require that entity to conform with the objectives of Credit Union Australia Ltd.

All inter-company balances and transactions between entities in the Group, including any unrealised profit or losses, have been eliminated on consolidation. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same accounting period as the parent company.

Where subsidiaries have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

#### (b) Income tax

The charge for income tax expense is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Financial Performance except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (c) Financial assets and liabilities

There have been no reclassification or derecognition of financial assets during the year.

##### *Cash and cash equivalents*

Receivables from other financial institutions are cash on hand and any call amounts due from banks, building societies and other credit unions and exclude term deposits with other Authorised Deposit Taking Institutions (ADI's). They are brought to account at the gross value of the outstanding balance. Interest is brought to account using the accruals method.

##### *Financial assets – available for sale*

Financial assets classified as available for sale represent commercial paper, selected deposits with ADI's that have been designated as available for sale at inception and shares in non controlled companies.

Gain and losses on available for sale investments are recognised in equity as an available for sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Financial Performance. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate.

Shares that are held in this category are in non-listed entities and therefore have no active market. They are bought to account at cost as fair value cannot be measured reliably. Impairment is tested annually.

##### *Financial assets – held to maturity*

Financial assets classified as held to maturity represent selected deposits with ADI's, residential mortgage backed securities or loans to subsidiaries and are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue of costs that are an integral part of the effective interest rate. Gains and losses are recognised in the Statement of Financial Performance when the financial assets are derecognised or impaired, as well as through the amortisation process.

##### *Derivatives held for trading*

Derivatives which do not qualify for hedge accounting are recorded in the Statement of Financial Position. Changes in fair value are recorded in 'net gain or loss on derivatives at fair value through profit and loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (c) Financial assets and liabilities (continued)

###### *Hedge accounting*

From 1 October 2008 the Group has commenced hedge accounting on the existing interest rate swaps as hedges of variable rate liabilities.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each half year. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the Statement of Financial Performance.

When the hedged cash flow affects the Statement of Financial Performance, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Financial Performance. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the Statement of Financial Performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Financial Performance.

###### *Loans and advances*

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, amounts are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the Statement of Financial Performance in 'Impairment on loans and advances'.

###### *Deposits and borrowings*

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

##### (d) Investments in controlled entities

Investments in controlled entities are carried at cost and eliminated on consolidation.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (e) Revenue and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *Interest revenue and expense*

Interest revenue and expense is recognised as interest accrues using the effective interest rate method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as impaired the Group ceases to recognise interest revenue and other income earned but not yet received.

Interest on loans and advances is not brought to account by the Group if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the member are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

##### *Fee and commission revenue*

Fees and commission revenue are brought to account on an accrual basis over the period that they cover once a right to receive consideration has been attained. Financial service fees are recognised as and when the service is provided.

##### (f) Impairment – Loans and advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any specific loan or group of loans is impaired. Specific provisions for impairment losses are measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off when identified. If a specific provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses directly in the Statement of Financial Performance.

The collective provision is an estimate of the loss in the time between the loss event occurring and the loss being observed and is to account for those risks inherent in the business but which cannot be specifically identified. The collective provision is based on analysis of historical data. The impairment loss on loans and advances is disclosed in more detail in Note 11.

The various components of impaired assets are as follows:

"Restructured loans" are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

"Past-due loans" means a loan in arrears which has not been operated within its key terms by the borrower for at least 90 days for personal and housing loans and for at least 14 days in relation to overlimit accounts and which is not an impaired loan.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (g) Securitisation

As part of its operational activities, the Company securitises loan assets, generally through the sale of these assets to special purpose entities ("SPE's") which issue securities to investors. As the Company remains exposed to the residual risk of the SPE's, which is mitigated by the Group's interest rate risk policy, the SPE's underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union's Statement of Financial Position and Statement of Financial Performance. On consolidation for the Group all assets, liabilities, revenues and expenses have been recognised.

##### (h) Property, plant and equipment

###### *Property*

Freehold land and buildings are measured at fair value less subsequent depreciation and impairment losses. It is the policy of the Group to have an independent valuation undertaken at least every four years, with annual appraisals being made by the directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

###### *Plant and equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceeds the estimates recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the Statement of Financial Performance in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (h) Property, plant and equipment (continued)

###### *Depreciation*

All property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their expected useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements. Land is not depreciated.

Depreciation is calculated using the straight-line method to write down the cost of the asset to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset category	2011	2010
Buildings	40 years	40 years
Motor vehicles	5 years	5 years
Computer hardware	4 years	4 years
Office furniture and equipment	5 years	5 years
Leasehold improvements	5 years	5 years
ATM's	5 years	5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Assets under \$300 are not capitalised.

An item is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance.

###### *Revaluations of land and buildings*

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

##### (i) Intangible assets – Computer software

The only intangible assets of the Group relate to costs in respect of computer software. These costs are capitalised as intangible assets and amortised on a straight line basis over the estimated finite useful life which currently does not exceed four years.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (j) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefits.

##### (k) Provisions

###### *Employee benefits*

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

###### *Make good provision*

A provision is made for the anticipated costs of restoring all leased premises to their original condition at the end of the lease term in current dollar values. The provision is assessed at each balance date for new, amended and expired leases. The estimate of the costs has been calculated using historical costs.

##### (l) Insurance accounting policies

###### Health Fund

###### *Contribution income*

Contribution income comprises contributions received from members, inclusive of the 30% Government rebate. Contribution income is recognised when earned over the period of the membership. Members are expected to pay on due dates according to method of payment. Contributions in advance amounts are recognised as revenue as the income is earned.

###### *Benefits paid and claims liabilities*

Benefits are recognised as an expense on approval of a valid claim. Unprocessed claims held by the fund and not yet entered into the processing system are provided for on a monthly basis.

The claim liabilities provide for the expected future payments in relation to claims reported but not yet paid and claims incurred but not yet reported with an allowance for claims handling expenses. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. The claim liabilities are measured as the central estimate of the expected future payments against claims incurred but not settled as at the reporting date under insurance contracts issued by the company, with an additional risk margin to allow for inherent uncertainty in the central estimate. It assumes that the development pattern of the current claims will be consistent with historical experience. Due to the short term nature of claims payments, no discount rate is applied to the calculation.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (I) Insurance accounting policies (continued)

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Under the provision of the private health insurance legislation, all private health insurers must participate in the Risk Equalisation Trust Fund. Through the Risk Equalisation Trust Fund, all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over and claims meeting the high cost claims criteria.

The amount payable to or receivable from the Risk Equalisation Trust fund is determined by the Private Health Insurance Administration Council (PHIAC) after the end of each quarter. Estimated provisions for amounts payable or receivable are provided for periods of which determinations have not yet been made, including an estimate of risk equalisation for unrepresented and outstanding claims.

#### Insurance Company

##### *Unearned premium*

Unearned premium is calculated based on the remaining term of each policy which closely approximates the pattern of risks underwritten using the rule of 78. At each reporting date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, then the resulting deficiency is recognised in the Statement of Financial Performance of the company.

##### *Claims liability*

The claim liabilities provide for the expected future payments in relation to claims reported but not yet paid or assessed and claims incurred but not yet reported with an allowance for claims handling expenses. The claim liabilities are measured as the central estimate of the expected future payments against claims incurred but not settled as at the reporting date under insurance contracts issued by the company, with an additional risk margin to allow for inherent uncertainty in the central estimate. It assumes that the development pattern of the current claims will be consistent with historical experience. Due to the short term nature of claims payments, no discount rate is applied to the calculation.

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowance for claims handling costs on the business generated from Credicorp Insurance Pty Ltd at 30 June 2011 is 8.00% of the claims liability (2010: 7.66%). No allowance is held against business generated elsewhere as this is considered immaterial.

##### *Insurance risk assumptions*

The estimation of outstanding claims liabilities is based largely on the assumption that past claims settlement patterns are an appropriate predictor of expected future claims settlement patterns and involves a variety of techniques that analyse experience, trends and other relevant factors. The process for establishing the outstanding claims provision is reviewed annually.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (m) Insurance accounting policies (continued)

###### *Insurance risk assumptions (continued)*

The outstanding claims provision comprises a central estimate and risk margin. The central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. The risk margin is added to the central estimate of outstanding claims to achieve a desirable probability of adequacy.

Central estimates for each class of business are determined based on analysis of historical cost experience which assumes an underlying pattern of claims development and payment. The final selected central estimates are based on a judgemental consideration of the results and qualitative information.

The overall risk margin is determined after consideration of the uncertainty of the outstanding claims estimate with the objective of achieving at least 75% probability of adequacy (2010: 75%). The risk margin applied at 30 June 2011 is 20% (2010: 64.3%) which equates to \$94,351 (2010: \$192,311). The decrease in risk margin has resulted from a change in methodology in calculating the Provision for Outstanding Claims to achieve a 75% probability of sufficiency in accordance APRA Prudential Standard GPS 310.

###### *Financial assumptions used to determine outstanding claims provision*

Due to the short term nature of the company's claims expense, discounting is not used in the outstanding claims liability methodology.

##### (n) Equity reserves

###### *General reserve for credit losses*

CUA is required by the Australian Prudential Regulation Authority (APRA) to maintain a general reserve for credit losses. As CUA is unable to hold a general provision under current accounting standards, CUA has created a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of satisfying the APRA requirement for a general reserve for credit losses.

###### *Redeemable preference share reserve*

Under the Corporations Act 2001, redeemable preference shares (member shares) may only be redeemed out of the Credit Unions' profit or through the new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained profits to the redeemed preference share capital account. The value of member shares for existing members is disclosed as a liability in Note 19.

###### *Available for sale reserve*

Comprises changes in fair value of available for sale investments.

###### *Asset revaluation reserve*

Represents gain on revaluation of property owned by the Group.

###### *Cash flow hedge reserve*

Comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 1. Statement of significant accounting policies (continued)

#### Summary of significant accounting policies (continued)

##### (o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the Statement of Financial Position are shown inclusive of GST.

##### (p) Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

##### (q) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less cost to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Transaction costs have been expensed through the profit and loss.

Refer to note 39 for further details.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 2. Profit before income tax expense

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue</b>					
Interest revenue		553,804	439,661	552,059	438,328
Interest expense		(380,807)	(282,230)	(382,272)	(283,429)
Net interest revenue		172,997	157,431	169,787	154,899
Fee and commission revenue		37,239	35,643	35,495	33,222
Net gain on derivatives at fair value through profit and loss	9	8,642	5,178	8,642	5,178
Contribution income - CUA Health Ltd		73,132	63,725	-	-
Other income:					
Dividends revenue		3,830	1,716	5,330	3,216
Bad debts recovered		348	459	348	459
Rental income		562	354	974	739
ATM income		14,795	12,913	14,795	12,913
Other		9,203	6,417	9,202	6,273
Total other income		28,738	21,859	30,649	23,600
Net operating income		320,748	283,836	244,573	216,899
<b>Expenses</b>					
Impairment on loans and advances		3,083	4,556	3,096	4,536
Personnel		65,842	51,340	61,430	47,719
Superannuation		5,932	5,167	5,932	5,144
Total Personnel		71,774	56,507	67,362	52,863
Occupancy		21,980	20,953	21,980	20,992
Depreciation of building		29	26	29	26
Depreciation of plant and equipment		8,626	8,859	8,595	8,827
Total Depreciation		8,655	8,885	8,624	8,853
Amortisation of intangible assets		1,510	1,436	1,489	1,436
Benefits paid - CUA Health Ltd		62,066	56,758	-	-
Information technology		12,196	11,685	11,625	11,226
Other expenses					
Fee and commission expense		21,005	20,226	19,978	19,269
General administrative expenses		44,470	37,092	42,999	34,804
Total other expenses		65,475	57,318	62,977	54,073
Total operating expenses		246,739	218,098	177,153	153,979

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 3. Income tax

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Prima facie tax payable on profit @ 30% (2010 @ 30%)	22,203	19,721	20,226	18,876
<b>Adjust for tax effect of:</b>				
Other non-allowable expenses	64	43	60	38
Non-deductible depreciation and amortisation	9	8	9	8
Non-assessable income from tax exempt subsidiary - CUA Health Ltd	(1,628)	(297)	-	-
Fully franked dividends received	(1,149)	(515)	(1,599)	(965)
Investment allowance rebate	-	(103)	-	(103)
(Over)/under provision in prior year	129	184	(80)	182
	<b>19,628</b>	<b>19,041</b>	<b>18,616</b>	<b>18,036</b>
The components of tax expense comprise:				
Current tax	18,051	18,650	17,042	17,663
Deferred tax	1,577	391	1,574	373
	<b>19,628</b>	<b>19,041</b>	<b>18,616</b>	<b>18,036</b>
<b>Franking Account</b>				
Balance of franking account at year end, adjusted for franking credits and debits arising from payment of income tax or receipt of dividends at the reporting date based on a tax rate of 30% (2010: 30%)	149,230	125,302	145,327	121,391

Deferred tax related to items charged or credited directly to equity during the year is as follows:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net gain/(loss) on financial investments - available for sale	(14)	3	(14)	3
Net gain/(loss) on cash flow hedges	810	9,548	810	9,548
Net gain/(loss) on asset revaluations	-	-	-	-
	<b>796</b>	<b>9,551</b>	<b>796</b>	<b>9,551</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 4. Remuneration of auditors

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Remuneration of the auditor for:				
Audit of consolidated financial report	284,876	311,307	228,569	211,344
Taxation Services	124,666	182,987	124,666	138,125
Trusts including securitisation	77,147	56,400	-	-
Regulatory	111,629	103,216	44,181	40,852
Other	52,444	-	45,730	-
	<b>650,762</b>	<b>653,910</b>	<b>443,146</b>	<b>390,321</b>

### 5. Key management personnel

#### (a) CUA Directors and named Key management personnel

The names of CUA Directors and named Key management personnel (KMP) who have held office during the financial year are:

Directors	Key management personnel
A.E. Beanland	A.D. Hadley
C. Franks	B.G. Los
C.M. Greer	C.M. Whitehead
E.A. Foster	D.A. Northey
K.B. Ross	D.L. Tsoubos (Appointed 11 October 2011)
N.I. Ampherlaw (Appointed 22 March 2011)	E.M. Trafford (Acting until 10 October 2011)
P.G. Dowling	G.A. Grant (Resigned 30 June 2011)
R.E. Powell	J.F. George
	R.N. Juriansz

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 5. Key management personnel (continued)

#### (b) Compensation of CUA Directors and named Key management personnel

Compensation shown as short term benefits means (where applicable) wages and salaries, paid annual leave and paid sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements. CUA Directors and named key management personnel are only remunerated by the parent entity.

	Directors		KMP	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
I. short term employee benefits	700	586	2,839	3,308
II. post employment benefits – superannuation	46	36	127	172
III. other long term benefits	-	-	414	368
IV. termination benefits	-	-	29	377
	<b>746</b>	<b>622</b>	<b>3,409</b>	<b>4,225</b>

The aggregate compensation of named key management persons during the year comprising amount paid or payable or provided for was as follows:

- I. short term employee benefits
- II. post employment benefits – superannuation
- III. other long term benefits
- IV. termination benefits

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 5. Key management personnel (continued)

#### (c) Loans to CUA Directors and named Key Management Personnel

CUA's policy for lending to CUA Directors and named Key Management Personnel is that all loans are approved under the same lending criteria applicable to members. All loans to CUA directors are at lending rates applicable to members. The named Key Management Personnel may receive concessional rates of interest on their loans and facilities. These benefits are subject to fringe benefits tax with the total value of the benefit included in the compensation figures above.

There are no loans that are impaired in relation to the loan balances with CUA Directors and named Key Management Personnel.

There are no benefits or concessional terms and conditions applicable to the family members of CUA Directors and named Key Management Personnel. There are no loans that are impaired in relation to the loan balances with family or relatives of CUA Directors and named Key Management Personnel.

	<b>Parent</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
Aggregate of loans to CUA Directors and named Key management personnel as at balance date amounted to:	<b>6,270</b>	5,768
The total value of revolving credit facilities to CUA Directors and named Key management personnel as at balance date amounted to:	<b>1,348</b>	1,318
Less amounts drawn down	<b>561</b>	2
Net balance available	<b>787</b>	1,316
During the year the aggregate value of loans disbursed to CUA Directors and named Key Management Personnel amounted to:		
Revolving credit	<b>30</b>	501
Term loans	<b>500</b>	1,345
Interest and other revenue earned on loans and revolving credit facilities to CUA Directors and named Key Management Personnel	<b>375</b>	279
Total value of savings and term deposits from CUA Directors and named Key Management Personnel as at balance date	<b>1,784</b>	771
Total interest paid on deposits to CUA Directors and named Key Management Personnel	<b>57</b>	14

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 5. Key management personnel (continued)

#### (d) Other transactions with CUA Directors

CUA Directors have received interest on deposits with CUA during the financial year as detailed above. Interest has been paid on terms and conditions no more favorable than those available on similar transactions to members of CUA.

CUA's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

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

This note should be read in conjunction with notes 34 and 36 of the financial statements.

### 6. Cash and cash equivalents

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash on hand	40,000	38,717	40,000	38,644
Deposits on call due from Authorised Deposit Institutions	39,911	619	40,092	619
	<b>79,911</b>	<b>39,336</b>	<b>80,092</b>	<b>39,263</b>

### 7. Financial assets – available for sale

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Commercial paper	-	111,373	-	111,373
Deposits with Authorised Deposit Institutions	518,810	218,012	518,810	218,012
Shares in unlisted entities - carried at cost	14,025	13,726	14,025	13,726
	<b>532,835</b>	<b>343,111</b>	<b>532,835</b>	<b>343,111</b>

### 8. Financial assets – held to maturity

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Loans to subsidiary	-	-	920	2,200
Residential Mortgage Backed Securities	-	-	40,135	40,124
Deposits with Authorised Deposit Institutions	530,832	752,663	499,083	724,916
	<b>530,832</b>	<b>752,663</b>	<b>540,138</b>	<b>767,240</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 9. Derivative financial instruments

#### Interest rate swap contracts

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk:

	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	2011	2011	2011	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Derivatives at fair value through the income statement</b>						
Interest rate swaps	-	-	-	-	-	-
<b>Derivatives used as cash flow hedges</b>						
Interest rate swaps	-	7,991	1,000,000	-	20,079	1,115,000
	-	7,991	1,000,000	-	20,079	1,115,000

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

#### Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 9. Derivative financial instruments (continued)

#### Cash flow hedges

The Group is exposed to variability in the future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. Below is a schedule indicating as at 30 June 2011, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

2011	Within 1	1-2 years	2-3 years	3-4 years	4-5 years
	year				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash inflows	-	-	-	-	-
Cash outflows	50,084	29,964	8,312	-	-
Net cash flows	(50,084)	(29,964)	(8,312)	-	-
	Within 1				
2010	year	1-2 years	2-3 years	3-4 years	4-5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash inflows	-	-	-	-	-
Cash outflows	44,452	23,548	7,664	-	-
Net cash flows	(44,452)	(23,548)	(7,664)	-	-

The net gain/(loss) on derivatives during the year was as follows:

	2011	2010
	\$'000	\$'000
Net gain/(loss) on derivatives at fair value through income statement	2,837	7,092
Net gain/(loss) on derivatives reclassified through income statement	5,688	(2,193)
Net gain/(loss) on ineffective hedges	117	279
	8,642	5,178
Tax effect	(2,593)	(1,554)
Net gain/(loss) on derivatives	6,049	3,624

### 10. Loans and advances

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Overdrafts		85,171	89,698	85,171	89,698
Term loans		7,726,409	6,867,296	7,726,385	6,867,234
Gross loans and advances		7,811,580	6,956,994	7,811,556	6,956,932
Provision for impairment	11	(7,947)	(7,897)	(7,928)	(7,855)
Net Loans and Advances		7,803,633	6,949,097	7,803,628	6,949,077

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 11. Impairment of loans and advances

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Provision for impairment</b>				
Individual provision				
Opening balance	5,057	5,510	5,015	5,366
Bad and doubtful expense	2,395	2,816	2,408	2,796
Bad debts written off	(3,033)	(3,269)	(3,023)	(3,147)
Closing balance	4,419	5,057	4,400	5,015
Collective provision				
Opening balance	2,840	1,100	2,840	1,100
Bad and doubtful expense	688	1,740	688	1,740
Closing balance	3,528	2,840	3,528	2,840
<b>Total Provision for impairment</b>	<b>7,947</b>	<b>7,897</b>	<b>7,928</b>	<b>7,855</b>
<b>Impaired Loans</b>				
<b>Restructured Loans Balance</b>	271	506	271	506
Provision for impairment	149	242	149	242
<b>Past-due Loans Balance</b>	9,633	11,949	9,633	11,892
Provision for impairment	3,845	4,151	3,826	4,110
<b>Interest revenue recognised and forgone</b>				
Interest revenue recognised on past due and restructured loans	207	172	207	172
Interest revenue foregone on past due and restructured loans	79	123	79	123

### 12. Other receivables

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Accrued income	208	221	208	221
Sundry debtors	11,885	11,867	7,295	7,835
Securitisation Trusts collection amounts	1,332	6,335	-	-
	13,425	18,423	7,503	8,056

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 13. Investments in controlled entities

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Shares in subsidiary	-	-	800	800

This note should be read in conjunction with notes 34 and 36 of the financial statements.

### 14. Property, plant and equipment

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land and buildings - at fair value	6,115	5,393	6,115	5,393
Depreciation	(29)	(26)	(29)	(26)
Additions	2,115	748	2,115	748
Revaluations	-	-	-	-
Land and buildings - at fair value	8,201	6,115	8,201	6,115
Plant and equipment – at cost	64,037	58,974	63,843	58,798
Accumulated depreciation	(41,096)	(34,362)	(40,999)	(34,289)
Total plant and equipment	22,941	24,612	22,844	24,509
Total capital work in progress	4,841	379	4,762	379
Total property, plant and equipment	35,983	31,106	35,807	31,003

#### Revaluation of freehold land and freehold buildings

The fair values of freehold land and freehold buildings have been determined based on independent valuations. The effective date of the last independent valuation was 30 June 2008. It is the policy of the Group to have an independent valuation undertaken at least every four years, with the next review due before 30 June 2012. During 2011 a special interim independent valuation of property located at Newstead, QLD was undertaken following the recent floods. It was concluded that no impairment had occurred and that the current carrying value is appropriate at June 30 2011.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 14. Property, plant and equipment (continued)

#### Reconciliation of carrying amounts

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land – carrying amount at beginning of financial year	5,239	4,989	5,239	4,989
Additions	1,410	250	1,410	250
Revaluations	-	-	-	-
Land – carrying amount at end of financial year	6,649	5,239	6,649	5,239
Building – carrying amount at beginning of financial year	876	404	876	404
Depreciation expense	(29)	(26)	(29)	(26)
Additions	705	498	705	498
Revaluations	-	-	-	-
Building – carrying amount at end of financial year	1,552	876	1,552	876
Total net carrying amount of land and buildings	8,201	6,115	8,201	6,115
Plant and equipment	24,612	23,143	24,509	23,021
Depreciation expense	(8,626)	(8,859)	(8,595)	(8,827)
Additions	7,321	11,072	7,275	11,063
Disposals	(366)	(744)	(345)	(748)
Total Plant and equipment	22,941	24,612	22,844	24,509

### 15. Deferred tax assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax assets comprise temporary differences attributable to:				
- doubtful debts	5,574	5,565	5,574	5,553
- available for sale reserve	19	5	19	5
- employee benefits	2,603	2,520	2,603	2,497
- provisions	1,488	1,173	1,495	1,166
- property, plant and equipment	2,667	2,348	2,663	2,346
- swap adjustment	2,960	6,484	2,960	6,484
	15,311	18,095	15,314	18,051

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 16. Intangible assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Computer Software at cost	6,926	5,377	6,846	5,377
Accumulated amortisation	(4,760)	(3,250)	(4,739)	(3,250)
	<b>2,166</b>	<b>2,127</b>	<b>2,107</b>	<b>2,127</b>
<b>Reconciliation of carrying amounts</b>				
Computer Software	2,127	1,908	2,127	1,908
Additions	1,598	1,655	1,518	1,655
Disposals	(49)	-	(49)	-
Amortisation expense	(1,510)	(1,436)	(1,489)	(1,436)
Net carrying amount	<b>2,166</b>	<b>2,127</b>	<b>2,107</b>	<b>2,127</b>

### 17. Other assets

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Prepayments	1,665	1,325	1,644	1,306

### 18. Bank overdraft

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Overdraft	-	-	-	-

### 19. Deposits

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Members' shares	3,518	3,343	3,518	3,343
Members' call deposits	2,796,156	2,516,130	2,800,858	2,521,278
Members' term deposits	3,194,533	2,777,138	3,262,365	2,844,540
Interest payable	56,939	44,544	57,395	44,792
	<b>6,051,146</b>	<b>5,341,155</b>	<b>6,124,136</b>	<b>5,413,953</b>

There is no concentration of customer or industry groups, which represent 10% or more of total liabilities.

The value of member shares above represents the amounts contributed for the purchase of a single voting share held by each member.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 20. Borrowings

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Securitisation Trust borrowings	1,999,544	2,061,665	1,995,536	2,054,171
Term borrowings	256,131	90,137	256,131	90,137
	<b>2,255,675</b>	<b>2,151,802</b>	<b>2,251,667</b>	<b>2,144,308</b>

Term borrowings are all at fixed interest rates and all mature within the 6 months following the statement of financial position date.

### 21. Other payables

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Insurance claims payable	4,659	4,479	-	-
Unearned premiums	7,920	8,967	-	-
Trade creditors and accruals	16,388	16,368	13,269	13,011
	<b>28,967</b>	<b>29,814</b>	<b>13,269</b>	<b>13,011</b>

Insurance claims payable relates to CUA Health Ltd and Credicorp Insurance Pty Ltd. This amount represents a combination of a central estimate, risk margin and a probability of adequacy of at least 75% for both companies. The risk margins are 12.5% and 20% respectively for CUA Health Ltd and Credicorp Insurance Pty Ltd.

### 22. Deferred tax liability

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax liability comprise temporary differences attributable to:				
- revaluation of property	752	761	752	760
- securitisation setup costs	1,049	1,409	1,049	1,409
	<b>1,801</b>	<b>2,170</b>	<b>1,801</b>	<b>2,169</b>

### 23. Income tax payable

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current income tax payable	3,212	7,896	3,160	7,771

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 24. Provisions

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee benefits	8,675	8,400	8,675	8,324
Make good provision				
Opening balance	2,444	930	2,444	930
Increase in provision	570	1,514	570	1,514
Make good expense	-	-	-	-
Net carrying amount	3,014	2,444	3,014	2,444
Total provisions	11,689	10,844	11,689	10,768

### 25. Reserves

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Credit loss reserve	7,994	7,669	7,994	7,669
Redeemable preference share reserve	2,176	2,043	2,176	2,043
Available for sale reserve	(44)	(12)	(44)	(12)
Asset revaluation reserve	2,086	2,086	2,086	2,086
Cash flow hedge reserve	(518)	(2,405)	(518)	(2,405)
Business combination reserve	9,590	2,394	9,590	2,394
Closing balance	21,284	11,775	21,284	11,775

### 26. Retained earnings

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening balance	579,748	533,252	536,200	491,487
Net profit after tax	54,381	46,667	48,804	44,884
Transfer to redeemable preference share reserve	(133)	(171)	(133)	(171)
Closing balance	633,996	579,748	584,871	536,200

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 27. Maturity analysis of assets and liabilities

<b>Consolidated Group - 2011</b>			
	Less than 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	79,911	-	79,911
Financials assets – available for sale	532,835	-	532,835
Financial assets - held to maturity	530,832	-	530,832
Derivative financial instruments	-	-	-
Loans and advances	5,301,738	2,501,895	7,803,633
Other receivables	13,425	-	13,425
Investments in controlled entities	-	-	-
Property, plant and equipment	-	35,983	35,983
Deferred tax assets	15,311	-	15,311
Intangible assets	-	2,166	2,166
Other assets	1,665	-	1,665
<b>Total Assets</b>	<b>6,475,717</b>	<b>2,540,044</b>	<b>9,015,761</b>
<b>Liabilities</b>			
Bank overdraft	-	-	-
Derivative financial instruments	1,748	6,243	7,991
Deposits	5,917,983	133,163	6,051,146
Borrowings	1,709,790	545,885	2,255,675
Other payables	28,967	-	28,967
Deferred tax liability	1,801	-	1,801
Income tax payable	3,212	-	3,212
Provisions	3,865	7,824	11,689
<b>Total Liabilities</b>	<b>7,667,366</b>	<b>693,115</b>	<b>8,360,481</b>

<b>Consolidated Group - 2010</b>			
	Less than 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	39,336	-	39,336
Financials assets – available for sale	343,111	-	343,111
Financial assets - held to maturity	752,663	-	752,663
Derivative financial instruments	-	-	-
Loans and advances	5,311,166	1,637,931	6,949,097
Other receivables	18,423	-	18,423
Investments in controlled entities	-	-	-
Property, plant and equipment	-	31,106	31,106
Deferred tax assets	18,095	-	18,095
Intangible assets	-	2,127	2,127
Other assets	1,325	-	1,325
<b>Total Assets</b>	<b>6,484,119</b>	<b>1,671,164</b>	<b>8,155,283</b>
<b>Liabilities</b>			
Bank overdraft	-	-	-
Derivative financial instruments	8,247	11,832	20,079
Deposits	5,243,452	97,703	5,341,155
Borrowings	1,623,258	528,544	2,151,802
Other payables	29,814	-	29,814
Deferred tax liability	2,170	-	2,170
Income tax payable	7,896	-	7,896
Provisions	3,547	7,297	10,844
<b>Total Liabilities</b>	<b>6,918,384</b>	<b>645,376</b>	<b>7,563,760</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 27. Maturity analysis of assets and liabilities (continued)

<b>Parent - 2011</b>			
	Less than 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	80,092	-	80,092
Financials assets – available for sale	532,835	-	532,835
Financial assets - held to maturity	499,082	41,056	540,138
Derivative financial instruments	-	-	-
Loans and advances	5,301,734	2,501,894	7,803,628
Other receivables	7,503	-	7,503
Investments in controlled entities	-	800	800
Property, plant and equipment	-	35,807	35,807
Deferred tax assets	15,314	-	15,314
Intangible assets	-	2,107	2,107
Other assets	1,644	-	1,644
<b>Total Assets</b>	<b>6,438,204</b>	<b>2,581,664</b>	<b>9,019,868</b>
<b>Liabilities</b>			
Bank overdraft	-	-	-
Derivative financial instruments	1,748	6,243	7,991
Deposits	5,990,973	133,163	6,124,136
Borrowings	1,705,783	545,884	2,251,667
Other payables	13,269	-	13,269
Deferred tax liability	1,801	-	1,801
Income tax payable	3,160	-	3,160
Provisions	3,865	7,824	11,689
<b>Total Liabilities</b>	<b>7,720,599</b>	<b>693,114</b>	<b>8,413,713</b>

<b>Parent - 2010</b>			
	Less than 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	39,263	-	39,263
Financials assets – available for sale	343,111	-	343,111
Financial assets - held to maturity	724,916	42,324	767,240
Derivative financial instruments	-	-	-
Loans and advances	5,311,146	1,637,931	6,949,077
Other receivables	8,056	-	8,056
Investments in controlled entities	-	800	800
Property, plant and equipment	-	31,003	31,003
Deferred tax assets	18,051	-	18,051
Intangible assets	-	2,127	2,127
Other assets	1,306	-	1,306
<b>Total Assets</b>	<b>6,445,849</b>	<b>1,714,185</b>	<b>8,160,034</b>
<b>Liabilities</b>			
Bank overdraft	-	-	-
Derivative financial instruments	8,247	11,832	20,079
Deposits	5,316,250	97,703	5,413,953
Borrowings	1,575,639	568,669	2,144,308
Other payables	13,011	-	13,011
Deferred tax liability	2,169	-	2,169
Income tax payable	7,771	-	7,771
Provisions	3,547	7,221	10,768
<b>Total Liabilities</b>	<b>6,926,634</b>	<b>685,425</b>	<b>7,612,059</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 28. Commitments

(a) Capital expenditure commitments not provided for:  
Amounts contracted for branch refurbishments or relocations

Consolidated		Parent	
2011	2010	2011	2010
\$'000	\$'000	\$'000	\$'000
1,510	1,009	1,510	1,009

(b) Lease expenditure commitments not provided for:  
Operating leases (non-cancellable)  
-not later than 1 year  
-later than 1 and not later than 5 years  
-later than 5 years

17,612	19,538	17,612	19,538
29,991	37,614	29,991	37,614
25,467	28,120	25,467	28,120
73,070	85,272	73,070	85,272

The group has operating leases for various branches, offices and ATM installations.

(c) Outstanding Loan Commitments not provided for:

Loan and credit facilities approved but not funded or drawn at the end of the financial year:

-Loans approved but not funded at call  
-Undrawn overdrafts and credit facilities at call

138,367	123,828	138,367	123,828
250,287	248,566	250,287	248,566

### 29. Statement of Cash Flows reconciliation

	Consolidated		Parent	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) after income tax	54,381	46,697	48,804	44,884
<b>Non-cash flows in profit after income tax:</b>				
Depreciation and amortisation	10,165	10,321	10,113	10,289
Impairment of loans and advances	3,083	4,556	3,096	4,536
Derivative financial instruments	(8,642)	(5,178)	(8,642)	(5,178)
Other	(3,830)	(1,716)	(5,330)	(3,216)
<b>Changes in assets and liabilities</b>				
(Increase)/Decrease in Other receivables	4,998	(1,080)	553	(617)
Increase/(Decrease) in Other payables	(847)	1,824	258	913
(Increase)/Decrease in Loans and advances	(857,619)	(401,218)	(857,647)	(401,422)
(Increase)/Decrease in Prepayments	(340)	(73)	(338)	(67)
Increase/(Decrease) in Income taxes payable	(4,684)	7,227	(4,611)	7,064
(Increase)/Decrease in Deferred tax asset	2,784	(4,884)	2,737	(4,917)
Increase/(Decrease) in Provisions	845	2,053	921	2,046
Increase/(Decrease) in Deferred tax liability	(369)	1,267	(368)	1,274
Net cash provided by operating activities	(800,075)	(340,204)	(810,454)	(344,411)

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 29. Statement of Cash Flows reconciliation (continued)

#### Cash Flows Presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- movement in members' deposits;
- sales and purchases of investment securities;
- movement in borrowings; and
- provision of member loans and repayments.

### 30. Superannuation commitments

CUA contributes to a number of defined contribution superannuation funds, which provide benefits for employees on retirement, death or disability. Employees may contribute additional amounts of their gross income to their respective superannuation fund. CUA has no financial interest in any of the funds and is not liable for their performance or their obligations.

### 31. Events subsequent to balance date

No circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 32. Standby borrowing facilities

In the normal course of business CUA enters into various types of contracts which give rise to the following standby facilities:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Standby and overdraft arrangements:</b>				
(i) Overdraft				
Approved limit	10,000	10,000	10,000	10,000
Amount utilised	-	-	-	-
(ii) Wholesale Funding				
a) Cuscal Ltd				
Approved limit	75,000	50,000	75,000	50,000
Amount utilised	75,000	50,000	75,000	50,000
b) Questor Financial Services Ltd				
Approved limit	40,000	40,000	40,000	40,000
Amount utilised	40,000	40,000	40,000	40,000
(ii) Waratah Finance Pty Ltd				
Approved limit	1,000,000	750,000	1,000,000	750,000
Amount utilised	657,820	243,807	657,820	243,807

Cuscal Limited undertake settlement services on behalf of CUA and provide some of the standby and overdraft arrangements detailed above. Security for these banking facilities is supported by way of a fixed and floating charge over the assets and undertakings of CUA. The value of calls made under this charge during the financial year was nil (2010 - nil).

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 33. Contingent assets and liabilities

CUA is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the scheme is to protect the interests of credit union members, increase stability in the industry and to provide emergency liquidity support. As a participant in CUFSS, CUA:

- (a) May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;
- (b) 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;
- (c) Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Cuscal Limited undertake settlement services on behalf of CUA and provide some of the standby and overdraft arrangements detailed above. Security for these banking facilities is supported by way of a fixed and floating charge over the assets and undertakings of CUA. The value of calls made under this charge during the financial year was nil (2010 - nil).

There were no contingent assets during the financial year.

### 34. Particulars in relation to controlled entities

The consolidated financial statements include the financial statements of the ultimate parent Credit Union Australia Ltd and the subsidiaries listed in the following table:

<b>Investments in controlled entities</b>				
Name of entity	Equity interest %		Investment \$	
	2011	2010	2011	2010
CUA Health Ltd	100%	100%		
Credicorp Finance Pty Ltd	100%	100%	800,000	800,000
Credicorp Insurance Pty Ltd	100%	100%		
CUA Financial Planning Pty Ltd	100%	100%		
CUA Travel Pty Ltd*	100%	100%		
			800,000	800,000
Harvey Securitisation Trusts	-	-	-	-

\*CUA Travel ceased operations on 31 March 2011.

All entities are incorporated in Australia.

CUA does not retain an equity interest in the Harvey Securitisation Trusts, however under accounting standards we are required to consolidate them as we are deemed to exercise control over these entities.

This note should be read in conjunction with notes 13 and 36 of the financial statements.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 35. Economic dependency

CUA has significant service contracts with the following suppliers:

(a) Cuscal Ltd

This entity provides CUA with rights to VISA card system in Australia and provides settlement services with other financial institutions for ATM, VISA card transactions, BPay, cheque processing and direct entry transactions.

(b) First Data International Ltd

This company operates the electronic switching network used to link member transactions on ATMs, VISA cards and Redicards to CUA's computer system.

### 36. Related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. These transactions were all carried out under normal commercial terms and where possible are benchmarked against industry averages.

This note should be read in conjunction with notes 13 and 34 of the financial statements.

Parent entity:	Year	Sales to related parties	Purchases from related parties	Other transactions
		\$	\$	\$
Dividend paid to CUA by Credicorp Finance Pty Ltd	2011	-	-	(1,500,000)
	2010	-	-	(1,500,000)
Rental paid to CUA by CUA Financial Planning Pty Ltd, CUA Travel Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd	2011	-	-	412,260
	2010	-	-	384,792
Management charges paid to CUA by CUA Health Ltd, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd	2011	-	-	4,919,025
	2010	-	-	4,771,873
Interest paid on investments held with CUA on behalf of CUA Travel Pty Ltd, CUA Financial Planning Pty Ltd, CUA Health Ltd, Credicorp Insurance Pty Ltd, Credicorp Finance Pty Ltd and CUA Friendly Society Ltd	2011	-	1,716,709	-
	2010	-	1,480,296	-
Interest received by CUA relating to interest charged on loans held with Credicorp Finance Pty Ltd	2011	108,435	-	-
	2010	126,132	-	-
Commission received by CUA from Credicorp Insurance Pty Ltd	2011	1,450,372	-	-
	2010	1,363,735	-	-
Trust management fees paid by the Harvey Securitisation Trusts to CUA Financial Planning Pty Ltd (as custodian).	2011	-	598,467	-
	2010	-	597,504	-

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management

#### Risk Management Policy Objectives

The Group's financial instruments, other than derivatives, comprise loans, investments, borrowings, shares, overdrafts and deposits. Details on the Group's approach to managing these risks are detailed below.

#### Market risk and hedging policy

CUA is not exposed to currency risk or equity risk and the credit union does not trade in the financial instruments it holds on its books. CUA is exposed to interest rate risk arising from changes in market interest rates. The exposure to interest rate risk is managed through the use of interest rate swaps. The purpose of the swaps undertaken has been to transact pay fixed/received floating swaps with external counterparties to mitigate against variable cash flows within a portfolio of floating rate liabilities, therefore allowing a strategy of cash flow hedging.

CUA uses the Value at Risk (VaR) methodology for quantifying interest rate risk in terms of the potential for loss given the statistical worst-case probability of a shift in the underlying interest rates. The VaR Model uses the variance/covariance approach with underlying assumptions of the model including a 20 day holding period at a 99% confidence level for a 250 day observation period.

The VaR includes assumptions around prepayment risk. Prepayment risk is the risk that the credit union will incur a financial loss because its members and counterparties repay or request repayment earlier or later than expected, such as fixed interest rates when interest rates fall. The level of repayments used in the model are monitored, reviewed and reported monthly to the Asset and Liability Committee ("ALCO"). A change to the modeled prepayment speeds will be considered by the ALCO whenever a "significant change" in the actual prepayment speeds is identified. A "significant change" would be one in which the monthly monitoring of actual prepayment speeds indicated that the present speeds may be at least 10% different from the modeled speeds. A 10 basis point move in prepayment speeds with all other assumptions remaining constant alters the VaR result by 0.09%.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Market Risk and Hedging Policy (continued)

The policy of the Group is to set a maximum benchmark VaR as a percentage of its capital that is acceptable to the board given its risk attitude and objectives. Derivatives being interest rate swaps, are used to hedge certain interest rate exposures. These hedges assist in lowering the VaR to within acceptable limits as set by the Board.

The below table represents the average, maximum and minimum VaR over the financial year for interest rate risk.

Credit Union	2011			2010		
	Average	Max	Min	Average	Max	Min
VaR%	1.70%	2.44%	1.38%	2.17%	2.58%	1.67%

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is detailed as follows:

#### Consolidated

Repricing period at 30 June 2011	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>							
Cash and cash equivalents	39,911	-	-	-	40,000	79,911	1.45%
Financial assets - available for sale	-	518,810	-	-	14,025	532,835	4.98%
Financial assets - held to maturity	-	530,832	-	-	-	530,832	5.69%
Derivative financial instruments	-	-	-	-	-	-	-
Loans and advances	4,272,341	1,037,344	2,501,688	207	-	7,811,580	8.23%
<b>Total Assets</b>	<b>4,312,252</b>	<b>2,086,986</b>	<b>2,501,688</b>	<b>207</b>	<b>54,025</b>	<b>8,955,158</b>	
<b>Liabilities</b>							
Derivative financial instruments	7,991	-	-	-	-	7,991	-
Deposits	2,749,756	3,168,227	129,645	-	3,518	6,051,146	4.64%
Commitments	388,654	-	-	-	74,580	463,234	-
Borrowings	1,107,334	602,456	545,885	-	-	2,255,675	6.96%
<b>Total Liabilities</b>	<b>4,253,735</b>	<b>3,770,683</b>	<b>675,530</b>	<b>-</b>	<b>78,098</b>	<b>8,778,046</b>	

\* The longest maturity on floating rate products is 30 years

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Market Risk and Hedging Policy (continued)

##### Consolidated (continued)

Repricing period at 30 June 2010	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>							
Cash and cash equivalents	619	-	-	-	38,717	39,336	1.20%
Financial assets - available for sale	-	329,385	-	-	13,726	343,111	4.90%
Financial assets - held to maturity	-	752,663	-	-	-	752,663	5.75%
Derivative financial instruments	-	-	-	-	-	-	-
Loans and advances	4,075,336	1,243,727	1,637,724	207	-	6,956,994	7.24%
<b>Total Assets</b>	<b>4,075,955</b>	<b>2,325,775</b>	<b>1,637,724</b>	<b>207</b>	<b>52,443</b>	<b>8,092,104</b>	
<b>Liabilities</b>							
Derivative financial instruments	20,079	-	-	-	-	20,079	-
Deposits	2,469,988	2,773,464	94,360	-	3,343	5,341,155	4.39%
Commitments	372,394	-	-	-	86,281	458,675	-
Borrowings	1,071,956	551,302	528,544	-	-	2,151,802	6.92%
<b>Total Liabilities</b>	<b>3,934,417</b>	<b>3,324,766</b>	<b>622,904</b>	<b>-</b>	<b>89,624</b>	<b>7,971,711</b>	

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Market Risk and Hedging Policy (continued)

##### Parent

Repricing period at 30 June 2011	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>							
Cash and cash equivalents	40,092	-	-	-	40,000	80,092	1.44%
Financial assets - available for sale	-	518,810	-	-	14,025	532,835	4.98%
Financial assets - held to maturity	-	499,081	40,135	-	920	540,136	5.76%
Loans and advances	4,272,318	1,037,344	2,501,688	206	-	7,811,556	8.23%
<b>Total Assets</b>	<b>4,312,410</b>	<b>2,055,235</b>	<b>2,541,823</b>	<b>206</b>	<b>54,945</b>	<b>8,964,619</b>	
<b>Liabilities</b>							
Derivative financial instruments	7,991	-	-	-	-	7,991	-
Deposits	2,800,974	3,189,999	129,645	-	3,518	6,124,136	4.64%
Commitments	388,654	-	-	-	74,580	463,234	-
Borrowings	1,063,192	642,592	545,884	-	-	2,251,668	7.02%
<b>Total Liabilities</b>	<b>4,260,811</b>	<b>3,832,591</b>	<b>675,529</b>	<b>-</b>	<b>78,098</b>	<b>8,847,029</b>	

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Market Risk and Hedging Policy (continued)

##### Parent (continued)

Repricing period at 30 June 2010	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Assets</b>							
Cash and cash equivalents	619	-	-	-	38,644	39,263	1.20%
Financial assets - available for sale	-	329,385	-	-	13,726	343,111	4.90%
Financial assets - held to maturity	-	724,916	40,124	-	2,200	767,240	5.77%
Loans and advances	4,075,274	1,243,727	1,637,724	207	-	6,956,932	7.23%
<b>Total Assets</b>	<b>4,075,893</b>	<b>2,298,028</b>	<b>1,677,848</b>	<b>207</b>	<b>54,570</b>	<b>8,106,546</b>	
<b>Liabilities</b>							
Derivative financial instruments	20,079	-	-	-	-	20,079	-
Deposits	2,521,377	2,794,873	94,360	-	3,343	5,413,953	4.39%
Commitments	372,394	-	-	-	86,281	458,675	-
Borrowings	1,024,337	551,302	568,669	-	-	2,144,308	6.99%
<b>Total Liabilities</b>	<b>3,938,187</b>	<b>3,346,175</b>	<b>663,029</b>	<b>-</b>	<b>89,624</b>	<b>8,037,015</b>	

The table below shows the geographical split of gross loans and advances of the Group.

#### Credit Risk

State	2011		2010	
	Housing Loans \$'000	Other Loans \$'000	Housing Loans \$'000	Other Loans \$'000
New South Wales	2,038,577	164,853	1,811,398	126,726
Victoria	1,461,599	115,073	1,211,198	84,476
Queensland	3,315,201	252,173	3,151,702	196,731
South Australia	17,939	1,361	14,111	1,025
Western Australia	265,913	24,071	213,046	16,444
Tasmania	12,393	935	10,227	608
Northern Territory	14,102	1,121	10,636	760
ACT	64,520	5,604	51,907	3,585
Other	52,197	3,948	49,573	2,841
<b>TOTAL</b>	<b>7,242,441</b>	<b>569,139</b>	<b>6,523,798</b>	<b>433,196</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Market Risk and Hedging Policy (continued)

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Group currently manages loans in accordance with Australian Prudential Regulation Authority (APRA) Prudential Standards to reduce CUA's exposure to potential failure of counterparties to meet their obligations under contract or arrangement. The fair value of the collateral held against past due or impaired loans is capped at the loan amount outstanding to the extent that CUA is obliged to repay the surplus to the member.

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2011:

Class of Asset	\$'000 balance			
	Past due but not impaired			
	Less than 28 days	28-90 days	More than 90 days	Total
Past due amount held at amortised cost	364,189	35,577	10,881	410,647
<b>TOTAL</b>	<b>364,189</b>	<b>35,577</b>	<b>10,881</b>	<b>410,647</b>

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2010:

Class of Asset	\$'000 balance			
	Past due but not impaired			
	Less than 28 days	28-90 days	More than 90 days	Total
Past due amount held at amortised cost	307,462	40,571	11,949	359,982
<b>TOTAL</b>	<b>307,462</b>	<b>40,571</b>	<b>11,949</b>	<b>359,982</b>

#### Credit Risk – Counterparty Concentration

Risk is monitored daily by the Accounting and Treasury Departments and monthly by ALCO. Limits are set in three categories based on long term credit ratings. These limits also adhere to APRA's APS 221 – Large Exposure Standard. There have been no breaches during the financial year. The maximum exposure is limited to the carrying amount in the statement of financial position.

To facilitate the requirements of participation in CUFSS (refer note 33), CUA has deposits and investments with Cuscal Ltd of \$556,409,011 (2010: \$226,104,280).

#### Credit Risk – Loan Portfolio

The following table shows CUA's Loan to Value Ratio's (LVR) on its residential term loan portfolio.

Loan to Value Ratio	Consolidated	
	2011 \$'000	2010 \$'000
LVR 0% - 60%	1,920,508	1,703,181
LVR 60.01% - 80%	3,781,953	3,373,799
LVR 80.01% - 90%	950,153	858,222
LVR 90.01% - 100%	566,241	567,339
LVR > 100%	23,586	21,257
	<b>7,242,441</b>	<b>6,523,798</b>

During the year, CUA took possession of properties with a carrying value of \$1.93 million (2010: \$1.54 million).

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due to a mismatch in cash flows. The primary liquidity objective is to fund in a way that will facilitate growth in core business under a wide range of market conditions.

The Asset and Liability Committee ("ALCO") maintains oversight of asset and liability management including liquidity management. The Group's liquidity policies are approved by the Board after endorsement by ALCO.

Funding and liquidity management is performed centrally within the Treasury Department, with oversight from ALCO. Treasury manages liquidity on a daily basis and provides daily information to the Chief Financial Officer and monthly information to both ALCO and the Board. To facilitate the liquidity management process, investments are placed with approved deposit taking institutions (ADI's) regulated by APRA. The extent to which CUA will invest its liquid investments in any one institution is based upon predetermined exposure limits with reference to the ADI's independent credit rating.

The following table shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the below dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group - 2011</b>							
<b>Liabilities</b>							
Derivative financial instruments	4,364	8,873	36,847	38,275	-	-	88,359
Members' shares	-	-	-	-	-	3,518	3,518
Members' call deposits	2,796,156	-	-	-	-	-	2,796,156
Members' term deposits	590,868	914,142	1,616,817	129,645	-	-	3,251,472
Borrowings	1,198,603	262,973	288,350	505,748	-	-	2,255,674
<b>Total Financial Liabilities</b>	<b>4,589,991</b>	<b>1,185,988</b>	<b>1,942,014</b>	<b>673,668</b>	<b>-</b>	<b>3,518</b>	<b>8,395,179</b>

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Group - 2010</b>							
<b>Liabilities</b>							
Derivative financial instruments	5,586	10,456	28,410	31,212	-	-	75,664
Members' shares	-	-	-	-	-	3,343	3,343
Members' call deposits	2,516,130	-	-	-	-	-	2,516,130
Members' term deposits	531,304	786,081	1,409,937	100,222	-	-	2,827,544
Borrowings	1,128,828	138,885	355,545	570,664	-	-	2,193,922
<b>Total Financial Liabilities</b>	<b>4,181,848</b>	<b>935,422</b>	<b>1,793,892</b>	<b>702,098</b>	<b>-</b>	<b>3,343</b>	<b>7,616,603</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 37. Risk management (continued)

#### Liquidity Risk (continued)

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Parent - 2011</b>							
<b>Liabilities</b>							
Derivative financial instruments	4,364	8,873	36,847	38,275	-	-	88,359
Members' shares	-	-	-	-	-	3,518	3,518
Members' call deposits	2,800,859	-	-	-	-	-	2,800,859
Members' term deposits	644,455	925,680	1,619,979	129,645	-	-	3,319,759
Borrowings	1,154,461	262,973	288,350	545,883	-	-	2,251,667
<b>Total Financial Liabilities</b>	<b>4,604,139</b>	<b>1,197,526</b>	<b>1,945,176</b>	<b>713,803</b>	<b>-</b>	<b>3,518</b>	<b>8,464,162</b>

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Parent - 2010</b>							
<b>Liabilities</b>							
Derivative financial instruments	5,586	10,456	28,410	31,212	-	-	75,664
Members' shares	-	-	-	-	-	3,343	3,343
Members' call deposits	2,521,278	-	-	-	-	-	2,521,278
Members' term deposits	578,951	797,729	1,418,293	100,222	-	-	2,895,195
Borrowings	1,081,209	138,885	355,545	610,789	-	-	2,186,428
<b>Total Financial Liabilities</b>	<b>4,187,024</b>	<b>947,070</b>	<b>1,802,248</b>	<b>742,223</b>	<b>-</b>	<b>3,343</b>	<b>7,681,908</b>

#### Insurance Risk

The provision of private health insurance in Australia is governed by the Private Health Insurance Act 2007 (The Act) which is premised on the fundamental principal of community rating.

Community rating is the system by which premiums for Australian Private Health Insurance (PHI) are set. In principle, this is a system where the premium charged for a particular group of people does not depend on the risk profile of that particular group. The intention is to achieve one premium rate irrespective of age, gender, occupation, health status, smoking status, number of dependents, pre-existing illness or other common risk-rating factors. The "principles of community rating" are referred to in the Act.

Given the regulated nature of private health insurance in Australia, compliance with the regulations is included in the Group's risk management strategy and is a way that the Group mitigates its exposure to insurance risk.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 38. Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the Group's capital management are to ensure that the credit union maintains sufficient capital resources to support the Group's business activities and operational requirements, to ensure continuous compliance with externally imposed capital ratios and that the Group maintains healthy capital ratios to support its business. The credit union uses capital to reinvest in the business to enhance products and services supplied to the members of the credit union.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by APRA in supervising the credit union. During the past year, the credit union has complied in full with all its externally imposed capital requirements.

	Consolidated Group	
	As at June 2011	As at June 2010
<b>Risk weighted capital ratios</b>		
Tier 1	13.30%	16.62%
Tier 2	0.11%	0.09%
<b>Total capital ratio</b>	<b>13.41%</b>	<b>16.71%</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Qualifying capital</b>		
Tier 1	573,059	530,925
Tier 2	4,433	2,735
<b>Total qualifying capital</b>	<b>577,492</b>	<b>533,660</b>
<b>Total risk weighted assets</b>	<b>4,308,946</b>	<b>3,193,328</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 39. Business combination

#### Merger with Plenty Credit Co-Operative Limited

On 1 November 2010, Credit Union Australia Limited merged with Plenty Credit Co-Operative Limited (Plenty). On this date all the assets and liabilities of Plenty were transferred to the parent entity at carrying value. The difference between fair value and carrying value was insignificant. The principal activities of Plenty comprised of raising funds by deposit and the provision of loans and associated services to members.

Due to the business combination on the 1 November 2010 the current year figures include 8 months contribution from Plenty.

Disclosure of the amount of the acquiree's revenue and profit or loss since the acquisition date included in the acquirer's consolidated statement of comprehensive income for the period would be impracticable. This is because of the overlapping nature of the Credit Union and the acquiree's businesses which results in difficulties in attributing revenue and profit or loss to either entity.

	Fair value at acquisition date	Carrying value
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	1,242	1,242
Financial assets - held to maturity	18,000	18,000
Loans and advances	76,804	76,823
Other receivables	643	643
Property, plant and equipment	2,299	2,299
<b>Total Assets</b>	<b>98,988</b>	<b>99,007</b>
<b>Liabilities</b>		
Deposits	90,267	90,274
Other payables	654	654
Provisions	558	558
<b>Total Liabilities</b>	<b>91,479</b>	<b>91,486</b>
Provisional fair value of identifiable net assets	7,509	7,521
Deemed consideration		7,521

#### 2010 Comparative - Merger with Latrobe Country Credit Co-Operative Limited

On 1 September 2009, Credit Union Australia Limited merged with Latrobe Country Credit Co-Operative Limited (LCCC). On this date all the assets and liabilities of LCCC were transferred to the parent entity at carrying value. The difference between fair value and carrying value was insignificant. The principal activities of LCCC comprised of raising funds by deposit and the provision of loans and associated services to members.

Due to the business combination on the 1 September 2009 the current year figures include 10 months contribution from LCCC.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 39. Business combination (continued)

#### 2010 Comparative - Merger with Latrobe Country Credit Co-Operative Limited

	Fair Value at Acquisition Date	Carrying Value
	2010 \$'000	2010 \$'000
<b>Assets</b>		
Cash and cash equivalents	894	894
Financial assets - available for sale	108	108
Financial assets - held to maturity	8,723	8,723
Loans and advances	23,063	23,125
Other receivables	26	26
Property, plant and equipment	1,001	1,001
Deferred tax assets	37	37
Intangible assets	92	92
<b>Total Assets</b>	<b>33,944</b>	<b>34,006</b>
<b>Liabilities</b>		
Deposits	30,826	30,846
Other payables	387	387
Provisions	167	167
<b>Total Liabilities</b>	<b>31,380</b>	<b>31,400</b>
Provisional fair value of identifiable net assets	2,564	2,606
Deemed consideration		2,606

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 40. Fair value of financial instruments

Disclosed below is the fair value of the Group financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

*Cash and cash equivalents:* The carrying amount approximates fair value as they are short term in nature or are receivable on demand.

*Financial assets available for sale:* The carrying value are carried at net market/fair value and have their net fair value determined based on quoted market prices. Where there is no market value, the fair value is determined using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.

*Financial assets held to maturity :* The fair value for financial assets held to maturity is calculated by reference to the current investment rate that would be obtained at balance date for investment based on the number of days remaining until maturity. Financial assets held to maturity are carried at amortised cost as these assets are intended to be held until maturity.

*Loan and advances:* The carrying value of loans, advances and other receivables is net of provisions for impairment. The fair value is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date.

*Derivatives financial instruments:* The fair value for derivatives financial instruments are from quoted closing market prices at balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2011.

*Borrowings:* The carrying values of payables due to other financial institutions approximate their fair value as they are short term in nature and repriced frequently.

*Deposits:* The net fair value for deposits was calculated by utilising discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2011.

The net fair value of non-interest bearing, call and variable rate deposits repriced within twelve months is the carrying value as at 30 June 2011.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the net fair value of the other term deposits.

*Fair value:* The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 40. Fair value of financial instruments (continued)

The aggregate net fair values of financial assets and financial liabilities, at balance date, are as follows

	Total carrying amount as per the Statement of Financial Position		Aggregate fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	79,911	39,336	79,911	39,336
Financial assets - available for sale	532,835	343,111	532,835	343,111
Financial assets - held to maturity	530,832	752,663	530,832	752,663
Derivative financial instruments	-	-	-	-
Loans and advances	7,803,633	6,949,097	7,507,112	6,768,967
<b>Total Financial Assets</b>	<b>8,947,211</b>	<b>8,084,207</b>	<b>8,650,690</b>	<b>7,904,077</b>
<b>Financial Liabilities</b>				
Bank overdraft	-	-	-	-
Derivative financial instruments	7,991	20,079	7,991	20,079
Deposits	6,051,146	5,341,155	6,083,863	5,378,155
Borrowings	2,255,675	2,151,802	2,255,675	2,151,802
<b>Total Financial Liabilities</b>	<b>8,314,812</b>	<b>7,513,036</b>	<b>8,347,529</b>	<b>7,550,036</b>

	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	
<b>2011</b>					
<b>Financial Liabilities</b>					
Derivative financial instruments	-	7,991	-	7,991	7,991
<b>Total Financial Liabilities</b>	-	7,991	-	7,991	7,991

	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	
<b>2010</b>					
<b>Financial Liabilities</b>					
Derivative financial instruments	-	20,079	-	20,079	20,079
<b>Total Financial Liabilities</b>	-	20,079	-	20,079	20,079

## Notes to the financial statements (continued)

For the year ended 30 June 2011

### 41. Company details

The controlling entity in the Group is Credit Union Australia Ltd. The registered office and principal place of business is:

Credit Union Australia Ltd  
Level 3  
175 Eagle Street  
Brisbane Qld 4000

## Directors' Declaration

In accordance with a resolution of the Directors of the Credit Union Australia Ltd, we declare that:

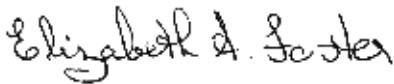
In the opinion of the Directors:

- (a) the financial statements and notes of the credit union and of the Group are 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 Corporations Regulations 2001; and
  - (iii) the financial statements and notes to the financial statements are prepared in compliance with international financial reporting standards as made by the International Accounting Standards Board.
- (b) there are reasonable grounds to believe that the credit union and the Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

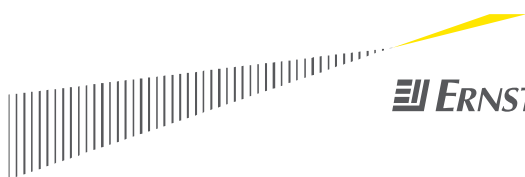


A.E. Beanland  
Chairman



E. A. Foster  
Director

Brisbane  
25 August 2011



**ERNST & YOUNG**

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Fax: +61 7 3011 3100  
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## **Independent auditor's report to the members of Credit Union Australia Ltd**

We have audited the accompanying financial report of Credit Union Australia Ltd, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.



**Auditor's Opinion**

In our opinion:

1. the financial report of Credit Union Australia Ltd is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the financial position of Credit Union Australia Ltd and the consolidated entity at 30 June 2011 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

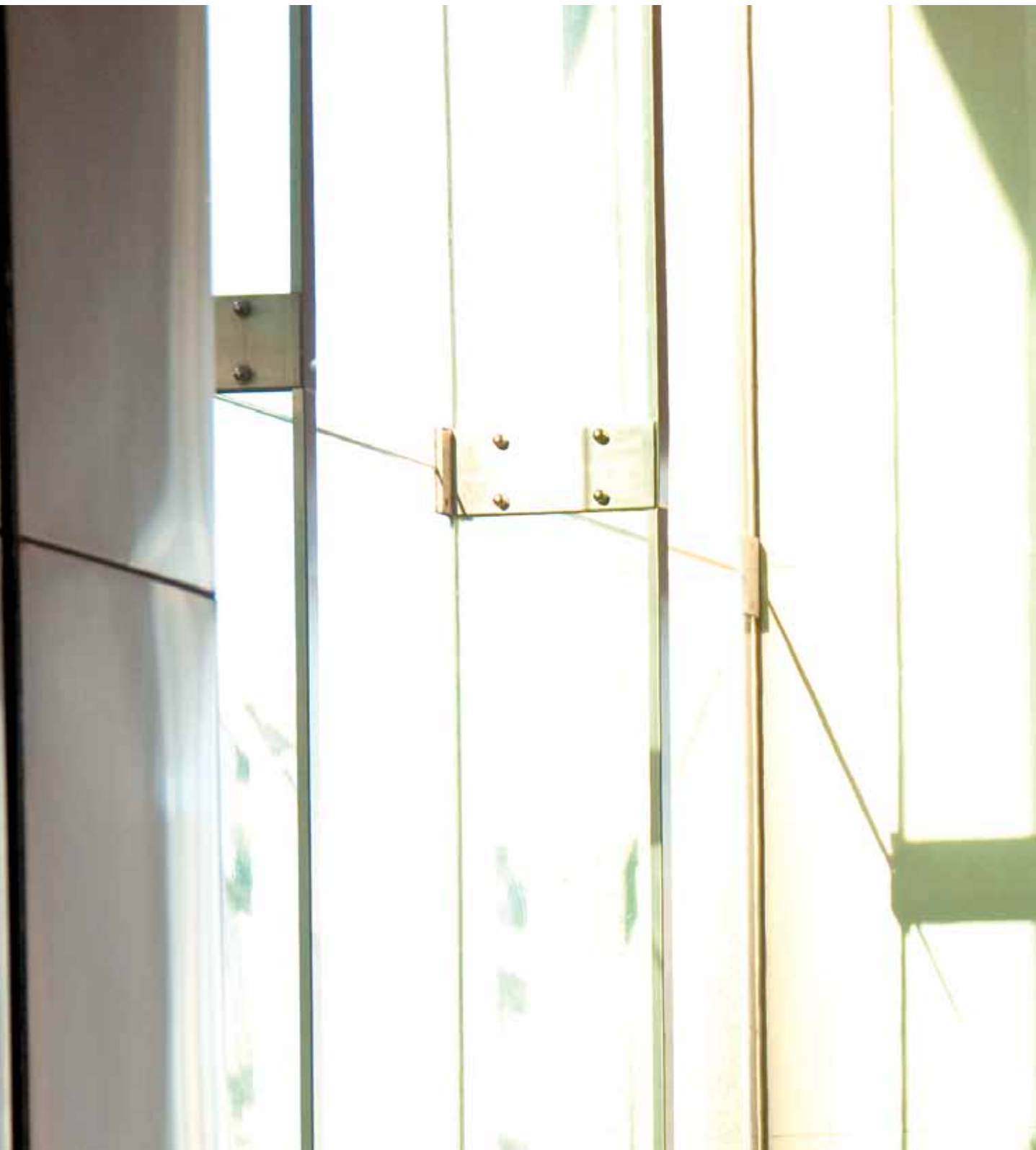
A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Mark Hayward".

Mark Hayward  
Partner  
Brisbane  
25 August 2011





**CREDIT UNION AUSTRALIA LIMITED**

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