
poised
[poizd] adj. balanced and prepared for action
cua™
A change for the better

Registered Office

Credit Union Australia Limited

ABN 44 087 650 959
AFSL No. 238317

175 Eagle Street
Brisbane QLD 4000

GPO Box 100
Brisbane QLD 4001

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 over 70 branches across Australia, there is sure to be a branch near you. Visit **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 Ltd
ABN 98 098 685 459

CUA Travel Pty Ltd
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

contents

'CUA has posted a healthy profit this year demonstrating that we have confidently come through the challenging period of the Global Financial Crisis and are well positioned to take the next step towards our goals.'

highlights

During the year CUA experienced success on a number of fronts and consolidated its position as Australia's number one customer owned financial institution.

Financial highlights

- Underlying net profit after tax increased to $43.1 million
- Total assets under management up 6% to record $8.2 billion
- Loans settled increased by 40.2% to $1.6 billion
- Deposits increased by 7.7% to $5.3 billion
- Maintained strong capital adequacy ratio of 16.7%

CUA's 850 passionate staff aspire daily to change the lives of their members, their workmates, their communities and the environment for the better.

Key initiatives and achievements throughout the 2010 financial year

- At the Australian Banking and Finance Awards 2010, CUA won 'Credit Union of the Year'. This is CUA's sixth win in this category since 2003.

- In a November 2009 independent customer satisfaction survey by consumer group Choice, CUA was rated as Australia's equal top performing financial institution for everyday banking.

- 'Your Mortgage' Magazine announced that it awarded CUA the Credit Union/Building Society of the Year title in its Mortgage of the Year Awards 2010. Additionally, CUA achieved Gold Medals for Best Intro Loan and Best 5 Year Fixed Loan, plus Bronze Medals for Best 3 Year Fixed Loan and Best Standard Variable Loan.

- In 2009 and again in 2010 CUA won an Australian Business Award for Community Contribution reflecting its efforts in changing communities in which it operates for the better.

- CUA achieved an Employer of Choice for Women citation from the Federal Government's Equal Opportunity for Women in the Workplace Agency for the fifth year running.

- In March 2010 CUA announced the reduction of its standard variable home loan rate by 25 basis points. In his Economic Note of 28 March, the Federal Treasurer credited CUA's action with putting competitive pressure on the banks and providing a safe and competitive alternative to the big banks.

- In the April 2010 CANSTAR CANNEX Home Loan Star Ratings report, eight of CUA's fixed and variable home loan products received the coveted 5 star rating.

- In May 2010 financial consumer website InfoChoice awarded CUA the 'Most Popular Home Loan'.

chairman's report

The year in review
I am pleased to be given the opportunity to contribute as Chairman to CUA's 2010 Annual Report. I was appointed as a Board Member in September 2009 and subsequently took over as Chairman after the Annual General Meeting in November.

I am happy to report that CUA has emerged from the turbulence of the last 12 months in a strong and secure position, continuing to grow and posting a modest increase in profit for the 2009/10 financial year.

Net interest revenue increased for the year, on the back on higher business volumes. There has been some recovery in interest margins; however, competitive pressures remain. This is especially so for retail deposits, which are facing higher funding costs that continue to exert downward pressure on margins. Despite this, CUA continues to offer attractive rates for both borrowers and investors.

Consolidated underlying profit after income tax was $43.1 million (up from $42.9 million for the previous year) and group assets grew 6% to $8.2 billion. CUA settled $1.6 billion in new loans for the year (up just over 40% on 2008/09) while deposits increased by 7.7% to $5.3 billion.

When compared to the previous year, the 2010 financial year result also included lower levels of fee and commission revenue and other income. The main contributors to the increase in operating expenses came from salaries, occupancy and depreciation costs. Amongst Australia's financial institutions CUA remains a prime example of responsible lending, with a high quality loan book and a very low proportion of past-due loans. CUA's loans in arrears 90 days or more amounted to an extremely low $9.9 million, representing just 0.14% of gross loans under management. These figures demonstrate CUA's solid financial position and lay the foundation for the two most important objectives of CUA: providing competition for the banks and future growth.

Strong and secure
As Australia's largest credit union, CUA operates an extremely secure and stable business model. Indeed, the security and strength of the credit union sector overall is second to none.

We take particular care to maintain a strong position on capital. We are regulated by APRA and our capital adequacy ratio, calculated in accordance with the Basel capital requirements in Australia, stood at 16.7% in June 2010, significantly above the minimums required and providing plenty of cushioning for future regulatory changes. Indeed, this ratio exceeds that of many of our major competitors. This level of capital is sufficient to ensure our capital position will remain robust and solid to support our future business growth and activities. The stability and viability of credit unions is clearly evident, however we need to do a better job of communicating this. It is the Board's ambition to raise the profile of CUA, and that of the customer-owned financial sector in general, to increase both consumer understanding of our strength and to highlight the attractiveness of CUA's products and services.

In March 2010 CUA announced the reduction of its standard variable home loan rate by 25 basis points. In his Economic Note of 28 March, the Federal Treasurer credited CUA's action with putting competitive pressure on the big banks and providing a safe and compelling alternative to them. The competitiveness and innovative approach of this product has since been recognised in numerous awards in the past year and has done a great deal to position CUA as an emerging competitor to larger financial institutions.

Community focus
Successive Australian Business Awards for Community Contribution demonstrate that CUA is proud of its community focus and intends to maintain the special obligation we have to support the communities in which we operate. Our long standing partnerships with Relationships Australia, the RSPCA Pets in Crisis program and the School Fun

Run reflect our values and commitment to make a difference. I am particularly proud of the volunteering efforts of staff which assist these and other worthy organisations in their great work.

The credit union sector is unique in that its origins often remain firmly embedded in the communities from which they arose. They came into being in response to the financial needs of their immediate community. CUA, as the happy amalgam of over 155 former entities, is proud of its diverse heritage. As such, we are currently looking at how we can best continue to support and invest in the network of communities that have given rise to CUA today.

Board renewal

The CUA Board is committed to following the highest standards of governance. A careful and planned policy of renewal is critical to ensure that the Board has ongoing access to the skills and knowledge to best assist and advise CUA through its various phases of change and growth.

The Board would like to recognise the service of two of our directors, and former Chairmen, Kevin Ross and Bob Powell who have announced they will be leaving the Board during 2011. Both gentlemen perform their duties with great distinction and I would like to thank them, on behalf of the Board and the Executive Management at CUA, for the commitment, time and skills they have shared with us and wish them well in their future endeavours. The Board also thanks our members and customers for their ongoing support.

The opportunity to join CUA is one I took on with enthusiasm. I believe in the need for more competition in Australian banking and that CUA is poised to become a genuine and competitive force.

Alan Beanland
Chairman

ceo's report

Having just celebrated my first anniversary at CUA this is a timely opportunity to convey the real progress which has been made towards our goal of positioning CUA as a major competitor to the banks.

Unique opportunity for change

The banking environment coming out of the Global Financial Crisis is characterised by greater concentration of the market and hence increasing dominance of the larger players. This dominance brings with it an inevitable reduction in competition to the detriment of the public at large. We see this as an opportunity and an obligation - an opportunity to grow CUA into the first-class financial institution our members and customers deserve; and an obligation to convey the advantages of customer-owned banking to the wider community. These goals have the full backing of the Board and the Executive Management Team.

CUA has posted a healthy profit this year demonstrating that we have confidently come through the challenging period of the Global Financial Crisis and are well positioned to take the next step towards our goals.

Our desire to compete at the highest level necessitates considerable changes to our systems and processes. To support our growth plans six critical strategic projects commenced earlier this year. They cover a wide variety of different areas but all six focus on enabling CUA to achieve our strategic objectives of core business growth, infrastructure growth, and growth through appropriate merger activity. A further aspect of this activity has seen CUA make a major investment in recruiting senior staff with the specialist skill sets required to bring these strategic projects to fruition.

Growth

CUA is no longer satisfied with having a low profile in Australian banking. We intend to take every prudent opportunity to grow the organisation in order to obtain the greater economies which come with size to further improve our services and offer better pricing to all members and customers. Much of this growth will come from the greater awareness in the marketplace of our competitive suite of products and the advantages of our customer-owned model.

However, mergers have also become a fact of life in the credit union movement, and CUA is itself a result of many earlier mergers. In June 2010 CUA announced its intention to merge with Plenty Community Credit Union, based in the northern suburbs of Melbourne. With six branches, 12,000 members, $87.5 million in member deposits and $77.9 million in member loans, Plenty represents an excellent fit with CUA's strategic growth aspirations and consolidates our presence in Victoria. The merger is presently moving through the process of regulatory approval with integration planned for the first half of the 2010-11 financial year.

Commitment to the mutual sector

Further growth opportunities may also arise from continuing to support and work proactively with the mutual sector generally. A recent example of successful mutual industry cooperation is CUA's participation in the Abacus (the mutual industry body) 'It all comes back to our members' advertising campaign, aimed at raising the profile of the mutual sector as a whole and placing greater competitive pressure on the banks.

Although CUA intends to grow, and raise our public profile commensurate with that growth, there will be no change to the quality of CUA's service or to our mutual approach. We see these two factors as the foundation of our future success. We will continue to invest in our business: the advantage of our customer-owned model means that our profits don't go to shareholders, but rather are invested back into developing great products and services for the benefit of all our customers.

Our brand

CUA's brand is also undergoing change. The brand's initial makeover was in 2007, and while some key

aspects remain the same, an evolution is taking place. Rather than referring to mutuals and members CUA is introducing the term 'customer-owned' in reference to our business model. Essentially, CUA has found the public more readily identify with and understand the term 'customer-owned' rather than 'mutual' or 'member-owned'. CUA will be adjusting elements of our branding over the next year to increase the awareness and understanding of this term and to clearly differentiate our offer to potential new customers.

Recognition

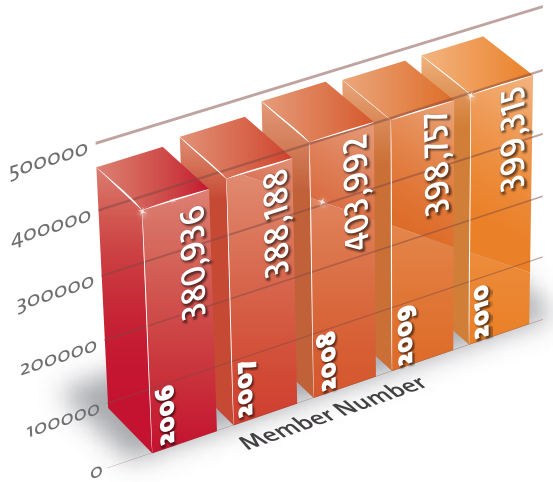
CUA has always focussed on providing great products and great service - we believe these set us apart and are the basis of our aspiration to take on the larger banks. We are particularly proud to have recently won awards which reflect the assessment of our peers in the industry and are based on rigorous independent criteria. These are detailed earlier in the report. These awards not only assist our efforts to raise the awareness of CUA to potential customers, they are also a testament to the great work CUA staff have been doing. There is no doubt that CUA is really starting to make an impact and our industry peers are beginning to sit up and take notice.

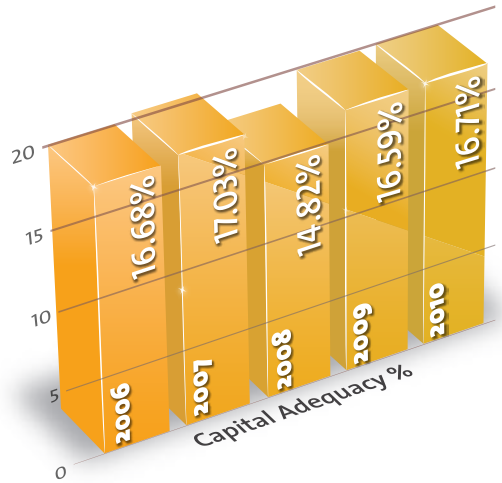
Looking forward

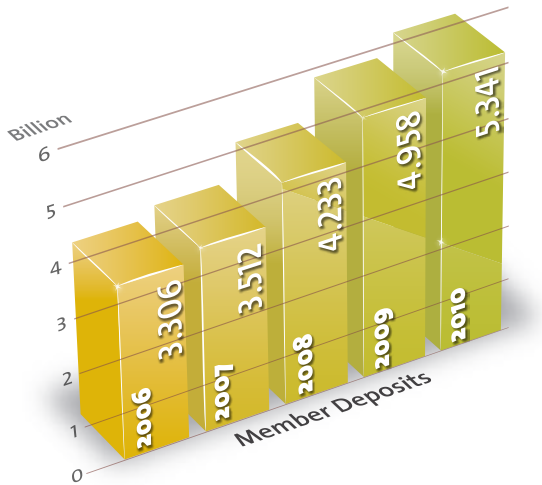
Looking forward I am very confident of our capacity to make customer-owned banking relevant to more Australians through really living our values of Care, Create and Contribute. By continuing to provide the things that members and customers tell us they want and value, and building in the innovation we are seeking from all areas of the business, CUA is set to become the real banking alternative.

Chris Whitehead
Chief Executive Officer

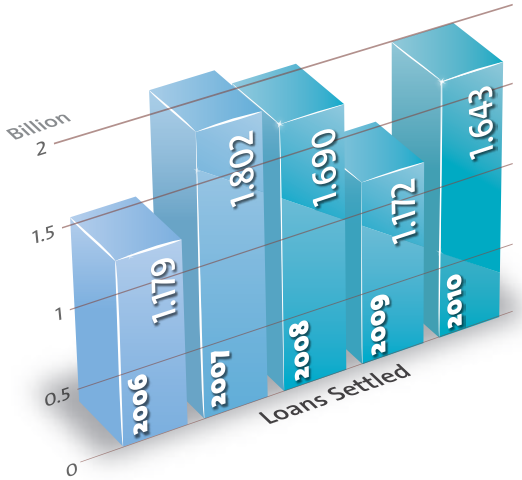
financials

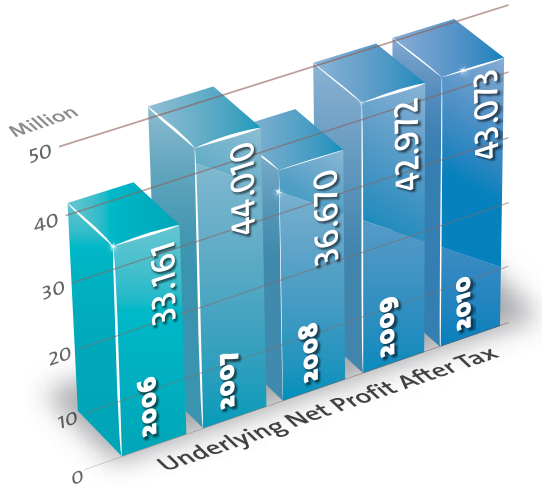

500000
400000
300000
200000
100000
0
2006
2007
2008
2009
2010
380,936
388,188
403,992
398,757
399,315
Member Number


20
15
10
5
0
2006
2007
2008
2009
2010
16.68%
17.03%
14.82%
16.59%
16.71%
Capital Adequacy %


Billion
6
5
4
3
2
1
0
2006
2007
2008
2009
2010
3.306
3.512
4.233
4.958
5.341
Member Deposits


Billion
8
7
6
5
4
3
2
1
0
2006
2007
2008
2009
2010
5.183
5.950
6.505
6.559
6.956
Member Loans Under Management


Billion
2
1.5
1
0.5
0
2006
2007
2008
2009
2010
1.179
1.802
1.690
1.172
1.643
Loans Settled


Million
50
40
30
20
10
0
2006
2007
2008
2009
2010
33.161
44.010
36.670
42.972
43.073
Underlying Net Profit After Tax

strategy & planning

The past 12 months have been a critical time for CUA as the business has been putting in place the foundations to realise our future growth aspirations. During the year the Board and Executive Management Team committed CUA to a program of change that addresses every aspect of the business to ensure CUA can position itself as a major contender to the second tier banks.

The core of CUA's three year business plan focuses on three key areas:

- Core business growth
- Growth in infrastructure
- Appropriate merger activity

In order to deliver certain areas of the business plan, six strategic projects were established to create the future capability CUA needs to reach its full potential.

The six strategic projects are:

Customer
Focused on improving communication with our members and much better understanding of their precise needs

Core system
Ensuring CUA has the appropriate core IT system to meet its current and future needs

Distribution
Creating an integrated, effective and efficient approach to distribution across all channels - telephone, branch, mobile and digital - for all customers

Back office automation
Phased and scaleable workplace automation to increase productivity, reduce cost and deliver straight through processing capability

Capital and funding
Capital and funding programs which are resilient, efficient, compliant and flexible to meet CUA's evolving requirements

Digital
A comprehensive overhaul of our web presence to better meet the needs of current and prospective customers and to optimise the service, sales and engagement capabilities

Strategic focus requires investment in skills and resources
CUA's aspiration to make the customer owned banking model relevant to more Australians has required a major investment in resources and skills over the past 12 months. This is to ensure that the execution of key projects, and the subsequent change and growth stemming form their execution, will be appropriately managed.

There has been a major investment in the establishment and scaling up of an internal change management function and the establishment of a dedicated corporate development capability within the strategy team.

Further investment in senior and specialist skills sets across a wide variety of critical areas has taken place, with key senior appointments in strategy, distribution, IT, change management, product development, branch management and corporate affairs.

Looking forward
The six key projects will move into full scale implementation over the next two to three years with strong change management guidelines in place to ensure that each project delivers against very clear success criteria.

our board

A. E. BEANLAND
BSc University of London, FAICD
Chairman (Appointed 26 November 2009)

Mr Beanland joined the board in September 2009 and has over 40 years experience spanning four continents serving as a director, senior executive or consultant. His primary focus has been within the financial services sector, particularly superannuation and life insurance. He is currently Chairman of Superpartners, Australia's largest superannuation administrator. Alan is a Director of Spotless Group Limited and of Hancock Victorian Plantations. He also advises selected businesses in the financial services, technology and property sectors. In addition to his role as Chair of the board, he also chairs the Board Remuneration and Strategy Consultative Committees.

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. He is a Chartered Accountant and professional company director and was previously a partner of international accounting firm Ernst & Young. He is a member of the Order of Australia. He is a member of the Board Strategy Consultative Committee, the Remuneration Committee and the Sustainability Committee. He holds a number of other directorships including Credit Union Foundation of Australia, CPA Australia, Lexon Insurance, the Asset Management CRC, Superior Coal Ltd, SPYRUS Pty Ltd and Virgin Blue's aircraft leasing subsidiaries. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, Chair of the Queensland Transport and Main Road's Audit and Risk Committee and Chair of the Queensland Water Commission's Audit and Risk Committee. Peter is also the Queensland Hon. Consul for Botswana.

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

Ms Foster has been a credit union director for 20 years. Prior to CUA's merger with Australian National Credit Union (ANCU) on 1 January 2006, she was a director with ANCU. She is a self employed accountant who has extensive experience in finance and accounting. She previously worked for Telstra in senior management positions; as Chief Finance Officer at CPA Australia and as a finance consultant at the Catholic Education Office. She was also CEO of RACV Credit Union. Elizabeth is Chair of the Board Audit and Risk Committee, and a director of Credicorp Insurance Pty Ltd and CUA Financial Planning Pty Ltd.

C. FRANKS
MMgt, 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 (NFP) boards. She is Chair of the Board Sustainability Committee, a member of the Board Audit and Risk Committee and a director of CUA Health Pty Ltd. Chris has extensive executive experience in sales, marketing, consumer research and customer service in both commercial and NFP sectors. She is Chair of Habitat for Humanity Australia and serves on the International Development Committee for the Credit Union Foundation of Australia. Chris previously held several not-for-profit directorships including Oxfam and Save the Children NSW and 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 practiced in the areas of Family and Criminal Law, Civil litigation and subsequently Stock Broking, before embarking upon a career in the hospitality and marketing industries. She is a director of CUA Financial Planning Pty Ltd, Credicorp Insurance Pty Ltd, CUA Health Ltd and is a member of the Board Audit and Risk Committee. 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 (CEDA).

R. E. POWELL

Cert Bus Admin (Real Estate), FAICD, FAMI
Independent non-executive director

Mr Powell was appointed a director on 1 January 2006 following the merger with ANCU where he was the previous Chairman. He 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. He is Chair of Credicorp Insurance Pty Ltd, Chair of CUA Health Ltd 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

BEcon, Dip Pub Admin, Dip FS (Credit Union Directorship), JP (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.

corporate governance

The Board of Credit Union Australia Ltd (CUA) is responsible for the corporate governance of CUA and its controlled entities. This statement generally describes the practices and processes adopted by CUA to ensure sound management of CUA within the legal framework under which it operates. The key principles are accountability, disclosure and independence.

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. Currently the Board is comprised of seven directors. The Board comprises all independent non-executive directors. In determining whether a director is independent, the Board has regard to APRA's Corporate Governance Standard.

Conflict of interest
In accordance with the Corporations Act 2001 and the Credit Union's constitution, directors must keep the Board advised of any interest that could potentially conflict with the interests of the Credit Union. The Board has developed guidelines to assist directors in disclosing potential conflicts of interest. Directors' disclosures are formally updated annually. Transactions between non-executive directors and the Credit Union are subject to the same terms and conditions that apply to members.

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 a process of succession planning and formal evaluation of the performance of the Board and of individual directors which takes place on an annual basis.

Member participation
Members have two relationships with the Credit Union, 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 some of the activities of their Credit Union, including nominating and electing other members as directors, and attending or participating at general meetings, either in person or by proxy.

The Credit Union conducts regular member research to assist both Board and management in planning for the future of the Credit Union.

Ethics
To maintain member confidence in the integrity of the Credit Union, 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 members' personal information. We only collect personal information which is necessary for one of our functions or activities. We take steps to ensure that member 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. Directors' remuneration covers all CUA Board activities, membership of committees and subsidiary companies and includes any superannuation contributions paid on behalf of a director. No other remuneration is paid.

Non-executive directors may maintain loans and credit facilities from the Credit Union at normal member rates of interest and therefore no additional remuneration is obtained by way of a benefit.

Board committees
To assist in the execution of its responsibilities the Board has established a number of committees. The last year saw the creation of the Board Remuneration Committee and the Board Strategic Consulting Committee, replacing the functions of the Board Executive Committee which was disbanded. Further details on the responsibilities and operation of these committees can be found on the CUA website at www.cua.com.au.

executive management

Chris Whitehead
Chief Executive Officer
BSc (Hons)

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.

Geoff Grant
Chief Financial Officer
& Company Secretary
BCom, CA, F Fin

Geoff has extensive experience in the financial services industry developed over a 24 year period, holding various treasury and finance related roles particularly in the regional banking sector. He has a combination of operational and strategic capabilities being utilised across the CUA group. His major areas of responsibility include accounting, treasury and corporate services. In addition he is Company Secretary to CUA and all group entities.

Andrew Hadley
Group General
Manager Strategy
& Marketing
BCom, F Fin

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 customer owned banking. 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 and 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.

Barry Los
Chief Information Officer

Barry has over 30 years experience in the information technology industry. He has a strong background in systems and operational development, business systems analysis and IT strategy. His passion is for supporting business needs and helping IT provide the technology services to assist in keeping CUA functioning smoothly.

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, credit risk management, continuous improvement and special projects.

Elissa Trafford
Acting General Manager People & Culture
BBus

Elissa's experience in the financial service industry focuses around building human resources functions in both the retail banking and funds management sectors. Since joining CUA in 2006 as Human Resources Manager, and then People & Culture Manager, Elissa has worked with the People & Culture leadership and Executive teams to enhance people initiatives across the organisation, thereby enabling CUA leaders to better attract, perform and retain employees. Elissa stepped into the role of Acting General Manager - People & Culture from February 2010 and is passionate about investing in people to enable CUA to remain the member-focused banking alternative for Australians.

Royden Juriansz
General Manager Risk & Compliance
BBus, FCPA, CISA

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 focused his attention to 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.

our staff

Preparing for change
CUA recognises that our strategic objectives will bring significant change for our people. We have been working with our people to ensure they are aware of the journey ahead of them and to build a strong desire to be part of the exciting future. CUA is building a leadership team that will support our people through the change journey ensuring that people have the knowledge they need to make the change, they have the skills and abilities to make any required changes and they are recognised and rewarded when they succeed. A revamped Learning and Development framework will be introduced in preparation for what is going to be a heavy training and development schedule over 2010/2011. A strong focus on leadership development and improved business acumen will see a significant increase in change ready capability within our business.

Staff benefits
Remuneration is not the only benefit from working in CUA. Our remuneration framework has been reviewed and we believe we compete well within the market.

We continue to monitor market pressures and review the appropriateness of our framework. To enhance the overall benefit package for our people, we continue to seek best practice options such as increased flexibility for our workforce and increased development opportunities.

There is a strong, public commitment from the Board and CEO to formalising opportunities for Women in the Workforce and opening up a career pathway to drive and support the initiative.

CUA demonstrates our commitment to providing competitive options for our people by providing:

- Parental Leave
- Breastfeeding Lounges
- Flexible Working Arrangements
- Telecommuting
- Employee Assistance Program
- Reward & Recognition Program (REAP)
- Individual Development Plans (IDPs)
- Networking Opportunities for Women and Staff

Culture
CUA strives to be an employer of choice for all employees - not for the sake of an accolade but to ensure that we have a strong people and culture platform and practices to support, develop and retain our employees. We have spent significant time reinvigorating our core values which have been reshaped to Care, Create and Contribute. This activity was a result of feedback from our people and a collaborative effort across the organisation resulted in the original six values being streamlined to three. We continue to reinforce our values through identifying the behaviours that best represent CUA and embedding them in our people systems.

cua & communities

CUA believes it exists not just to provide financial products to its customers but to conduct its business as a responsible corporate citizen reflecting the views and values of its customers and of the wider community as a whole.

To this end CUA has, for a number of years, invested in worthwhile community partnerships which accord with the values of its staff and customers. These important partnerships are detailed below.

CUA believes that becoming a sustainable organisation means, in part, that staff should instinctively live the values of the organisation. To this end, CUA provides a full day's leave each year to enable staff members to volunteer for a worthwhile community assistance opportunity. Recent examples of staff volunteering include:

- 70+ staff participated in Clean-Up Australia activities in Brisbane, Sydney and Melbourne during March 2010.
- 20+ volunteered out of hours to assist fundraising efforts by the Junior Diabetes Research Foundation.
- CUA staff regularly volunteer to provide assistance at seminars held by various state representatives of Relationships Australia.

Partnerships
There are several key relationships in CUA's community investment program, relationships that epitomise what CUA stands for.

Relationships Australia
Relationships Australia, the nation's premier expert on family health and well-being and leading provider of relationship focused services, is CUA's largest single community partner. CUA's partnership is delivering a three-year national program to arm Australians with the life skills and resources to affect positive, personal change by building better relationships.

With research indicating that financial concerns are one of the biggest contributing factors to relationship problems including domestic violence, this partnership has been a tremendous opportunity for CUA to be a part of something that seeks to make a real change for the better.

RSPCA Pets in Crisis
Sadly pets are often abused as part of the spectrum of domestic violence. Domestic violence counsellors regularly speak to women whose pets are beaten or tortured by abusive partners in order to frighten and control them into staying in violent relationships.

Unfortunately, domestic violence refuges are unable to shelter animals. As a result, women often delay or do not seek safe shelter for themselves or their children due to a lack of care options for their companion animals. No one should feel that they cannot leave a violent home. That is why RSPCA Qld, DVConnect and CUA joined together four years ago to provide the Pets in Crisis program - a unique and real attempt to break the cycle of abuse.

Women who need to seek refuge but who are unable to find care for their pets can contact the 24 hour crisis line and DVConnect will work with RSPCA Qld to find temporary care for their pets.

This partnership has created a solution to a problem that had been previously unaddressed. It is life changing in its impacts. It is also a partnership that is being extended into NSW and Victoria.

School Fun Run Program
Child obesity is increasingly seen as a major health issue confronting Australia. Upwards of one in four children are overweight or obese putting them at greater risk of developing chronic conditions such as diabetes and heart disease. Dire predictions have been made that today's children might be the first

generation to die at an earlier age than their parents. The School Fun Run Program was initiated nearly 20 years ago as a way of providing a healthy alternative to chocolate drives for schools around the country. Promoting fun, fitness and nutrition, over 1,200 schools participate in a fun run in each year. For many schools, this has become an annual event that represents the majority of their fundraising for the year as it is combined with the annual cross-country or other school event.

This sponsorship has given CUA a valuable opportunity to promote health, fitness and education amongst children.

Credit Union Foundation Australia
CUA is also a major supporter of Credit Union Foundation Australia (CUFA), the development agency for the Australian Credit Union movement. Internationally, CUFA develops community access to affordable financial services in the Asia Pacific region, working cooperatively at grass-roots through to government levels, building capacity in emerging credit union movements to create financial sustainability, improve lives and relieve poverty.

First Nations CUA
First Nations CUA is an alliance between First Nations Foundation and CUA and provides home loans, term deposits and other culturally appropriate financial services to Indigenous Australians.

First Nations Foundation (FNF) was formed in early 2006. The specific purpose of FNF was to provide direct relief to Indigenous Australians through the delivery of culturally appropriate financial literacy programs, and the improvement of access to culturally appropriate financial services and products.

The Foundation manages the 'My Moola - Opening Financial Pathways Program' which links personal development and goal setting with financial literacy. First Nations CUA provides an annual grant to support the My Moola program.

First Nations CUA also has a close working relationship with other Indigenous Associations, where we have been able to develop new home loan products that enable Indigenous Australians to purchase their own home. We also offer term deposits with high interest rates, to Indigenous organisations.

Recognition - community award
For the second year running, CUA received an Australian Business Award for Community Contribution recognising the value of its partnerships to the wider community. CUA intends to build on this successful program, as it goes hand in hand with being a leading mutual based financial services provider.

Financial Report 2010

Credit Union Australia Limited
ABN 44 087 650 959

cua™

A change for the better

CREDIT UNION AUSTRALIA LTD

ABN 44 087 650 959

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

cua™

A change for the better

Table of Contents

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 2010 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 Bsc University of London, FAICD
Chairman (Appointed 26 November 2009)

Mr Beanland joined the board in September 2009 and has over 40 years experience spanning four continents serving as a director, senior executive or consultant. His primary focus has been within the financial services sector, particularly superannuation and life insurance. He is currently Chairman of Superpartners, Australia's largest superannuation administrator, with over six million accounts and member balances exceeding $80 billion. Alan is a Director of Spotless Group Limited and of Hancock Victorian Plantations. He also advises selected businesses in the financial services, technology and property sectors. In addition to his role as Chair of the board, he also chairs the Board Remuneration and Strategy Consultative Committees.

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

Mr Dowling has been a credit union director for more than 7 years. He is a Chartered Accountant and professional company director and was previously a partner of international accounting firm Ernst & Young. He is a member of the Order of Australia. He is a member of the Board Strategy Consultative Committee, the Remuneration Committee and the Sustainability Committee. He holds a number of other directorships including Credit Union Foundation of Australia, CPA Australia, Lexon Insurance, the Asset Management CRC, Superior Coal Ltd, SPYRUS Pty Ltd and Virgin Blue's aircraft leasing subsidiaries. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, Chair of the Queensland Transport and Main Road's Audit and Risk Committee and Chair of the Queensland Water Commission's Audit and Risk Committee. Peter is also the Queensland Hon. Consul for Botswana.

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

Ms Foster has been a credit union director for 20 years. Prior to CUA's merger with Australian National Credit Union (ANCU) on 1 January 2006, she was a director with ANCU. She is a self employed accountant who has extensive experience in finance and accounting. She previously worked for Telstra in senior management positions; as Chief Finance Officer at CPA Australia and as a finance consultant at the Catholic Education Office. She was also CEO of RACV Credit Union. Elizabeth is Chair of the Board Audit and Risk Committee, and a director of Credicorp Insurance Pty Ltd and CUA Financial Planning Pty Ltd.

C. FRANKS MMgt, 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 (NFP) boards. She is Chair of the Board Sustainability Committee, a member of the Board Audit and Risk Committee and a director of CUA Health Pty Ltd. Chris has extensive executive experience in sales, marketing, consumer research and customer service in both commercial and NFP sectors. She is Chair of Habitat for Humanity Australia and serves on the International Development Committee for the Credit Union Foundation of Australia. Chris previously held several not-for-profit directorships including Oxfam and Save the Children NSW and served as Chair of the development sector industry code of conduct and NSW Charities Ministerial Advisory committees.

Directors' Report (continued)

Directors (continued)

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 7 years. A lawyer by profession, Ms. Greer practiced in the areas of Family and Criminal Law, Civil litigation and subsequently Stock Broking, before embarking upon a career in the hospitality and marketing industries. She is a director of CUA Financial Planning Pty Ltd, Credicorp Insurance Pty Ltd, CUA Health Ltd and is a member of the Board Audit and Risk Committee. 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 (CEDA).

R. E. POWELL Cert. Bus Admin (Real Estate), FAICD, FAMI
Independent non-executive director

Mr Powell was appointed a director on 1 January 2006 following the merger with ANCU where he was the previous Chairman. He 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. He is Chair of Credicorp Insurance Pty Ltd, Chair of CUA Health Ltd 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 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.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.

G.A. GRANT B.Com, CA. F Fin

Mr Grant joined CUA in September 2007 and was appointed Company Secretary in October 2008. He has worked in the financial services industry for 25 years holding various positions in finance and treasury related areas. He is also a director of CUA Travel Pty Ltd, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd.

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 Executive Committee		Board Remuneration Committee		Board Sustainability Committee		Board Strategy Consultative Committee		Director Nominations' Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
A.E. Beanland	9	9	-	-	-	-	3	3	-	-	4	4	-	-
P.G. Dowling	11	9	3	2	3	3	3	3	3	2	4	4	-	-
E.A. Foster	11	11	5	5	-	-	-	-	-	-	-	-	-	-
C. Franks	11	11	2	2	3	3	-	-	3	3	-	-	2	2
C.M. Greer	11	10	5	4	-	-	-	-	-	-	-	-	-	-
R.E. Powell	11	10	-	-	-	-	3	3	-	-	4	4	-	-
K.B. Ross	11	11	-	-	3	3	-	-	-	-	-	-	-	-

The Board Remuneration Committee was established during the year and assumed the roles and responsibilities previously undertaken by the Board Executive Committee.

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, as detailed in the notes to the financial statements.

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.

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, financial planning and travel activities.

There was no significant change in the nature of these activities during the year.

Directors' Report (continued)

Operating Results

The underlying net profit after income tax for the financial year ended 30 June 2010 was $43,073,228 which represents a small increase on the 2009 result of $42,971,875.

The group recorded increased net interest revenue for the year on the back of higher business volumes and some recovery in interest margins though competitive pressures remain especially for retail deposits with higher funding costs continuing to exert downward pressure on margins. Notwithstanding this CUA continues to offer attractive rates for both borrowers and investors.

When compared to the previous year the 2010 financial year result also included lower levels of fee and commission revenue and other income with the main contributors to the increase in operating expenses coming from salaries, occupancy and depreciation costs.

A reconciliation of this value to the reported consolidated net profit is set out below:

	Consolidated	
	2010 $'000	2009 $'000
Underlying net profit after tax	**43,073**	42,972
Adjustment for specific items		
After tax gain/(loss) on fair values of derivatives	**3,624**	(40,055)
Reportable net profit after tax	**46,697**	2,917
Details for specific item – derivatives fair values		
Total gain/(loss) on fair values of derivatives (refer to note 9 for full details)	**5,178**	(57,221)
Tax effect	**(1,554)**	17,166
After tax gain/(loss) on fair values of derivatives	**3,624**	(40,055)

As foreshadowed last year, the revaluation loss is beginning to unwind as the interest rate swap book used to manage interest rate risk reduces in value generating an unrealised fair value gain for the year. The application of hedge accounting is also reducing the volatility in reported earnings associated with these accounting requirements.

CUA will continue to exclude volatility associated with fair value movements on these transactions to provide a better indication of the core or underlying business performance.

Dividends

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

Review of Operations

A review of the operations and the results of those operations is included in the Chair 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.

Directors' Report (continued)

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.

Directors' Report (continued)

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

Melbourne
26 August 2010

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of Credit Union Australia Limited

In relation to our audit of the consolidated financial report of Credit Union Australia Limited for the financial year ended 30 June 2010 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
26 August 2010

Statement of Financial Performance

For the year ended 30 June 2010

		Consolidated		Parent	
	Notes	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Revenue					
Interest revenue	2	439,661	492,028	**438,328**	490,520
Interest expense	2	(282,230)	(355,187)	**(283,429)**	(356,871)
Net interest revenue	2	157,431	136,841	**154,899**	133,649
Fee and commission revenue	2	35,643	41,743	**33,222**	38,797
Net gain on derivatives at fair value through profit and loss	2	5,178	-	**5,178**	-
Contribution income - CUA Health Ltd	2	63,725	55,665	**-**	-
Other income	2	21,859	23,410	**23,600**	25,226
Net operating income		283,836	257,659	**216,899**	197,672
Expenses					
Impairment on loans and advances	2	4,556	4,113	**4,536**	4,070
Net loss on derivatives at fair value through profit and loss	2	-	57,221	**-**	57,221
Personnel	2	56,507	52,006	**52,863**	48,099
Occupancy	2	20,953	19,167	**20,992**	19,167
Depreciation of property, plant and equipment	2	8,885	7,370	**8,853**	7,327
Amortisation of intangible assets	2	1,436	1,400	**1,436**	1,400
Benefits paid - CUA Health Ltd	2	56,758	48,352	**-**	-
Information technology	2	11,685	12,502	**11,226**	12,051
Other expenses	2	57,318	54,802	**54,073**	52,662
Total operating expenses		218,098	256,933	**153,979**	201,997
Profit/(loss) before income tax expense		65,738	726	**62,920**	(4,325)
Income tax expense	3	(19,041)	2,191	**(18,036)**	3,177
Net profit/(loss) after tax		46,697	2,917	**44,884**	(1,148)
Profit for the period is attributable to:					
Non-controlling interest		30	(11)	**-**	-
Owners of the parent		46,667	2,928	**44,884**	(1,148)
		46,697	2,917	**44,884**	(1,148)

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 2010

		Consolidated		Parent	
	Notes	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Net profit after tax		**46,697**	2,917	**44,884**	(1,148)
Other Comprehensive Income					
Net fair value gains on available for sale financial assets		**11**	(29)	**11**	(29)
Fair value revaluation of land and buildings		**-**	(860)	**-**	(860)
Net profit/(loss) on cash flow hedges taken to equity		**31,826**	(35,262)	**31,826**	(35,262)
Income tax on other comprehensive income	3	**(9,551)**	10,846	**(9,551)**	10,846
Other comprehensive income after tax		**22,286**	(25,305)	**22,286**	(25,305)
Total Comprehensive Income		**68,983**	(22,388)	**67,170**	(26,453)
Total comprehensive income for the period is attributable to:					
Non-controlling interest		**30**	(11)	**-**	-
Owners of the parent		**68,953**	(22,377)	**67,170**	(26,453)
		68,983	(22,388)	**67,170**	(26,453)

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

Statement of Financial Position

As at 30 June 2010

		Consolidated		Parent	
	Notes	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Assets					
Cash and cash equivalents	6	**39,336**	51,108	**39,263**	50,758
Financial assets - available for sale	7	**343,111**	377,870	**343,111**	377,870
Financial assets - held to maturity	8	**752,663**	628,323	**767,240**	629,140
Derivative financial instruments	9	**-**	4,913	**-**	4,913
Loans and advances	10	**6,949,097**	6,552,435	**6,949,077**	6,552,191
Other receivables	12	**18,423**	17,343	**8,056**	7,439
Investments in controlled entities	13	**-**	-	**800**	800
Property, plant and equipment	14	**31,106**	29,051	**31,003**	28,929
Deferred tax assets	15	**18,095**	25,366	**18,051**	25,287
Intangible assets	16	**2,127**	1,908	**2,127**	1,908
Other assets	17	**1,325**	1,252	**1,306**	1,239
Total assets		**8,155,283**	7,689,569	**8,160,034**	7,680,474
Liabilities					
Bank overdraft	18	**-**	1,836	**-**	1,836
Derivative financial instruments	9	**20,079**	64,912	**20,079**	64,912
Deposits	19	**5,341,155**	4,958,974	**5,413,953**	5,028,487
Borrowings	20	**2,151,802**	2,104,200	**2,144,308**	2,084,618
Other payables	21	**29,814**	27,990	**13,011**	12,098
Deferred tax liability	22	**2,170**	903	**2,169**	895
Income tax payable	23	**7,896**	669	**7,771**	707
Provisions	24	**10,844**	8,791	**10,768**	8,722
Total Liabilities		**7,563,760**	7,168,275	**7,612,059**	7,202,275
Net assets		**591,523**	521,294	**547,975**	478,199
Member Funds					
Reserves	25	**11,775**	(13,288)	**11,775**	(13,288)
Retained earnings	26	**579,748**	533,252	**536,200**	491,487
Non-controlling interests	27	**-**	1,330	**-**	-
Total Member Funds		**591,523**	521,294	**547,975**	478,199

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 2010

Consolidated

($'000)	Redeemable Preference Share Reserve	Credit Loss Reserve	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Non-Controlling Interests	Total Members Funds
Balance at 1 July 2008	1,690	7,457	2,688	-	-	-	11,835	530,546	1,301	543,682
Profit for the year	-	-	-	-	-	-		2,928	(11)	2,917
Other comprehensive income after tax										
Transfer from non-controlling interest	-	-	-	-	-	-	-	(40)	40	-
Net fair value gains on available for sale financial assets	-	-	-	(20)	-	-	(20)	-	-	(20)
Fair value revaluation of land and buildings	-	-	(602)	-	-	-	(602)	-	-	(602)
Net profit/(loss) on cash flow hedges taken to equity	-	-	-	-	(24,683)	-	(24,683)	-	-	(24,683)
Total comprehensive income for the period	-	-	(602)	(20)	(24,683)	-	(25,305)	2,888	29	(22,388)
Transactions with members in their capacity as members										
Movements in preference share reserve	182	-	-	-	-	-	182	(182)	-	-
Balance at 30 June 2009	1,872	7,457	2,086	(20)	(24,683)	-	(13,288)	533,252	1,330	521,294
Balance at 1 July 2009	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
Other comprehensive income after tax										
Net fair value gains on available for sale financial assets	-	-	-	8	-	-	8	-	-	8
Net profit/(loss) on cash flow hedges taken to equity	-	-	-	-	22,278	-	22,278	-	-	22,278
Total comprehensive income for the period	-	-	-	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
Transactions with members in their capacity as members										
Movements in preference share reserve	171	-	-	-	-	-	171	(171)	-	-
Balance at 30 June 2010	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	579,748	-	591,523

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 2010

Parent

($'000)	Redeemable Preference Share Reserve	Credit Loss Reserve	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Total Members Funds
Balance at 1 July 2008	1,690	7,457	2,688	-	-	-	11,835	492,817	504,652
Profit for the year	-	-	-	-	-	-	-	(1,148)	(1,148)
Other comprehensive income									
Net fair value gains on available for sale financial assets	-	-	-	(20)	-	-	(20)	-	(20)
Fair value revaluation of land and buildings	-	-	(602)	-	-	-	(602)	-	(602)
Net profit/(loss) on cash flow hedges taken to equity	-	-	-	-	(24,683)	-	(24,683)	-	(24,683)
Total comprehensive income for the period	-	-	(602)	(20)	(24,683)	-	(25,305)	(1,148)	(26,453)
Transactions with members in their capacity as members									
Movements in preference share reserve	182	-	-	-	-	-	182	(182)	-
Balance at 30 June 2009	1,872	7,457	2,086	(20)	(24,683)	-	(13,288)	491,487	478,199
Balance at 1 July 2009	1,872	7,457	2,086	(20)	(24,683)	-	(13,288)	491,487	478,199
Profit for the year	-	-	-	-	-	-	-	44,884	44,884
Other comprehensive income									
Net fair value gains on available for sale financial assets	-	-	-	8	-	-	8	-	8
Net profit/(loss) on cash flow hedges taken to equity	-	-	-	-	22,278	-	22,278	-	22,278
Total comprehensive income for the period	-	-	-	8	22,278	-	22,286	44,884	67,170
LCCC Merger	-	212	-	-	-	2,394	2,606	-	2,606
Transactions with members in their capacity as members									
Movements in preference share reserve	171	-	-	-	-	-	171	(171)	-
Balance at 30 June 2010	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	536,200	547,975

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 2010

	Notes	Consolidated 2010 $'000 Inflows (Outflows)	Consolidated 2009 $'000 Inflows (Outflows)	Parent 2010 $'000 Inflows (Outflows)	Parent 2009 $'000 Inflows (Outflows)
Cash Flows from Operating Activities					
Interest received		**439,661**	498,687	**438,328**	497,105
Interest and other borrowing costs paid		**(282,230)**	(355,187)	**(283,429)**	(356,871)
Other non interest income received		**120,624**	120,703	**52,989**	60,588
Net increase in members' loans		**(401,218)**	(55,895)	**(401,422)**	(56,690)
Payments to suppliers and employees		**(201,766)**	(185,873)	**(136,407)**	(131,509)
Income tax paid		**(15,275)**	(17,144)	**(14,470)**	(16,200)
Net cash provided by/(used in) operating activities	29	**(340,204)**	5,291	**(344,411)**	(3,577)
Cash Flows from Investing Activities					
(Purchase)/sale of investments		**(89,578)**	(209,056)	**(103,338)**	(226,437)
Proceeds from sale of property, plant and equipment		**410**	277	**440**	277
Dividends received		**1,716**	4,240	**3,216**	5,740
Payments for plant, equipment and software		**(13,339)**	(6,638)	**(13,327)**	(6,626)
Net cash (used in)/provided by investing activities		**(100,791)**	(211,177)	**(113,009)**	(227,046)
Cash Flows from Financing Activities					
Proceeds from (repayments to) borrowings		**45,766**	(535,508)	**57,854**	(500,782)
Net increase in members' deposits		**383,457**	725,158	**388,071**	715,140
Net cash provided by financing activities		**429,223**	189,650	**445,925**	214,358
NET INCREASE/ (DECREASE) IN CASH		**(11,772)**	(16,236)	**(11,495)**	(16,265)
Cash at the beginning of the year		**51,108**	67,344	**50,758**	67,023
Cash at the end of the year	6	**39,336**	51,108	**39,263**	50,758

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 2010

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 2010 was authorised for issue in accordance with a resolution of the directors on 26 August 2010.

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 which are carried at fair value.

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 2010 are outlined in the table below.

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: ▪ has primary responsibility for providing the goods or service; ▪ has inventory risk; ▪ has discretion in establishing prices; ▪ bears the credit risk.	1 Jan 2010	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2010

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 2009-5 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 Jan 2010	The Group may be impacted by these amendments but has not yet determined the full extent of that impact.	1 Jul 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. The amendments clarify the accounting for Group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 Jan 2010	This is not applicable to the Group.	1 Jul 2010

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 2009-9	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: ▪ exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets ▪ exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.	1 Jan 2010	This is not applicable to the Group.	1 Jan 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 Feb 2010	This is not applicable to the Group.	1 Jul 2010

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 9	Financial Instruments	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. 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. 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. 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.	1 Jan 2013	The Group may be impacted by these amendments but has not yet determined the full extent of that impact.	1 Jul 2013

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
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]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ▪ two categories for financial assets being amortised cost or fair value ▪ removal of the requirement to separate embedded derivatives in financial assets ▪ strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ▪ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ▪ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ▪ changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 Jan 2013	The Group may be impacted by these amendments but has not yet determined the full extent of that impact.	1 Jul 2013

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (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; and (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. 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.	1 Jan 2011	The Group may be impacted by these amendments but has not yet determined the full extent of that impact.	1 Jul 2011

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
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. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 Jan 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jul 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 Jul 2010	This is not applicable to the Group.	1 Jul 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 Jan 2011	This is not applicable to the Group.	1 Jul 2011

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 2010-1	Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 Jul 2010	This is not applicable to the Group.	1 Jul 2010
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and public sector entities other than the Australian Government and State, Territory and Local Governments.	1 Jul 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jul 2013

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 Jul 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jul 2013
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]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 Jul 2010	This is not applicable to the Group.	1 Jul 2010

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on the Company's financial report	Application date for the Company*
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 Clarify 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 Jan 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jul 2011
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 Jul 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jul 2010

* designates the beginning of the applicable annual reporting period unless otherwise stated

*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB. Entities must disclose the impact of these pronouncements in order to make the statement of compliance with IFRS under AASB 101.14. For-profit public sector entities may not be required to disclose the impact of IASB and IFRIC pronouncements if they have applied an Australian Accounting Standard, which is inconsistent with IFRS requirements under AASB 101.Aus14.2. Not-for-profit entities need not comply with AASB 101.14 and are not required to disclose the impact of IASB and IFRIC pronouncements under AASB 101.Aus14.3.

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements 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, judgement 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 judgements 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 held at cost.

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 2010

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 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 2010

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(c) Financial Assets and Liabilities

The Group changed its accounting policy in the previous year relating to accounting for derivatives. From 1 October 2008, hedge accounting has been applied to the derivative portfolio.

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 effective interest rate 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 at fair value through profit and loss

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 2010

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(c) Financial Assets and Liabilities (continued)

Hedge Accounting

Until 30 September 2008, no hedge accounting was applied. All such gains and losses on interest rate swaps were recognised directly in the Statement of Financial Performance. 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 2010

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 & 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 & 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 2010

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 and 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 2010

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	2010	2009
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 for 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 2010

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 there 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 2010

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(l) 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 unpresented 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 2010 is 7.66% of the claims liability (2009: 7.20%). 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 2010

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(m) Insurance Accounting Policies (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.

Insurance risk assumptions (continued)

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 (2009: 75%). The risk margin applied at 30 June 2010 is 64.3% (2009: 64.7%) which equates to $192,311 (2009: $172,575).

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

Credit loss reserve
Comprises amounts transferred from the Provision for Impairment for Loans on transition to Australian International Financial Reporting Standards (AIFRS).

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.

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2010

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(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. Consideration on transfer was in the form of CUA member shares.

Refer to note 39 for further details.

Notes to the financial statements (continued)

For the year ended 30 June 2010

2. Profit before income tax expense

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Revenue					
Interest revenue		**439,661**	492,028	**438,328**	490,520
Interest expense		**(282,230)**	(355,187)	**(283,429)**	(356,871)
Net interest revenue		**157,431**	136,841	**154,899**	133,649
Fee and commission revenue		**35,643**	41,743	**33,222**	38,797
Net gain on derivatives at fair value through profit and loss	9	**5,178**	-	**5,178**	-
Contribution income - CUA Health Ltd		**63,725**	55,665	**-**	-
Other income:					
Dividends revenue		**1,716**	4,240	**3,216**	5,740
Bad debts recovered		**459**	460	**459**	460
Rental income		**354**	344	**739**	856
Other		**19,330**	18,366	**19,186**	18,170
Total other income		**21,859**	23,410	**23,600**	25,226
Net operating income		**283,836**	257,659	**216,899**	197,672
Expenses					
Impairment on loans and advances		**4,556**	4,113	**4,536**	4,070
Net loss on derivatives at fair value through profit and loss	9	**-**	57,221	**-**	57,221
Personnel		**51,340**	45,880	**47,719**	41,993
Superannuation		**5,167**	6,126	**5,144**	6,106
Total Personnel		**56,507**	52,006	**52,863**	48,099
Occupancy		**20,953**	19,167	**20,992**	19,167
Depreciation of building		**26**	10	**26**	10
Depreciation of plant and equipment		**8,859**	7,360	**8,827**	7,317
Total Depreciation		**8,885**	7,370	**8,853**	7,327
Amortisation of intangible assets		**1,436**	1,400	**1,436**	1,400
Benefits paid - CUA Health Ltd		**56,758**	48,352	**-**	-
Information technology		**11,685**	12,502	**11,226**	12,051
Other expenses					
Fee and commission expense		**20,226**	24,831	**19,269**	24,902
General administrative expenses		**37,092**	29,971	**34,804**	27,760
Total other expenses		**57,318**	54,802	**54,073**	52,662
Total operating expenses		**218,098**	256,933	**153,979**	201,997

Notes to the financial statements (continued)

For the year ended 30 June 2010

3. Income tax

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Prima facie tax payable on profit @ 30% (2009 @ 30%)	**19,721**	218	**18,876**	(1,298)
Adjust for tax effect of:				
Other non-allowable expenses	**43**	39	**38**	9
Non-deductible depreciation and amortisation	**8**	2	**8**	2
Non-assessable income from tax exempt subsidiary - CUA Health Ltd	**(297)**	(1,086)	**-**	-
Fully franked dividends received	**(515)**	(1,272)	**(965)**	(1,722)
Investment allowance rebate	**(103)**	(168)	**(103)**	(168)
(Over)/under provision in prior year	**184**	76	**182**	-
	19,041	(2,191)	**18,036**	(3,177)
The components of tax expense comprise:				
Current tax	**18,650**	17,533	**17,663**	16,584
Deferred tax	**391**	(19,724)	**373**	(19,761)
	19,041	(2,191)	**18,036**	(3,177)
Franking Account				
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% (2009: 30%)	**125,302**	111,615	**121,391**	107,999

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

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Net gain/(loss) on financial investments - available for sale	**3**	(8)	**3**	(8)
Net gain/(loss) on cash flow hedges	**9,548**	(10,578)	**9,548**	(10,578)
Net gain/(loss) on asset revaluations	**-**	(258)	**-**	(258)
	9,551	(10,844)	**9,551**	(10,844)

Notes to the financial statements (continued)

For the year ended 30 June 2010

4. Remuneration of auditors

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	**$**	$
Remuneration of the auditor for:				
Auditing or reviewing the financial report	**311,307**	366,570	**211,344**	249,320
Other services - taxation services, trust and regulatory services	**342,603**	364,887	**178,977**	220,723
	653,910	731,457	**390,321**	470,043

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

A.E. Beanland (Appointed 24 September 2009)
P.G. Dowling
E.A. Foster
C. Franks
C.M. Greer
R.E. Powell
K.B. Ross

Key Management Personnel

C.W. Whitehead (Appointed 17 August 2009)
T.P. Donaghy (Resigned 4 February 2010)
J.F. George (From 18 November 2009)
G.A. Grant
A.D. Hadley
R.N. Juriansz (From 18 November 2009)
B.G. Los (From 18 November 2009)
R.B. Nicholls (Resigned 18 December 2009)
D.A. Northey (Appointed 19 April 2010)
E.M. Trafford (From 5 February 2010)
D.M. Webb (Until 12 April 2010)

Notes to the financial statements (continued)

For the year ended 30 June 2010

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	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
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	**586**	705	**3,059**	1,210
II. post employment benefits – superannuation	**36**	48	**172**	81
III. other long term benefits	**-**	0	**368**	26
IV. termination benefits	**-**	1,371	**377**	-
	622	2,124	**3,976**	1,317

Notes to the financial statements (continued)

For the year ended 30 June 2010

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.

	Parent	
	2010 $'000	2009 $'000
Aggregate of loans to CUA Directors and named Key Management Personnel as at balance date amounted to:	**5,768**	3,382
The total value of revolving credit facilities to CUA Directors and named Key Management Personnel as at balance date amounted to:	**1,318**	817
Less amounts drawn down	**2**	-
Net balance available	**1,320**	817
During the year the aggregate value of loans disbursed to CUA Directors and named Key Management Personnel amounted to:		
Revolving Credit	**501**	125
Term Loans	**1,345**	309
Interest and other revenue earned on loans and revolving credit facilities to CUA Directors and named Key Management Personnel	**279**	178
Total value of savings and term deposits from CUA Directors and named Key Management Personnel as at balance date	**771**	847
Total interest paid on deposits to CUA Directors and named Key Management Personnel	**14**	12

Notes to the financial statements (continued)

For the year ended 30 June 2010

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	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Cash on hand	**38,717**	34,046	**38,644**	33,696
Deposits on call due from Authorised Deposit Institutions	**619**	17,062	**619**	17,062
	39,336	51,108	**39,263**	50,758

7. Financial assets – available for sale

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Commercial Paper	**111,373**	189,643	**111,373**	189,643
Deposits with Authorised Deposit Institutions	**218,012**	174,609	**218,012**	174,609
Shares in unlisted entities - carried at cost	**13,726**	13,618	**13,726**	13,618
	343,111	377,870	**343,111**	377,870

8. Financial assets – held to maturity

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Loans to subsidiary	**-**	-	**2,200**	3,000
Residential Mortgage Backed Securities	**-**	-	**40,124**	27,071
Deposits with Authorised Deposit Institution's	**752,663**	628,323	**724,916**	599,069
	752,663	628,323	**767,240**	629,140

Notes to the financial statements (continued)

For the year ended 30 June 2010

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
	2010	**2010**	**2010**	2009	2009	2009
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Derivatives at fair value through the income statement						
Interest rate swaps	**-**	**-**	**-**	4,913	-	(150,000)
Derivatives used as cash flow hedges						
Interest rate swaps	**-**	**20,079**	**1,115,000**	-	64,912	1,550,000
	-	**20,079**	**1,115,000**	4,913	64,912	1,400,000

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 2010

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 2010, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

2010	Within 1 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)	-	-

2009	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000
Cash inflows	-	-	-	-	-
Cash outflows	77,585	39,528	19,228	6,073	-
Net cash flows	(77,585)	(39,528)	(19,228)	(6,073)	-

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

	2010	2009
	$'000	$'000
Net gain/(loss) on derivatives at fair value through income statement	7,092	(52,832)
Net gain/(loss) on derivatives reclassified through income statement	(2,193)	(4,004)
Net gain/(loss) on ineffective hedges	279	(385)
	5,178	(57,221)
Tax effect	(1,554)	17,166
Net gain/(loss) on derivatives	3,624	(40,055)

10. Loans and advances

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
Overdrafts		89,698	99,044	89,698	99,044
Term loans		6,867,296	6,460,001	6,867,234	6,459,613
Gross loans and advances		6,956,994	6,559,045	6,956,932	6,558,657
Provision for impairment	11	(7,897)	(6,610)	(7,855)	(6,466)
Net Loans and Advances		6,949,097	6,552,435	6,949,077	6,552,191

Notes to the financial statements (continued)

For the year ended 30 June 2010

11. Impairment of loans and advances

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Provision for impairment				
Specific Provision				
Opening balance	**5,510**	5,150	**5,366**	5,014
Bad and doubtful expense	**2,816**	3,133	**2,796**	3,090
Bad debts written off	**(3,269)**	(2,773)	**(3,147)**	(2,738)
Closing balance	**5,057**	5,510	**5,015**	5,366
Collective Provision				
Opening balance	**1,100**	120	**1,100**	120
Bad and doubtful expense	**1,740**	980	**1,740**	980
Closing balance	**2,840**	1,100	**2,840**	1,100
Total Provision for impairment	**7,897**	**6,610**	**7,855**	**6,466**
Impaired Loans				
Restructured Loans Balance	**506**	148	**506**	148
Provision for impairment	**242**	90	**242**	90
Past-due Loans Balance	**11,949**	12,624	**11,892**	12,419
Provision for impairment	**4,151**	4,593	**4,110**	4,449
Interest revenue recognised and forgone				
Interest revenue recognised on past due and restructured loans	**172**	214	**172**	214
Interest revenue foregone on past due and restructured loans	**123**	135	**123**	135

12. Other receivables

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Accrued income	**221**	208	**221**	208
Sundry debtors	**11,867**	10,608	**7,835**	7,231
Securitisation Trusts collection amounts	**6,335**	6,527	**-**	-
	18,423	17,343	**8,056**	7,439

Notes to the financial statements (continued)

For the year ended 30 June 2010

13. Investments in controlled entities

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'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	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Land and buildings - at fair value	**5,393**	2,640	**5,393**	2,640
Depreciation	**(26)**	-	**(26)**	-
Additions	**748**	(13)	**748**	(13)
Revaluations	**-**	2,766	**-**	2,766
Land and buildings - at fair value	**6,115**	5,393	**6,115**	5,393
Plant and equipment – at cost	**58,974**	51,838	**58,798**	51,624
Accumulated depreciation	**(34,362)**	(28,695)	**(34,289)**	(28,603)
Total plant and equipment	**24,612**	23,143	**24,509**	23,021
Total capital work in progress	**379**	515	**379**	515
Total property, plant and equipment	**31,106**	29,051	**31,003**	28,929

Revaluation of freehold land and freehold buildings

The fair values of freehold land and freehold buildings have been determined by reference to director valuations, based upon independent valuations previously obtained. The independent valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction on the valuation date. The effective date of the last independent revaluation was 30 June 2008 and in 2009 the directors determined that a reduction should be recognised to reflect the softening of the commercial property market over the financial year. In 2010 no revaluation was undertaken nor was there an adjustment made.

Notes to the financial statements (continued)

For the year ended 30 June 2010

14. Property, plant and equipment (continued)

Reconciliation of carrying amounts

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Land – carrying amount at beginning of financial year	**4,989**	5,849	**4,989**	5,849
Additions	**250**	-	**250**	-
Revaluations	**-**	(860)	**-**	(860)
Land – carrying amount at end of financial year	**5,239**	4,989	**5,239**	4,989
Building – carrying amount at beginning of financial year	**404**	414	**404**	414
Depreciation expense	**(26)**	(10)	**(26)**	(10)
Additions	**498**	-	**498**	-
Revaluations	**-**	-	**-**	-
Building – carrying amount at end of financial year	**876**	404	**876**	404
Total net carrying amount of land and buildings	**6,115**	5,393	**6,115**	5,393
Plant and equipment	**23,143**	24,949	**23,021**	24,796
Depreciation expense	**(8,859)**	(7,360)	**(8,827)**	(7,317)
Additions	**11,072**	6,655	**11,063**	6,643
Disposals	**(744)**	(1,101)	**(748)**	(1,101)
Total Plant and equipment	**24,612**	23,143	**24,509**	23,021

15. Deferred tax assets

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Deferred tax assets comprise temporary differences attributable to:				
- doubtful debts	**5,565**	1,983	**5,553**	1,940
- available for sale reserve	**5**	-	**5**	-
- employee benefits	**2,520**	2,359	**2,497**	2,337
- provisions	**1,173**	179	**1,166**	165
- property, plant and equipment	**2,348**	1,504	**2,346**	1,504
- swap adjustment	**6,484**	19,341	**6,484**	19,341
	18,095	25,366	**18,051**	25,287

Notes to the financial statements (continued)

For the year ended 30 June 2010

16. Intangible assets

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Computer Software at cost	**5,377**	8,015	**5,377**	8,015
Accumulated amortisation	**(3,250)**	(6,107)	**(3,250)**	(6,107)
	2,127	1,908	**2,127**	1,908
Reconciliation of carrying amounts				
Computer Software	**1,908**	2,433	**1,908**	2,433
Additions	**1,655**	875	**1,655**	875
Disposals	**-**	-	**-**	-
Amortisation expense	**(1,436)**	(1,400)	**(1,436)**	(1,400)
Net carrying amount	**2,127**	1,908	**2,127**	1,908

17. Other assets

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Prepayments	**1,325**	1,252	**1,306**	1,239

18. Bank overdraft

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Overdraft	-	1,836	-	1,836

19. Deposits

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Members' shares	**3,343**	3,316	**3,343**	3,316
Members' call deposits	**2,516,130**	2,476,362	**2,521,278**	2,481,231
Members' term deposits	**2,777,138**	2,429,121	**2,844,540**	2,493,125
Interest payable	**44,544**	50,175	**44,792**	50,815
	5,341,155	4,958,974	**5,413,953**	5,028,487

There is no concentration of risk, including 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 2010

20. Borrowings

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Securitisation Trust borrowings	**2,061,665**	2,014,045	**2,054,171**	1,994,463
Term borrowings	**90,137**	90,155	**90,137**	90,155
	2,151,802	2,104,200	**2,144,308**	2,084,618

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	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Insurance claims payable	**4,479**	3,614	**-**	-
Unearned premiums	**8,967**	7,849	**-**	-
Trade creditors and accruals	**16,368**	16,527	**13,011**	12,098
	29,814	27,990	**13,011**	12,098

Insurance claims payable relates to CUA Health Ltd and Credicorp Insurance Pty Ltd. This amount represents a combination of a central estimate, a risk margin of 12.5% and a probability of adequacy of at least 75%.

22. Deferred tax liability

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Deferred tax liability comprise temporary differences attributable to:				
- revaluation of property	**761**	903	**760**	895
- securitisation setup costs	**1,409**	-	**1,409**	-
	2,170	903	**2,169**	895

23. Income tax payable

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Current income tax payable	**7,896**	669	**7,771**	707

Notes to the financial statements (continued)

For the year ended 30 June 2010

24. Provisions

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Employee benefits	**8,400**	7,861	**8,324**	7,792
Makegood Provision				
Opening Balance	**930**	630	**930**	630
Increase in provision	**1,514**	300	**1,514**	300
Makegood expense	**-**	-	**-**	-
Net carrying amount	**2,444**	930	**2,444**	930
Total Provisions	**10,844**	8,791	**10,768**	8,722

25. Reserves

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Credit loss reserve	**7,669**	7,457	**7,669**	7,457
Redeemable preference share reserve	**2,043**	1,872	**2,043**	1,872
Available for sale reserve	**(12)**	(20)	**(12)**	(20)
Asset revaluation reserve	**2,086**	2,086	**2,086**	2,086
Cash flow hedge reserve	**(2,405)**	(24,683)	**(2,405)**	(24,683)
Business combination reserve	**2,394**	-	**2,394**	-
Closing balance	**11,775**	(13,288)	**11,775**	(13,288)

26. Retained earnings

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Opening balance	**533,252**	530,546	**491,487**	492,817
Net profit after tax	**46,667**	2,928	**44,884**	(1,148)
Transfer from non-controlling interest	**-**	(40)	**-**	-
Transfer to redeemable preference share reserve	**(171)**	(182)	**(171)**	(182)
Closing balance	**579,748**	533,252	**536,200**	491,487

27. Non-controlling interests

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Non-controlling interests in reserves of Friendly Society	**-**	1,330	**-**	-

Notes to the financial statements (continued)

For the year ended 30 June 2010

28. Commitments

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
(a) Capital expenditure commitments not provided for:				
Amounts contracted for branch refurbishments or relocations	**1,009**	276	**1,009**	276
(b) Lease expenditure commitments not provided for:				
Operating leases (non-cancellable)				
-not later than 1 year	**19,538**	14,835	**19,538**	14,835
-later than 1 and not later than 5 years	**37,614**	30,780	**37,614**	30,780
-later than 5 years	**28,120**	1,017	**28,120**	1,017
	85,272	46,632	**85,272**	46,632
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	**123,828**	120,750	**123,828**	120,750
-Undrawn overdrafts and credit facilities at call	**248,566**	250,435	**248,566**	250,435

29. Statement of Cash Flows reconciliation

	Consolidated		Parent	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Net profit/(loss) after income tax	**46,697**	2,917	**44,884**	(1,148)
Non-cash flows in profit after income tax:				
Depreciation and amortisation	**10,321**	8,770	**10,289**	8,727
Provision for loan impairment	**4,556**	4,113	**4,536**	4,070
Derivative financial instruments	**(5,178)**	61,332	**(5,178)**	61,332
Other	**(1,716)**	(3,416)	**(3,216)**	(4,916)
Changes in assets and liabilities				
(Increase)/Decrease in Other receivables	**(1,080)**	6,673	**(617)**	3,955
Increase/(Decrease) in Other payables	**1,824**	(1,015)	**913**	(674)
(Increase)/Decrease in Loans and advances	**(401,218)**	(55,895)	**(401,422)**	(56,690)
(Increase)/Decrease in Prepayments	**(73)**	32	**(67)**	38
Increase/(Decrease) in Income taxes payable	**7,227**	419	**7,064**	386
(Increase)/Decrease in Deferred tax asset	**(4,884)**	(9,225)	**(4,917)**	(9,223)
Increase/(Decrease) in Provisions	**2,053**	1,118	**2,046**	1,106
Increase/(Decrease) in Deferred tax liability	**1,267**	(10,532)	**1,274**	(10,540)
Net cash provided by operating activities	**(340,204)**	5,291	**(344,411)**	(3,577)

Notes to the financial statements (continued)

For the year ended 30 June 2010

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	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Standby and overdraft arrangements:				
(i) Overdraft				
Approved limit	**10,000**	10,000	**10,000**	10,000
Amount utilised	-	-	-	-
(ii) Wholesale Funding				
a) Cuscal Ltd				
Approved limit	**50,000**	50,000	**50,000**	50,000
Amount utilised	**50,000**	50,000	**50,000**	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	**750,000**	750,000	**750,000**	750,000
Amount utilised	**243,807**	368,166	**243,807**	368,166

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 (2009 - nil).

Notes to the financial statements (continued)

For the year ended 30 June 2010

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 (2009 - 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:

Investments in controlled entities				
	Equity interest %		Investment $	
Name of entity	**2010**	2009	**2010**	2009
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 Friendly Society Ltd	**-**	-	**-**	-

All entities are incorporated in Australia.

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

On 31 May 2010 CUA Friendly Society Ltd was transferred to the Ancient Order of Foresters in Victoria Friendly Society Ltd for nil consideration. There was no loss on this transfer.

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 2010

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	**2010**	**-**	**-**	**1,500,000**
	2009	-	-	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	**2010**		**-**	**384,792**
	2009		-	512,280
Management charges paid to CUA by CUA Health Ltd, CUA Friendly Society Ltd, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd	**2010**		**-**	**4,771,873**
	2009		-	4,381,089
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	**2010**	**-**	**1,480,296**	**-**
	2009	-	2,082,827	-
Interest received by CUA relating to interest charged on loans held with Credicorp Finance Pty Ltd	**2010**	**126,132**	**-**	**-**
	2009	247,581	-	-
Commission received by CUA from Credicorp Insurance Pty Ltd	**2010**	**1,363,735**	-	-
	2009	1,109,798	-	-
Trust management fees paid by the Harvey Securatisation Trusts to CUA Financial Planning Pty Ltd(as custodian).	**2010**	**-**	**597,504**	-
	2009	-	666,327	-

Notes to the financial statements (continued)

For the year ended 30 June 2010

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 and from 1 October 2008 commenced accounting for these risks using hedge accounting. Before this date, derivatives were revalued through the Statement of Comprehensive Income for market movements. 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 and reviewed monthly. 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 2010

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	2010			2009		
	Average	Max	Min	Average	Max	Min
VaR%	2.17%	2.58%	1.67%	2.41%	2.81%	2.11%

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 2010	Floating Rate	Fixed Interest rate maturing			Non Interest Sensitive	Total	Effective Interest Rate
		Fixed Interest rate maturing	1 to 5 Years	Over 5 Years			
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets							
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%
Total Assets	4,075,955	2,325,775	1,637,724	207	52,443	8,092,104	
Liabilities							
Bank overdraft	-	-	-	-	-	-	-
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%
Total Liabilities	3,934,417	3,324,766	622,904	-	89,624	7,971,711	

Notes to the financial statements (continued)

For the year ended 30 June 2010

37. Risk management (continued)

Market Risk and Hedging Policy (continued)

Consolidated (continued)

Repricing Period at 30 June 2009	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	%
Assets							
Cash and cash equivalents	17,062	-	-	-	34,046	51,108	1.02%
Financial assets - available for sale	-	364,252	-	-	13,618	377,870	3.50%
Financial assets - held to maturity	-	628,323	-	-	-	628,323	3.77%
Derivative financial instruments	4,913	-	-	-	-	4,913	-
Loans and advances	3,185,433	238,160	3,128,842	-	-	6,552,435	7.42%
Total Assets	**3,207,408**	**1,230,735**	**3,128,842**	**-**	**47,664**	**7,614,649**	
Liabilities							
Bank overdraft	1,836	-	-	-	-	1,836	5.60%
Derivative financial instruments	64,912	-	-	-	-	64,912	-
Deposits	3,060,499	1,764,829	133,646	-	-	4,958,974	5.40%
Commitments	371,185	-	-	-	46,908	418,093	-
Borrowings	794,786	111,056	1,198,358	-	-	2,104,200	3.89%
Total Liabilities	**4,293,218**	**1,875,885**	**1,332,004**	**-**	**46,908**	**7,548,015**	

Notes to the financial statements (continued)

For the year ended 30 June 2010

37. Risk management (continued)

Market Risk and Hedging Policy (continued)

Parent

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	%
Assets							
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%
Derivative financial instruments	-	-	-	-	-	-	-
Loans and advances	4,075,274	1,243,727	1,637,724	207	-	6,956,932	7.23%
Total Assets	4,075,893	2,298,028	1,677,848	207	54,570	8,106,546	
Liabilities							
Bank overdraft	-	-	-	-	-	-	-
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%
Total Liabilities	3,938,187	3,346,175	663,029	-	89,624	8,037,015	

Notes to the financial statements (continued)

For the year ended 30 June 2010

37. Risk management (continued)

Market Risk and Hedging Policy (continued)

Parent (continued)

Repricing Period at 30 June 2009	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	%
Assets							
Cash and cash equivalents	17,062	-	-	-	33,696	50,758	1.02%
Financial assets - available for sale	-	364,252	-	-	13,618	377,870	3.50%
Financial assets - held to maturity		599,069	27,071	-	3,000	629,140	3.77%
Derivative financial instruments	4,913	-	-	-	-	4,913	-
Loans and advances	3,185,189	238,160	3,128,842	-	-	6,552,191	7.42%
Total Assets	**3,207,164**	**1,201,481**	**3,155,913**	**-**	**50,314**	**7,614,872**	
Liabilities							
Bank overdraft	1,836	-	-	-	-	1,836	5.60%
Derivative financial instruments	64,912	-	-	-	-	64,912	-
Deposits	2,481,368	2,433,630	110,173	-	3,316	5,028,487	5.40%
Commitments	371,185	-	-	-	46,908	418,093	-
Borrowings	775,203	111,057	1,198,358	-	-	2,084,618	3.89%
Total Liabilities	**3,694,504**	**2,544,687**	**1,308,531**	**-**	**50,224**	**7,597,946**	

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

Credit Risk

State	2010		2009	
	Housing Loans $'000	**Other Loans $'000**	Housing Loans $'000	Other Loans $'000
New South Wales	**1,811,398**	**126,726**	1,711,282	161,681
Victoria	**1,211,198**	**84,476**	1,087,553	106,118
Queensland	**3,151,702**	**196,731**	2,913,159	240,844
South Australia	**14,111**	**1,025**	12,408	1,289
Western Australia	**213,046**	**16,444**	177,343	22,597
Tasmania	**10,227**	**608**	8,814	772
Northern Territory	**10,636**	**760**	8,395	965
ACT	**51,907**	**3,585**	51,109	4,322
Other	**49,573**	**2,841**	46,666	3,728
TOTAL	**6,523,798**	**433,196**	6,016,729	542,316

Notes to the financial statements (continued)

For the year ended 30 June 2010

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 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**
TOTAL	**307,462**	**40,571**	**11,949**	**359,982**

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2009:

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	228,522	36,722	12,624	277,868
TOTAL	228,522	36,722	12,624	277,868

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 & investments with Cuscal Ltd of $243,327 (2009: $214,757).

Credit Risk – Loan Portfolio

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

	Consolidated	
	2010	2009
Loan to Value Ratio	**$'000**	$'000
LVR 0% - 60%	**1,703,181**	1,589,043
LVR 60.01% - 80%	**3,373,799**	3,100,460
LVR 80.01% - 90%	**858,222**	772,041
LVR 90.01% - 100%	**567,339**	540,063
LVR > 100%	**21,257**	15,122
	6,523,798	6,016,729

During the year, CUA took possession of properties with a carrying value of $1.54 million (2009: $2.37 million).

Notes to the financial statements (continued)

For the year ended 30 June 2010

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 assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. 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
Consolidated Group - 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Bank overdraft	-	-	-	-	-	-	-
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
Total Financial Liabilities	**4,181,848**	**935,422**	**1,793,892**	**702,098**	**-**	**3,343**	**7,616,603**
Consolidated Group - 2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Bank overdraft	1,836	-	-	-	-	-	1,836
Derivative financial instruments	7,353	15,915	54,317	64,829	-	-	142,414
Members' shares	-	-	-	-	-	3,316	3,316
Members' call deposits	2,476,362	-	-	-	-		2,476,362
Members' term deposits	617,254	776,716	978,469	115,224	-	-	2,487,663
Borrowings	814,883	20,010	120,995	1,298,386	-	-	2,254,274
Total Financial Liabilities	**3,917,688**	**812,641**	**1,153,781**	**1,478,439**	**-**	**3,316**	**7,365,865**

Notes to the financial statements (continued)

For the year ended 30 June 2010

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
Parent - 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Bank overdraft	-	-	-	-	-	-	-
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
Total Financial Liabilities	**4,187,024**	**947,070**	**1,802,248**	**742,223**	**-**	**3,343**	**7,681,908**

Parent - 2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Bank overdraft	1,836	-	-	-	-	-	1,836
Derivative financial instruments	7,353	15,915	54,317	64,829	-	-	142,414
Members' shares	-	-	-	-	-	3,316	3,316
Members' call deposits	2,481,231	-	-	-	-	-	2,481,231
Members' term deposits	661,816	777,549	997,718	115,224	.	-	2,552,307
Borrowings	795,302	20,010	120,995	1,298,386	-	-	2,234,693
Total Financial Liabilities	**3,947,538**	**813,474**	**1,173,030**	**1,478,439**	**-**	**3,316**	**7,415,797**

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 2010

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 2010	**As at June 2009**
Risk weighted capital ratios		
Tier 1	**16.62%**	16.53%
Tier 2	**0.09%**	0.06%
Total capital ratio	**16.71%**	16.59%
	$'000	**$'000**
Qualifying capital		
Tier 1	**530,925**	488,866
Tier 2	**2,735**	1,689
Total qualifying capital	**533,660**	490,555
Total risk weighted assets	**3,193,328**	2,957,718

Notes to the financial statements (continued)

For the year ended 30 June 2010

39. Business combination

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.

	Fair Value at Acquisition Date	Carrying Value
	$'000	$'000
Assets		
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
Total Assets	33,944	34,006
Liabilities		
Deposits	30,826	30,846
Other payables	387	387
Provisions	167	167
Total Liabilities	31,380	31,400
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 2010

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 are carried at net market/fair value and have their net fair value determined based on quoted market prices or net assets of associates. The market/fair value cannot be determined for Unlisted Shares due to no active market being present for these assets.

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.

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 2010.

Borrowings: The carrying values of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice 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 2010.

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 2010.

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

Held to maturity investments : The fair value for held to maturity investments 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.

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 2010

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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	**39,336**	51,108	**39,336**	51,108
Financial assets - available for sale	**343,111**	377,870	**343,111**	377,870
Financial assets - held to maturity	**752,663**	628,323	**752,663**	628,323
Derivative financial instruments	**-**	4,913	**-**	4,913
Loans and advances	**6,949,097**	6,552,435	**6,768,967**	6,311,842
Total Financial Assets	**8,084,207**	7,614,649	**7,904,077**	7,374,056
Financial Liabilities				
Bank overdraft	**-**	1,836	**-**	1,836
Derivative financial instruments	**20,079**	64,912	**20,079**	64,912
Deposits	**5,341,155**	4,958,974	**5,378,155**	4,992,071
Borrowings	**2,151,802**	2,104,200	**2,151,802**	2,104,200
Total Financial Liabilities	**7,513,036**	7,129,922	**7,550,036**	7,163,019

	Fair Value				Carrying Amount
2010	**Level 1**	**Level 2**	**Level 3**	**Total**	
Financial Liabilities					
Derivative financial instruments	-	**20,079**	-	**20,079**	**20,079**
Total Financial Liabilities	**-**	**20,079**	**-**	**20,079**	**20,079**

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 2010 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

Melbourne
26 August 2010

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Independent auditor's report to the members of Credit Union Australia Limited

We have audited the accompanying financial report of Credit Union Australia Limited which comprises the statement of financial position as at 30 June 2010, statement of financial performance, 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 the 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, a copy of which is included in the directors' report. 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 Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Credit Union Australia Limited and the consolidated entity at 30 June 2010 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.

Ernst & Young

Mark Hayward
Partner
Brisbane
26 August 2010

CREDIT UNION AUSTRALIA LIMITED
ABN 44 087 650 959 AFSL NO. 238317
GPO Box 100, Brisbane, QLD 4001
P 133 cua (133282) W www.cua.com.au

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