

ANNUAL REPORT 2011



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2011 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at The Victoria Room, Hilton Adelaide, 233 Victoria Square, Adelaide, SA on 23 November 2011 commencing at 6pm (CST). Registration will open at 5:30pm.

ENVIRONMENTAL SUSTAINABILITY

Community CPS cares about its community and is committed to environmental sustainability which is why this Annual Report has been printed on carbon neutral stocks that contain recycled content and are elemental chlorine free. They are also ISO14001 and FSC Mixed Sources Certified.



ABOUT COMMUNITY CPS

Community CPS is the fourth largest credit union in Australia with more than 185,000 members, 585 employees and managing a combined \$3.5 billion in assets.

We offer a diverse range of financial services to suit the needs of our members including face to face advice and transactions, personal and business banking, insurance, financial planning, tax and accounting, telephone and internet banking, Bank@Post, BPAY® and foreign exchange services.

Community CPS was established in March 2006 following the merger of CPS Credit Union SA (established 1958) and CPS Credit Union Co-operative ACT (established 1960). Both credit unions had origins in serving Commonwealth Public Servants and their families, which over the years had extended to servicing the entire community.

Following several successful mergers over the past 5 years, the Community CPS Group is now made up of Community CPS (SA & ACT), United Community (WA), Companion Credit Union (NSW) and Wagga Mutual Credit Union (NSW).

The Community CPS Group now has a total of 48 branches across Australia. Community CPS operates 12 branches in South Australia, 8 in the Australian Capital Territory and 2 in regional New South Wales. In Western Australia, United Community has 14 branches located across the State. In New South Wales, Companion Credit Union operates 9 branches in the Hunter Valley region and Wagga Mutual has 3 branches in Wagga Wagga and regions.

Our commitment to the community is at the heart of everything we do. In 2007 we established our Community Development Program which has contributed more than \$4.9 million towards our local communities over the past four years, including nearly \$1 million in grants and donations from our Foundation.

OUR VISION

Our vision is to become the leading member-owned financial services group, renowned for enriching lives and communities.

OUR PURPOSE

Creating and returning value to members through financial and community partnerships.

OUR VALUES

Members First

Our members are paramount and their prosperity is a mutual success.

Community

Healthy, strong communities enable our members to prosper.

Mutuality

Our members are sovereign and they and their communities benefit when we work in partnership.

Integrity

Partnerships thrive where honesty, fairness, prudence and accountability build trust.



WE ARE CONFIDENT THAT THE ENVIABLE RANGE OF SERVICES AND BENEFITS OFFERED BY COMMUNITY CPS WILL CONTINUE TO HELP MEMBERS MAKE THEIR FINANCIAL DREAMS AND ASPIRATIONS A REALITY.

REPORT FROM THE CHAIR AND CEO



We are pleased to report that Community CPS Australia has posted a strong result for the 2010/11 financial year with an after tax profit of \$27.13 million, an increase of 21.3% on last year's result.

The result reaffirms our position in the financial sector and is a testament to our strategic direction, the commitment of our people and the support of our members in what has been a tough financial market.

Our growth continues to be driven by an intense commitment to deliver excellent value back to our members through our business model and value proposition.

The past twelve months have seen many changes in the financial sector but our focus has remained firmly on finding the best solutions and services for those who entrust us with their finances.

As part of our strategy to expand into regional Australia, we merged with Wagga Mutual Credit Union in New South Wales. This allowed us to assist more regional Australians with quality financial products and services. At the same time, the merger has further improved our overall position in the national market by contributing \$92.2 million to Community CPS' assets.

The Community CPS Group's assets under management have grown by 12.9% to \$3.52 billion from operations throughout South Australia, the Australian Capital Territory, Western Australia and New South Wales.

Our profitability throughout the year increased as a result of stable interest margins earned on a balance sheet that has grown by 34% over the past two years, together with a special dividend income stream of \$2.36 million.

Additionally, over the last year we have reduced our cost-to-income ratio from 68% to below 66%, driving a larger portion of income growth to our bottom line. Our capital adequacy, a measure of financial strength, remains high at 16.1%.

New lending for the year was \$681 million. This was below initial expectations but consistent with the general weakness in the home market in Australia. Despite this, loan portfolio growth remained strong due to good retention - an indication of our strong member relationships.

Credit quality remained solid with total write-offs falling 11% by comparison to 2009/10. Impaired loans increased slightly from 0.75% of total loans to 0.84%. However this increase related solely to mortgage secured loans with negligible risk of loss.

Overall, our disciplined approach to lending resulted in very low levels of delinquency and minimal write off of debts - a net write off for the year of \$1.3 million from a total loan portfolio of \$3.01 billion.

Member deposit growth increased by 7.1% which was a little lower than loan portfolio growth for the year with our new Barton 2011-1 Term securitisation program bridging the funding gap.

The mutual sector as a whole has continued to experience tight margins, a tough regulatory and funding environment and highly competitive markets while continuing to deliver quality member service.

Nevertheless, we are pleased to see that the mutual sector - made up of credit unions, building societies, friendly societies and mutual banks - is growing faster than the major banks (according to the Australian Prudential Regulation Authority's June 2011 quarter figures).

Mutuals are now writing 8.5% of all mortgages in Australia and retail deposits have grown by 8.2% according to the latest APRA data for June 2011. This compares to 6.5% for the major banks combined. Collectively credit unions and mutual building societies are the fifth largest holder of household deposits in Australia after the four major banks, reaching 11.8% market share (source: APRA, RBA and Abacus Australian Mutuals).

Customer satisfaction with credit unions continues to lead the market at 88.5% compared to 77.4% for the banks (Roy Morgan Research Customer Satisfaction Survey Australia 14+ for the six months to July 2011). At Community CPS our member satisfaction remains high at an average of 93%.

These figures support our sector's solid presence as the fifth pillar of banking - we provide essential competition which in turn provides great value banking for all Australian consumers.

As a member owned organisation, our profits are reinvested in the credit union for continuous improvement of products and services. Members as a whole benefit through better services and advantages such as no account keeping fees, fairer transaction fees and constant improvement in products and technology.

During the year our financial planning arm, Eastwoods Wealth Management, was once again awarded Licencee Select National Financial Planning Practice of the Year by Securitor Financial Group - the independent advice business of Westpac.

REPORT FROM THE CHAIR AND CEO

Our Eastwoods Group of companies contributed \$470,747 to our Group after tax profit for the year. Of this, our wealth management operations contributed \$407,410. This was achieved in a volatile and challenging investment markets climate by maintaining a singular focus on client needs, close collaboration with our credit union operations and a careful watch on costs.

Our accounting and taxation business also delivered a solid profit for the year - despite subdued business conditions - due to close relationships with existing clients, good business retention and prudent management of costs.

Over the year more than \$1.9 million has been provided to local communities through our community development program which includes our Foundation, sponsorships, fundraising events, donations and our advocacy program.

Each year we distribute 2.5% of our net profit after tax into our Foundation to facilitate the distribution of funds to worthwhile causes in the communities in which we operate.

This year we made grants totalling \$219,200 to causes across the country including Camp Quality, Operation Flinders, Greening Australia, Riding for the Disabled, Lara Jean Association, Real Food Canberra, Mission Australia, Cerebral Palsy Alliance and the Queensland Premier's Flood Appeal.

In addition to these grants, we commenced a community fundraising appeal for Camp Quality to raise further funds. Our fundraising appeal enabled us to provide a total of \$170,444 to Camp Quality to fund their Junior Camps for children with cancer across South Australia, the Australian Capital Territory, New South Wales and Western Australia.

We were pleased to raise \$21,820 through our advocacy program where we donate \$20 to a charity when people join us as a result of recommendations from our members.

We would like to thank our members for continuing to support our community initiatives and our staff for their commitment to supporting their local community through casual days and their Community Leave Day, which enables them to work directly with charitable organisations.

For more information on our community involvement, please refer to our Sustainability Snapshot on pages 14 - 23.

We have an exceptionally loyal and dedicated team of employees, who face the demanding challenges of the financial services market and business issues generally, but continue to serve our members well. Our high member satisfaction level of 93% is a reflection of the high level of service members receive.

Our Directors and senior management team work hard to instil a values based environment to allow our business to prosper and to create and return value to members. The 2010/11 year has been a very successful one and we thank them for their tireless commitment to building a successful and solid member owned financial institution that is a real alternative to the major banks.

We believe the strategy we are implementing is relevant to the turbulent environment in which we operate. Our 185,000 members enjoy a trusted adviser relationship with the organisation they own. This relationship will continue to serve us well.



Chris Doogan AM

Chair



Robert Keogh

Chief Executive Officer

BOARD OF DIRECTORS



**CHRISTOPHER MATTHEW
DOOGAN AM
CHAIR**

Chris joined the Community CPS Australia Limited Board in 2006 and was elected Deputy Chair in 2007 and Chair in 2010. He was formerly a Director of CPS Credit Union Co-operative (ACT) Limited, a Director of Community CPS Foundation Limited, Chairman of Australian Health Management Group Limited and Chairman of Law Courts Limited. He is currently a Director of the Centre for Customs and Excise Studies, an Adjunct Professor of Law, the Principal Member of the Commonwealth Statutory Fishing Rights Allocation Review Panel, a member of the Commonwealth Tax Practitioners Board, a member of the ACT Legal Practitioners Admission Board and a member of the ACT Rugby Judiciary. He is a barrister and holds degrees in administration and law (honours), is a Fellow of the Australian Institute of Management, a Fellow of the Australasian Mutuals Institute, a Fellow of the Australian Institute of Company Directors and a past Defence Fellow. Chris is a member of the Board Governance Committee and is also a Director of Eastwoods Group Ltd, Eastwoods Wealth Management Pty Ltd Eastwoods Accounting and Taxation Pty Ltd and CPS Waymouth Pty Ltd.



**ANNE MAREE O'DONNELL
DEPUTY CHAIR**

Anne is the Deputy Chair of Community CPS Australia Ltd having joined the Board in 2006 and was formerly a Director of CPS Credit Union Co-operative (ACT) Limited. She is a professional non-executive director and her current directorships include Equity Trustees Ltd, Grain Growers Ltd and Eastwoods Ltd. She is also a member of the Compliance Committee of UBS Global Asset Management (Australia) Ltd and the Audit and Evaluation Committee of IP Australia. Anne has extensive experience in the ADI and Funds Management sectors. Her past executive roles include nine years as the Chief Executive Officer of Australian Ethical Investment Ltd and some twenty years with the ANZ Banking Group Ltd. Anne holds a Master of Business Administration degree and a Bachelor of Arts, Banking and Finance degree. She is a Fellow of the Financial Services Institute of Australasia, a Fellow of the Australian Institute of Company Directors and a member of the Australasian Mutuals Institute. Anne is a Director of Eastwoods Group Ltd and member of the Board Governance Committee.



**STEPHANIE ANN CHAPMAN
DIRECTOR**

Stephanie joined the Community CPS Australia Limited Board in 2006. She has had more than 13 years experience as a company director and was formerly a Director of CPS Credit Union Co-operative (ACT) Limited. Stephanie has held senior management positions in the ACT Government Service as Dean of the Faculty of Management and Business Studies at the Canberra Institute of Technology (CIT) and Managing Director of CIT Solutions. She has an economics degree from the University of Sydney, a Graduate Diploma of Education from Sydney Teachers College, and is a member of the Australasian Mutuals Institute and was a Fellow of the Australian Institute of Management for 20 years. Stephanie is a member of the Board Audit and Finance Committee, the Risk Committee and Chair of the Nomination Committee.

BOARD OF DIRECTORS



PETER GERARD GOGARTY DIRECTOR

Peter has been a Director of Community CPS Australia Limited since January 2010. Prior to Companion Credit Union's merger with Community CPS, he was Chair of Companion for two years and a Director for the previous 6 years. Peter's professional career up until 2008 was in local Government holding senior management positions with responsibilities as diverse as land development, business planning, governance, strategic planning and community facilities management. Since 2008 Peter has been self employed and working with clients on a range of projects and business relationship difficulties. Peter holds Bachelor and Masters qualifications in the Social Sciences, a Graduate Diploma of Law, and Diplomas in Business Management, Company Directorship and Financial Services. He is an Accredited Mediator, a Graduate of the Australian Institute of Company Directors and a Fellow of the Australasian Mutuals Institute. Peter is a member of the Board Risk Committee and Chair of Community CPS Foundation Limited.



GARY JOHANNES GREEN DIRECTOR

Gary joined the Community CPS Australia Limited Board in 2006 and was Chair from 2007-2010. He was formerly Chair of CPS Credit Union Co-operative (ACT) Limited and helped facilitate the successful merger with CPS Credit Union (SA) in 2006 to form Community CPS Australia Limited. Gary is a marketing and IT specialist with extensive practical business experience including over 20 years in radio and television industries in Australia and England. He established Green Advertising in 1980, which grew to be one of the largest advertising agencies in the ACT. He was the founder of the Mac 1 Group, which is the third largest Apple Computer reseller in Australia, with stores in Canberra, Brisbane, Sydney, Newcastle, Wollongong and Armidale. Gary is a Fellow of the Australasian Mutuals Institute and a Fellow of the Australian Institute of Company Directors. He was appointed in late 2009 to the board of Abacus, the industry body that represents the Australian mutual sector comprising credit unions, mutual building societies and friendly societies. He is now semi-retired and his focus is the profitable growth of Community CPS Australia. Gary is a member of the Board Governance Committee.



BARRY GEORGE HANNA DIRECTOR

Barry joined the Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) Board in 2001. His current occupation is Company Director and he was formerly Chief Executive Officer of CPS Credit Union (SA) Limited. He is a past State President of CPA Australia, a Fellow Certified Practising Accountant, Fellow of the Australian Institute of Company Directors, Fellow of the Australasian Mutuals Institute and a Justice of the Peace. Barry is Chair of the Board Audit and Finance Committee and is also a Director of Eastwoods Group Ltd, Eastwoods Wealth Management Pty Ltd and Eastwoods Accounting and Taxation Pty Ltd.

BOARD OF DIRECTORS



CATHERINE ANNE NANCE DIRECTOR

Catherine has been a Director of Community CPS Australia Limited since November 2008 and was a Director of United Credit Union for 10 years' prior to its merger with Community CPS. Catherine is a Partner at PricewaterhouseCoopers with over 20 years experience advising governments, companies and financial service organisations and superannuation funds on superannuation related matters, financing the ageing, financial and statistical models and strategic investment advice. Catherine is a member of the Institute of Actuaries Taskforces dealing with Ageing Australia and International Financial Reporting Standards. She has been a Board member of the West Australian Treasury Corporation since 1998 and is currently Chair of their Audit Committee and a director of the Government Employees Superannuation Board WA. Catherine is a Fellow of the Institute of Actuaries of Australia, Affiliate of the Institute of Actuaries (London), a Fellow of the Financial Services Institute of Australasia and a Member of the CFA Institute. She is a member of the Board Audit and Finance Committee and a Director of Community CPS Foundation Limited.



STEVE NOLIS DIRECTOR

Steve was elected as a Director of Community CPS Australia Limited in November 2009. Steve has significant banking and finance industry experience, having worked for the Reserve Bank of Australia for 14 years and at CPS Credit Union (SA) Limited for 5 years. In addition to this, he has Senior Management experience at a State and National level across both Commercial and Government sectors. His range of expertise includes operations management, change management, human resources, strategic planning, marketing, finance and business development. Steve is currently the General Manager at law firm Duncan Basheer Hannon. His tertiary qualifications include a Graduate Certificate of Management and a Master of Business Administration (MBA) attained through the University of South Australia. He has also completed studies through the Business in China Intensive School, Shanghai, China. Steve is Chair of the Board Governance Committee and is a member of the Board Nominations Committee.



HEATHER LOUISE WEBSTER DIRECTOR

Heather has served on the Community CPS Australia Ltd (formerly CPS Credit Union (SA) Limited) Board since 2003. Heather has a Master of Business Administration from the University of Adelaide and degrees in science and librarianship. She is a Fellow of the Australian Institute of Company Directors and serves as a councillor for South Australia with a particular interest in directors and education for 'not for profit' boards. After long careers in both Passenger Transport and CSIRO, Heather now has a small family wine business. This gives her strong insights into the challenges of small business. She chairs the local peak body Langhorne Creek Grape and Wine and works for her regional community. Heather is a Director of Community CPS Foundation Limited, Chair of the Board Risk Committee and is committed to using her diverse and extensive experience to deliver value for members and their communities.



EXECUTIVE

ROBERT KEOGH CHIEF EXECUTIVE OFFICER

Robert Keogh joined Community CPS Australia Limited (formerly CPS Credit Union Co-operative (ACT) Limited) in 1979. Robert was Chief Executive Officer of CPS Credit Union in ACT and following the merger with CPS Credit Union SA in 2006, Robert became Deputy Chief Executive of Community CPS. In 2010 he was appointed as Chief Executive Officer. He has extensive experience in business, financial services, auditing, accounting and finance. Robert holds a Bachelor of Business (Banking and Finance) and a Certificate in Accounting and is a Fellow of the Institute of Public Accountants, a member of the Australian Institute of Company Directors and Fellow of the Australian Institute of Management. He is also a Director of Community CPS Foundation Ltd, Community CPS Services Pty Ltd, Eastwoods Group Ltd, Eastwoods Finance Brokers Pty Ltd and the Credit Union Pageant Company Ltd.

WAYNE MATTERS CHIEF FINANCIAL OFFICER

Wayne Matters joined Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) in 2001 and leads a number of our corporate support functions, being finance, information technology, business intelligence, treasury, risk and compliance, change support and the project office. He has 26 years experience in finance, treasury, risk management and administration. Wayne holds a Bachelor of Arts in Accounting and a Graduate Certificate in Business Administration. He is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Australian Institute of Company Directors and a Member of the Australasian Mutuals Institute. Wayne is also a director of Data Action Pty Ltd and Community CPS Services Pty Ltd.

JOHN LIPKIEWICZ GENERAL MANAGER PROFESSIONAL SERVICES

John Lipkiewicz joined Community CPS Australia in 2003 as Head of Wealth Management. In 2010 he became General Manager of Professional Services for Community CPS Australia which includes accounting, taxation, personal and business risk insurance and financial planning services under the wholly owned Eastwoods brand and general insurance services. He has over 30 years experience in the finance industry. Prior to joining Community CPS, John was the General Manager at national master trust organisation, Personal Choice Pty Ltd, State Manager SA/NT at Astron, and Regional Manager at AMP. He is a Member of the Financial Planning Association of Australia, the Australian Mutuals Institute, an Associate CIP of the Australian and New Zealand Institute of Insurance and Finance and a Member of the Australian Institute of Company Directors. John holds a Bachelor of Arts in Economics as well as a Masters of Business Administration.



WE TEAM

RAY O'BRIEN
GENERAL MANAGER
DISTRIBUTION

Ray O'Brien joined Community CPS Australia Limited in 2010 following the merger with Companion Credit Union. He was Companion's General Manager in 1996 and became the organisation's Chief Executive Officer in 2004. Following the merger he was appointed General Manager, Distribution responsible for all Community CPS delivery channels, integration of back office member support services and business development. Ray has more than 20 years experience in the banking and finance sector and has held senior positions in the accounting and manufacturing sectors. He is a member of the Australian Institute of Company Directors, a Fellow of the Institute of Public Accountants and a Fellow of the Australasian Mutuals Institute.

ROSS NORGATE
GENERAL MANAGER
OPERATIONS

Ross Norgate joined Community CPS Australia Limited (formerly CPS Credit Union Co-operative (ACT) Limited) in 1993. Ross has 35 years experience in accounting, financial institutions, public administration and teaching. He is responsible for the Community CPS business units related to credit assessment, lending administration, credit control and property. Ross is a Fellow Certified Practising Accountant and holds a First Class Honours Degree in Accounting, Finance and Systems from the University of NSW.

PETER RUTTER
GENERAL MANAGER RETAIL

Peter Rutter joined Community CPS Australia Limited (formerly CPS Credit Union (SA) Limited) in 1994 and prior to that he worked at Bank SA for 10 years. Peter has 26 years experience in the banking and finance sector and holds a Masters of Business Administration (Advanced) from Adelaide University. He is responsible for planning and implementing strategies around the credit union's retail, community and brand operations, as well as overseeing marketing activities such as product and member segment management, direct and digital marketing and communications.

SUSTAINABLE SNAPSHOT

ABILITY



ROBERT KEOGH
CHIEF EXECUTIVE OFFICER

T Over the past year we have continued our objective of building sustainable practices into everything we do. We believe that by taking a sustainable approach now we can create long-term value for our members, employees and the general community.

Community is not just in our name – it's one of our core values, and integral to our purpose. Our engagement with our members and their communities is what makes us one of the strongest credit unions in Australia.

We have continued working towards enhancing member value and offering competitive, accessible and secure products and services.

This report aims to demonstrate our approach and ongoing commitment to sustainability. The Sustainability Snapshot has been produced in line with the major areas of disclosure recommended in the internationally renowned Global Reporting Initiative (GRI) that are relevant to the operations of Community CPS including:

- Community Involvement
- Member Engagement
- Environmental Performance
- Economic Performance
- Employee Engagement
- Corporate Governance

COMMUNITY INVOLVEMENT

BUILDING CAPACITY

Community CPS seeks to build capacity and make a positive difference to the communities in which we live and work. We contribute with programs designed to positively impact on our community through implementation of community engagement activities. This year our total community investment increased substantially to \$1,905,629.

In the community we focus our support in three ways:

- Providing financial support to organisations through our Foundation
- Creating engaging partnerships through sponsorships
- Providing financial and in-kind support for locally-based organisations through community donations.

Our three areas of focus in the community are health and wellbeing, financial literacy and environmental sustainability.

COMMUNITY CPS FOUNDATION

The Community CPS Foundation continued into its fourth year, contributing grants of \$219,200 to a range of non-profit groups. The grants enable these non-profit groups to deliver important services which in turn positively benefit the communities in which we live and work. Since its inception in 2007, the Community CPS Foundation has provided a total of \$911,398 in grants to community organisations.

Our Foundation is supported through donations from staff and members, and a percentage of the Community CPS Australia Group's net profit after tax.

The Foundation grants and public fundraising appeals have enabled us to raise money for charities such as Camp Quality. Our public fundraising appeal for Camp Quality raised \$65,444 in addition to our Foundation grant of \$105,000.

We also responded swiftly to the Queensland Floods to support those in the affected regions. The Community CPS Foundation donated \$15,000 towards the Queensland Premiers Relief Appeal and, in addition, we saw staff, members and the general public generously donate an incredible \$89,794, which enabled us to make a total donation of \$104,794 to help those affected rebuild their lives.

STAFF INVOLVEMENT

Thanks to the tireless efforts of our staff, we are able to hold various fundraising activities throughout the year to donate much-needed funds to charities and community organisations that make a difference to the lives of many.

Our staff have played a significant role in lending a hand in the community by fundraising and volunteering for both our key partners and local charities. All permanent staff members are provided with one paid leave day per year to volunteer for a charity of their choice and this year over 140 staff have volunteered in the community, donating more than 1,000 hours to worthy causes.

SUSTAINABILITY SNAPSHOT

Key Indicators

	2011	2010
Distribution from Community CPS Net Profit After Tax	\$678,300	\$558,825
Sponsorships	\$389,688	\$321,816
Donations	\$39,502	\$20,862
Money raised through Fundraising	\$408,541	\$31,127
Community Programs and Resources	\$389,598	\$18,040
TOTAL COMMUNITY CONTRIBUTION	\$1,905,629	\$950,670
Foundation Grants paid from Community Contributions	\$219,200	\$181,100

Some of the charities and community groups we supported this year include:

- Australian Red Cross
- Autism Association
- Camp Quality
- Cerebral Palsy Alliance
- Constable Care Child Safety Foundation
- Fremantle Hospital Medical Research Foundation
- Friends of Fred Hollows
- Greening Australia
- Handicamp
- Lara Jean Association
- Mission Australia
- Operation Flinders
- Riding for the Disabled
- Royal District Nursing Society
- Royal Flying Doctors
- Sids and Kids
- Victim Support Service
- World Vision

We also conduct regular member research to assist both the Board and management in planning for the future needs of our members.

MEMBER ADVOCATE

We have a designated Member Advocate who is responsible for managing complaints and feedback. The process for dealing with complaints is outlined in the 'Resolving Your Concerns' brochure which is available online, at any branch or by calling the Member Contact Centre.

If members are not satisfied with our response they may refer the matter to the Financial Ombudsman Service (FOS). FOS is an external dispute resolution provider approved by the Australian Securities and Investments Commission (ASIC) in accordance with the Financial Services Reforms Act.

PRODUCTS

In keeping with the Credit Union philosophy, we are committed to offering good quality financial products at a fair value to members.

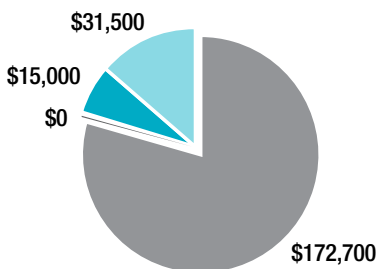
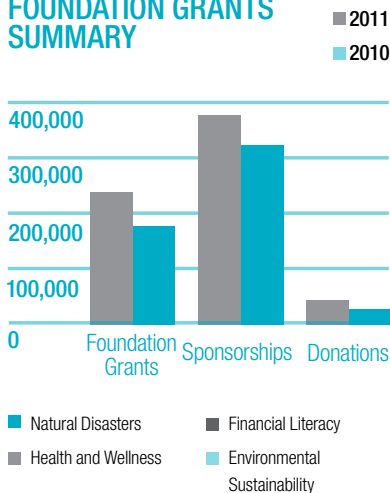
We assess loan or credit applications against their potential risk to the Credit Union and we will only lend amounts to members that we believe, on the information available to us, they can reasonably afford to repay.

If a member is in financial difficulty, we will work with them in a constructive way to assist them to overcome their difficulties in meeting their financial commitments. We take the time to assess each member's situation and find the best possible way to help them manage their financial obligations with us, by offering short or longer-term solutions.

We have continued our support of the Land Rent Scheme this year, our joint initiative with the ACT Government, to increase access for affordable home ownership by allowing people to rent land at a discounted rate, thereby making the construction of a new home more affordable with 49 loans funded.

A strong community focus has always been at the heart of Community CPS and we are committed to continuing this into the future.

2010/2011 NATIONAL FOUNDATION GRANTS SUMMARY



MEMBER ENGAGEMENT

As a credit union, we are owned by our members. Every member is a shareholder, with an equal say in how the credit union is run. Members are encouraged to participate in credit union activities including nominating and electing directors and attending general meetings.

COMMUNICATION

We are committed to keeping members informed through:

- A quarterly newsletter – Community Connection
- Website communication
- Our Annual Report
- Electronic and verbal feedback process
- Complaints and disputes process
- Member functions such as our *Life* member Movie Day
- Our Annual General Meeting
- Community events and functions

SUSTAINABILITY SNAPSHOT

SERVICE

We have developed a service culture that encourages staff to record member feedback and using the balanced scorecard approach, we measure our business units on the level of member feedback recorded. The benefits achieved using this method have been significant, resulting in improved processes and greater member satisfaction and loyalty, as shown in our member satisfaction surveys.

While the number of complaints have increased, we have gone through significant change with two mergers over the past year and this is in line with the increased level of enquiries we received.

Key Indicators

	2011	2010
Total number of members	185,305	178,000
Member Satisfaction Ratio (Target range 90 - 95%)	92.6%	93.1%
Number of complaints received	4,371	3,550
Number of positive feedback received	324	298

ENVIRONMENTAL PERFORMANCE

Since July 2008 we have been developing a detailed Environmental Management System which outlines our approach to minimising our impact on the environment, as well as reducing our operating costs.

CARBON FOOTPRINT

Our sustainability objective is to minimise our impact on the environment from our business operations. In order to meet this objective, we first have to set a baseline to measure our environmental impact. This is a large body of work from an organisational perspective and we have calculated our carbon footprint in a staged approach.

The carbon footprint for our branches was calculated for the 2009/2010 and 2010/2011 financial years which involved calculating the electricity, water, waste and paper usage of each branch and converting this data into a single carbon dioxide equivalent figure for each site. An internationally recognised carbon management system that complies with greenhouse gas protocols was used to perform this calculation.

A Carbon Reduction Plan is being developed to meet carbon reduction targets, following the comparison of 2009/2010 and 2010/2011 financial year data from the carbon management system.

These targets are being set and distributed across the business to ensure employees at all levels are involved and committed to this important initiative.

While we undertook our first carbon emissions audit this year our aim was to restrict any increase in our emissions to less than 5%. The findings from the carbon management system audit are driving significant improvements that will take affect over the next 12 months and our intention is to reduce our total emissions by 10% over the next year.

ENERGY EFFICIENCY

During the 2010/2011 financial year we engaged the services of local members of the Association of Building Sustainability Assessors (ABSA) to undertake energy assessments of all Community CPS Group branches.

This provided branch managers and staff with practical energy saving tips to reduce future carbon emissions, as well as significantly reducing our overall operating costs. Smart meters are being introduced at a number of selected branches on a trial basis over the coming financial year in order to further assist energy efficiency initiatives.

ENVIRONMENTAL POLICY

A detailed Environmental Policy and supporting procedures were developed during the 2010/11 financial year.

These policies and procedures have been written in accordance with ISO 14001, the internationally recognised standard for Environmental Systems and will be integrated throughout the organisation in the coming year.

ENVIRO PRODUCTS

To assist our members in conserving natural resources, we have developed a number of products with features to encourage members to be more environmentally responsible including our Enviro Loan and e-statements service.

Our Enviro Personal Loan makes it easier for members to purchase environmentally friendly products at a reduced interest rate to reward them for looking after our environment.

In July 2008 we began to offer e-statements as an important initiative to reduce our environmental impact. We have significantly increased the number of members on e-statements to 24,901, which has reduced our paper consumption by 996,040 sheets. The greenhouse gasses saved from moving to e-statements are equivalent to 7,438kg of CO₂e (carbon dioxide equivalent), or just over 222 full grown Australian Eucalyptus trees over one year.[#]

#Sources: EPA Victoria, Australia, Carbon Conscious, Australia

SUSTAINABILITY SNAPSHOT

CASE STUDY - GREENING AUSTRALIA



STAFF MEMBERS VICKY ROBERTS AND ANGELA ANNAKIN WITH VICKY'S DAUGHTERS PLANTING SEEDLINGS ON ARBOR DAY

In April 2011, the Community CPS Foundation approved a Foundation Grant to support a new community partnership with Greening Australia. The funding supported Arbor Day, a tree planting event that was held at Gemtree Wetlands in McLaren Vale on Sunday 19 June 2011.

Greening Australia is a national environmental not-for-profit organisation with a mission to increase quantity and quality of native habitat and to restore ecological systems. They deliver this mission through conservation planting, native vegetation managements and re-vegetation services.

Community CPS provided 2,000 native seedlings for planting to create a sustainable environment for native flora and fauna in the Gemtree Wetlands area. 28 staff members and their families volunteered on the day to plant seedlings.

Greening Australia is committed to protecting and restoring Australia's unique landscapes, but also knows that to be truly effective they must work with others who can help them make a difference and we believe that we have a critical role to play in sustaining our natural environment.

We look forward to continuing our partnership with Greening Australia.

STAFF AWARENESS

A sustainability awareness learning module was developed during the year with the aim of providing staff at all levels with a basic understanding of business sustainability. In addition, eleven employees were supported to participate in the Diploma of Sustainability, developed by the Swinburne University of Technology. Ongoing development of staff in this area is a key driver in ensuring an enterprise wide sustainability culture.

UNITED NATIONS ENVIRONMENT PROGRAM FOR FINANCIAL INSTITUTIONS

This year we have become a signatory to the United Nations Environment Program – Financial Initiative (UNEP FI).

By signing the UNEP FI agreement, we are demonstrating our commitment to becoming a sustainable organisation that recognises its moral obligations to the community and the environment.

UNEP FI was established in 1991 by the United Nations with the objective of promoting the adoption of environmental and sustainability practices by financial institutions around the world.

To become a member of UNEP FI, participating financial institutions must co-sign a declaration that the organisation is committed to the adoption of sustainable business practices. Approximately 200 financial institutions from around the world have co-signed this agreement including 12 Australian Financial Institutions and insurance companies.

A major benefit of joining UNEP FI and becoming a signatory to the environmental declaration is that it sends out a clear message that we are serious about becoming a leader in the fight against climate change. It will also allow us to learn from other Australian and multi-national financial institutions, the latest trends in sustainable business practices.

Key Indicators	2011	2010
Carbon Footprint (CO2e) per SQM*	7.23kg	7.15kg
Paper Reduction (CO2e) saved	7.432kg	4.472kg
Green Loans Disbursed	\$970,237	\$169,000

Protecting our environment remains a key focus and we will continually strive to become even more environmentally sustainable by exploring further initiatives that will allow us to make ongoing emission and cost reductions to our organisation.

*Whilst our CO2e emissions have remained stable between 2010 to 2011, with the initiatives we have implemented in 2011 our target for 2012 of 6.5kg per square metre is highly achievable. This would result in a 10% decrease on both 2011 and 2010 results.



**TO ASSIST OUR MEMBERS IN
CONSERVING NATURAL RESOURCES,
WE HAVE DEVELOPED A NUMBER
OF PRODUCTS WITH FEATURES TO
ENCOURAGE MEMBERS TO BE MORE
ENVIRONMENTALLY RESPONSIBLE
INCLUDING OUR ENVIRO LOAN AND
E-STATEMENTS SERVICE.**

SUSTAINABILITY SNAPSHOT

CASE STUDY CALVARY JOHN JAMES HOSPITAL



CHRIS BLIGHT, DAN VITTORIO & RACHEL MARKWART FROM COMMUNITY CPS WITH SHAUNE GILLESPIE, CEO OF CALVARY JOHN JAMES HOSPITAL

In June 2011 we donated a range of brand new equipment to the Maternity Unit at the Calvary Hospital in ACT, breathing new life into the hospital's dated ante-natal ward.

The generous initiative was the brainchild of staff member, Rachel Markwart, who attended birthing classes at the Calvary John James Maternity Unit last year while expecting her first child and noticed that the equipment hadn't been upgraded in many years.

Impressed by the midwives' dedication, skill and expertise, Rachel approached her manager for support, suggesting donating the much needed equipment to the Unit to make the staff's job easier, but also creating a more pleasant environment for mums-to-be to attend such important classes.

"Most women attending these classes are having their first baby and are quite anxious about the process and really want to learn as much as possible. When I attended the classes the television set was old and crackly, the video shown was of poor quality and out-dated, and the demonstration

models were dirty from being handled so much over the years," said Rachel.

"The state of the equipment and materials simply did not do the midwives and the quality of the classes justice at all, and I felt that with Community CPS' support we could help out."

"We met with the Maternity Unit staff to see what they needed most. We then went out and bought items such as a brand new flat screen TV with built-in DVD player, a projector, a laptop and new models for demonstrating resuscitation techniques and breast feeding."

"We are all looking forward to showing the nurses and midwives how the Unit has evolved, and what a difference it will make to their daily jobs and the important work that they do."

ECONOMIC PERFORMANCE

Community CPS Australia has posted strong results for the 2010/2011 financial year with an after tax profit of \$27.13 million, an increase of 21.3% on last year's results. The Community CPS Group's assets under management have grown by 12.9% to \$3.52 billion across South Australia, the Australian Capital Territory, Western Australia and New South Wales.

Our profitability throughout the year increased as a result of stable interest margins earned on a balance sheet that has grown by 34% over the past two years, together with a special dividend income stream of \$2.36 million.

Additionally, over the last year we have reduced our cost-to-income ratio from 68% to below 66%, driving a larger portion of income growth to our bottom line.

More comprehensive details of the organisation's economic performance are included in the Financial Reports from page 32 of the Annual Report.

EMPLOYEE ENGAGEMENT

WORK/LIFE BALANCE

It is our mission to create the best possible working environment for our 585 employees, based across the Australian Capital Territory, New South Wales, South Australia and Western Australia, to help them reach their full potential. We strongly believe in the importance of work/life balance, and provide a number of benefits for our staff, including eight weeks of paid parental leave, work/life balance leave and community leave.

Flexible work practice options are also provided to assist our people to manage work/life balance and increase employee retention. These arrangements may include job share, working from home, part-time work or alternative work schedules.

POLICIES

Our policies including Discrimination, Bullying and Harassment and Whistle-Blowing provide staff with the confidence that they will be supported by management in the event of any conflict.

EMPLOYEE FEEDBACK

Community CPS regularly conducts an employee survey to obtain feedback from our staff on the Credit Union's strategy and performance.

EMPLOYEE CONSULTATION

This year we renegotiated and aligned our four divisions under one Enterprise Agreement to create one national agreement which involved a consultation process with staff to obtain their feedback and ensure that they were comfortable with the changes.

IT IS OUR MISSION TO CREATE THE BEST POSSIBLE WORKING ENVIRONMENT FOR OUR EMPLOYEES - WE STRONGLY BELIEVE IN THE IMPORTANCE OF WORK/LIFE BALANCE.



SUSTAINABILITY SNAPSHOT

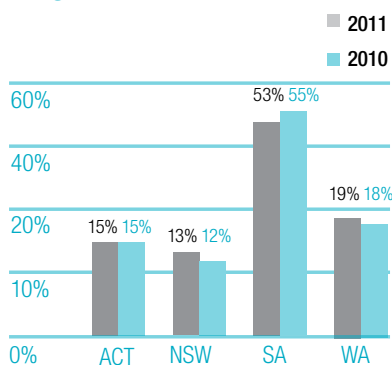
LEARNING AND DEVELOPMENT

We are committed to employee development through our range of programs that allow people to learn and develop at all levels of the business and all stages of their careers. These programs include: training on products and services, the Mutual Banking Code of Practice, Microsoft Office, risk management, project management and various compliance courses. Our e-learning program has the added convenience of enabling staff to complete their training courses online and from any location.

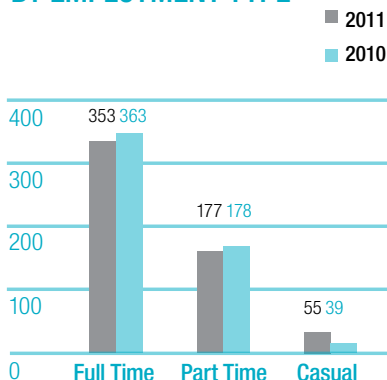
DIVERSITY

Community CPS values the diversity in its workforce, and recognises that diversity is supported and enhanced by an inclusive workplace culture. We have initiatives in place that are driving improved gender balance within senior and Executive levels.

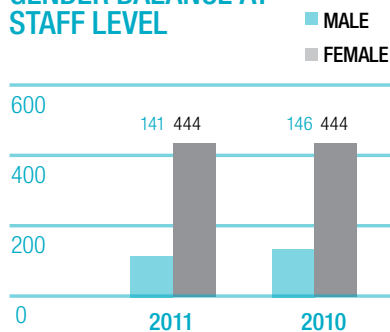
COMMUNITY CPS STAFF BY STATE



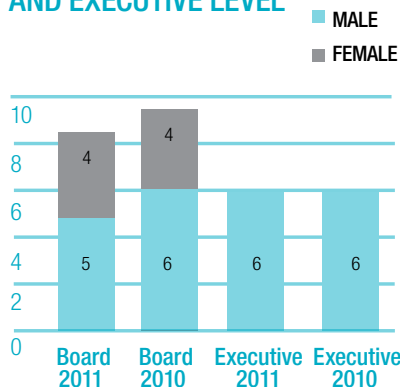
COMMUNITY CPS STAFF BY EMPLOYMENT TYPE



GENDER BALANCE AT STAFF LEVEL



GENDER BALANCE AT BOARD AND EXECUTIVE LEVEL



KEY INDICATORS

	2011	2010
Total number of employees	585	580
Number of Full Time Equivalent employees	472.06	471.17
Staff who took paid Parental Leave	20	15
Hours of Work/Life Balance Leave taken by staff	11,822	8,122

CONTINUED

	2011	2010
Hours of Study Leave taken by staff	359	368
Hours of Training Completed	12,934	6,735
Staff who receive subsidised uniform	529	511
Number of Employees who used the Employee Assistance Program	16	7
Number of New Employees	95	90

CORPORATE GOVERNANCE

Throughout the year we monitor our risk, compliance and audit reports to ensure there are no major breaches of policy. Over the past year there have been no major breaches.

More comprehensive details of the organisation's corporate governance obligations are included in the Corporate Governance Statement from page 24 in this Annual Report.

We are pleased to be making solid progress on our sustainability journey. Over the coming year we are committed to further embedding sustainability practices within our business and contributing to a more sustainable Australia.

SUSTAINABILITY SCORECARD

LEVEL ONE

AREA	MEMBERS	EMPLOYEES	COMMUNITY	ENVIRONMENT	ECONOMIC	GOVERNANCE
KEY RESULT AREA	Satisfaction	Turnover	Contribution	Carbon Footprint ¹	Profitability	Compliance
MEASURE	Satisfaction %	Turnover %	% of NPAT	CO2e per SQM	Return on Equity	Audit Reports
TARGET RANGE	90 - 95%	17%	5% of NPAT	Limit increase to less than 5% ²	10% to 12%	No major breaches
CURRENT STATUS	92.6%	15.88%	7.02%	7.23 kgs per SQM	10.86%	No major breaches
PREVIOUS YEAR	93.1%	20.84%	4.25%	7.15 kgs per SQM	10.50%	No major breaches
TARGET ACHIEVED	✓	✓	✓	✓	✓	✓

LEVEL TWO

AREA	MEMBERS	EMPLOYEES	COMMUNITY	ENVIRONMENT	ECONOMIC	GOVERNANCE
KEY RESULT AREA	Engagement	Training	Grants	Paper Reduction ⁴	Green Loans	Audit
MEASURE	Advocacy Card	Training hours per FTE	Total \$ value	CO2e saved	Green Loans disbursed	Audit Reports
TARGET RANGE	> \$20,000	20 to 25 hours	> \$200,000	> 5,000 kg	\$1,000,000	No major issues
CURRENT STATUS	\$21,820 ³	27.41 hours	\$219,200	7,432 kg	\$970,237	No major issues
PREVIOUS YEAR	\$18,040	14.29 hours	\$181,100	4,472 kg	\$169,000	No major issues
TARGET ACHIEVED	✓	✓	✓	✓	✓	✓

¹The Carbon Footprint calculation covers Branch outlets only. The calculation will be expanded to cover the whole organisation in 2011/12.

²Whilst our CO2e emissions have remained stable between 2010 to 2011, with the initiatives we have implemented in 2011 our target for 2012 of 6.5kg per square metre is highly achievable. This would result in a 10% decrease on both 2011 and 2010 results.

³Funds raised from the Advocacy Card relate to donations made to Camp Quality based on members referring another member to the credit union.

⁴Paper reduction relates to the transition from paper based statements and envelopes to e-statements sent by email. The carbon reduction was calculated by Energy Analytics.

CASE STUDY – FIJI CHALLENGE



One of our staff members from Port Augusta SA, Sarah Mayhew, went on a rare overseas adventure in April, embarking on the Credit Union Foundation Australia (CUFA) Fijian Leadership Challenge.

Community CPS sponsored Sarah's participation in the 12-day program, which aims to contribute to financial education and understanding in disadvantaged local communities where people, who live in precarious conditions, are threatened by lack of income, shelter and food.

"To overcome poverty, they need to be able to borrow, save and invest, and to protect their families against risk and plan for the future," said Sarah.

As part of Sarah's participation in the Challenge she raised \$3,000 to go towards CUFA's Oceanic Confederation of Credit Union Leagues ongoing efforts to improve access to financial services across the oceanic region.

CORPORATE **GOVERNANCE**

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE AT COMMUNITY CPS

Community CPS Australia Limited's ("Community CPS") core purpose is to create and return value to its members through financial and community partnerships. The Community CPS Foundation has been established to raise funds and provide support to worthwhile activities in the communities in which Community CPS operates.

The Community CPS Board ("the Board") is committed to the highest level of corporate governance and therefore to a high standard of ethical conduct. It recognises that by behaving ethically it sets the standard for the whole of Community CPS. The Board strongly believes that all the correct oversight structures of an independent board and corporate governance charter cannot compensate for the lack of an ethical corporate culture. It is the approach and attitude of each director that is the vital 'ingredient'. Community CPS also strongly believes that by operating ethically it is well placed to also be a good corporate citizen.

2. MEMBERS

Being a mutual organisation the members are the owners of Community CPS. All members, with the exception of members who are minors, may participate and vote at a members' meeting and in a ballot to appoint directors by election. The Board recognises that for members to be able to vote in an informed manner they must receive relevant and useful information which is clear and concise. A newsletter is sent to members on a regular basis to keep them informed of developments at Community CPS. Members can also obtain information from the Community CPS website which is updated on a regular basis.

3. BOARD OF DIRECTORS

3.1 ROLE AND RESPONSIBILITIES

The Board recognises that a clear distinction of the respective roles of management and the Board is fundamental to any corporate governance structure. The Board is

specifically responsible for Community CPS' strategy and policy, planning and budgeting, regulatory compliance, appointing and performance of key personnel, and reporting to members while ensuring adherence to Community CPS' core purpose and values.

The role of the Board is to be custodians on behalf of the members to ensure that Community CPS' capabilities and financial value continue to be developed and are available to create value for present and future members. The Board is ultimately responsible for all matters relating to the strategy and operations of Community CPS. It is responsible for, and has authority to determine, all matters relating to the policies, practices, management and operations of Community CPS.

The Board ensures that the Chief Executive Officer and executive team are appropriately qualified and experienced to discharge their responsibilities and it monitors performance to ensure results are consistent with strategic and operational goals.

In consultation with Executive management, the Board is responsible for the development of Community CPS' strategic direction and for ensuring that Community CPS' operations are aligned with that direction, with member expectations and are within the risk appetite approved by the Board.

To enable effective execution of their responsibilities, each director must maintain a clear understanding of opportunities and threats in the operating environment and an appreciation of Community CPS' strategies and activities. Ensuring strategic and operational objectives are met requires the Board and executive management to maintain effective communication, with a healthy exchange of ideas and opinions. The Board also ensures that Community CPS adheres to good corporate practice, which is essential for the Community CPS Group to carry out its business activities and meet the objectives of all members, employees and regulators.

Beyond these matters the Board has delegated all authority to achieve Community CPS' strategic goals to the Chief Executive Officer who is authorised to take all decisions and actions which, in the Chief Executive Officer's judgement, are appropriate having regard to the limits imposed by the Board. The Chief Executive Officer remains accountable to the Board for the authority that is delegated and for the performance of the Community CPS Group. The Board closely monitors the decisions and actions of the Chief Executive Officer and the performance of the Community CPS Group to gain assurance that progress is being made towards the strategic goals. The Board also monitors the performance of the Community CPS Group through various Board committees.

The Chief Executive Officer is required to attend all Board meetings and in a spirit of openness and trust to:

- Keep the Board informed on all market place developments that may affect the business strategies of Community CPS or other credit unions, and financial institutions;
- Bring to the Board's attention opportunities that will enhance Community CPS' business strategies and outcomes;
- Regularly report to the Board on progress towards achieving the strategic goals;
- Report to the Board any occurrences of material internal control or compliance failures; and
- Have knowledge of and review detailed figures, contracts and other information about Community CPS' affairs and financial position and summarise such information for the Board where appropriate.

The Chief Financial Officer also attends all Board meetings.

To ensure high standards are maintained, the Board's conduct and processes are guided by the Community CPS Corporate Governance Charter, which sets out Community CPS' principles for good governance.

CORPORATE GOVERNANCE

The Community CPS Corporate Governance Charter is accessible via the corporate governance section of the Community CPS website: (http://www.communitycps.com.au/asp/corporate_governance).

3.2 COMPOSITION

To enable the Board to undertake all of its functions, it is necessary to have a well-structured board.

The majority of Community CPS directors must be directors elected by members and elected directors are required to be members of Community CPS. Currently there are nine elected directors all of whom are non-executives. The directors are:

Director	Year of Appointment
Stephanie Chapman	2006
Christopher Doogan (Chair)	2006
Peter Gogarty	2010
Gary Green	2006
Barry Hanna	2001
Catherine Nance	2008
Steven Nolis	2009
Anne O'Donnell (Deputy Chair)	2006
Heather Webster	2003

Details for each of the directors is provided on pages 8 - 11.

3.3 TENURE

Elected directors are appointed by members for a term of three years.

An elected director is not eligible to be re-elected if at the time of his or her re-election his or her cumulative period in office would be nine years or more from the time he or she was first elected, re-elected, or appointed after 1 July 2007.

Directors receive a formal letter of appointment setting out the key terms, conditions and expectations of their appointment.

3.4 INDEPENDENCE

All Community CPS directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. To reinforce that independence, Community CPS policy permits any director to seek independent professional or legal advice to assist with matters before the Board and may receive financial support from Community CPS to do so.

The Nomination Committee assesses the independence of directors and all directors satisfy the definition of independence as per Prudential Standard APS 510 Governance. The Board maintains an independence of directors' policy which is consistent with the requirements of APS 510. The policy is accessible via the corporate governance section of the Community CPS website.

3.5 COMMITMENT

The Board normally meets at least ten times per year with the majority of Board meetings being held in Adelaide and some in Canberra and Perth. Additional meetings are held as required. In addition to Board duties, directors serve on Board committees, committees established by the Board and on boards of controlled entities.

Refer to page 31 for committee details and meeting attendance.

3.6 ATTRIBUTES

Community CPS is diligent in ensuring that directors are fit and proper persons to govern the Community CPS Group. All Community CPS directors meet the standards required to act as a director. With respect to the appointment and election of directors the Community CPS Constitution requires the Board to establish and maintain a Nomination Committee. This committee, which includes two members external to Community CPS, must assess each person who is nominated as a candidate for an elected director or who is a retiring elected director standing for re-election and provide a report to the Board of its assessment of each person. In this way,

Community CPS members can have greater confidence that all candidates for a directors' election are able to competently act on their behalf as a director of their credit union.

The Community CPS fit and proper policy is accessible via the corporate governance section of the Community CPS website.

3.7 BOARD PERFORMANCE

The Board has implemented an annual performance evaluation process. Part of this process is to ensure that the Board and its committees maintain an appropriate level of skills, experience and expertise.

The Community CPS board composition and performance policy is accessible via the corporate governance section of the Community CPS website.

4. BOARD COMMITTEES AND COMMITTEES ESTABLISHED BY THE BOARD

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance or assisting the Board through the operation of three standing Board committees and one committee established by the Board. In accordance with the Community CPS Constitution the Board may establish one or more committees consisting of such number of directors as it considers appropriate.

Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. With the exception of the Nomination Committee, membership of each committee comprises appropriate directors plus, by invitation, the Chief Executive Officer attends committee meetings. At least two members of the Nomination Committee must be persons who are independent of Community CPS.

Other executive officers may attend Board and Board committee meetings by invitation. Executive management attendance promotes effective communications and governance, plus it provides contemporary finance industry experience to complement directors' broader perspectives.

CORPORATE GOVERNANCE

4.1 BOARD AUDIT AND FINANCE COMMITTEE

This committee considers any matters relating to the financial affairs of Community CPS and its controlled entities. It also considers matters concerning the Community CPS Group's internal and external audit.

The primary objective of the Committee is to assist the Board in discharging its responsibilities in relation to finance and audit and enhancing the credibility and objectivity of Community CPS' financial reporting. These responsibilities call for knowledge of:

- The statutory responsibilities of external auditors;
- Evaluating the effectiveness of internal and external auditors;
- Accounting and financial controls;
- The efficiency and effectiveness of Community CPS' business systems and procedures;
- Management processes and controls to achieve business goals;
- Statutory responsibilities relating to financial disclosure;
- Accounting and financial reporting standards; and
- Australian Prudential Regulation Authority ('APRA') policies on finance and audit matters.

The Committee's charter is accessible via the corporate governance section of the Community CPS website.

Members of the Committee contribute substantial experience as company directors. One member is a qualified accountant. Committee members' experience includes the banking industry, financial and statistical modelling and government services. All members of this committee maintain the currency of their knowledge through membership of professional bodies.

The members of the Committee during the year were:

Chair

BG Hanna

Members

SA Chapman

CA Nance

Secretary

R Ross

4.2 BOARD GOVERNANCE COMMITTEE

This committee assists the Board in discharging its responsibilities in assuring that good corporate governance exists within the Community CPS Group.

Corporate governance provides the structure through which Community CPS' objectives are set, and the means of attaining those objectives and monitoring performance.

Good governance is directly related to behaviour and relationships, it is concerned with embedded values, and about the integrity with which boards and management go about their business.

The Committee also performs the functions of a Board Remuneration Committee which is a requirement of APRA Prudential Standard APS 510 Governance. All regulated entities must have a properly constituted Board Remuneration Committee and a complying Remuneration Policy.

The functions of the Committee include:

1. General Governance matters:

- Ensure an appropriate Board and committee structure is in place;
- Ensure there is a robust and effective process for evaluating the performance of the Board, Board Committees and individual directors;
- Monitor developments in corporate governance and make recommendations to the Board on any changes to governance policies and practices of the Group that the Committee regards as necessary or desirable;
- Monitor compliance with APS 510 Governance, the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council and other relevant governance principles and standards and provide guidance,

as required, to individual directors and the Group as a whole on questions of corporate governance and ethics;

- Develop and monitor annual budgets for Board expenditure; and
- Oversee the effectiveness of the Community CPS Constitution and make recommendations for changes.

2. Board Remuneration Committee functions:

- Conducting regular reviews and making recommendations to the Board on the Community CPS Remuneration Policy. This must include an assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APS 510 Governance;
- Making annual recommendations to the Board on the remuneration of the Chief Executive Officer ('CEO'), direct reports of the CEO (i.e. executive managers) and other persons whose activities may in the Committee's opinion affect the financial soundness of Community CPS; and
- Making annual recommendations to the Board on the remuneration of the categories of persons covered by the Remuneration Policy (other than those persons for whom such recommendations are already required under the second dot point above).

The Committee's charter is accessible via the corporate governance section of the Community CPS website.

Effective execution of these responsibilities requires knowledge of:

- Principles and standards for governance practice and ethical conduct;
- Policies and processes for strategy formulation, implementation and control;
- Legal and voluntary obligations;
- Professional liability and indemnity;
- Appropriate characteristics and competencies of effective boards and directors; and
- Systems for review and development of board performance.

CORPORATE GOVERNANCE

Members of this committee bring experience in fields as diverse as commercial and corporate law, human resource management, information technology and senior executive experience in diverse industries. Three Committee members hold graduate qualifications and there is considerable experience in company directorship.

The members of the Committee during the year were:

Chair

D J Cloghan (to 26 November)
S Nolis (appointed 17 December)

Members

G J Green
C M Doogan
P G Gogarty (to 17 December)
A M O'Donnell (appointed 17 December)

Secretary

G Milani

4.3 BOARD RISK COMMITTEE

The purpose of this committee is to consider any matters where there is exposure of the Community CPS Group to possible economic or financial loss, damage, or injury as a consequence of pursuing its business. Risk management means systematically identifying, analysing, assessing, treating, monitoring, and communicating the risks associated with a business activity, function or process, in a way that enables Community CPS to minimise losses and maximise opportunities.

To effectively discharge these duties, the Committee members must be aware of and understand:

- Community CPS' policies, strategy, operations, structure, including its risk management policies and plan plus the business continuity plan;
- The assumptions utilised in the development of risk management models and policies;
- Developments and trends in the Community CPS Group's operating environment; and
- The requirements of the Prudential Standards that regulate Community CPS' operations.

The Committee's charter is accessible via the corporate governance section of the Community CPS website.

This committee is well qualified to perform these duties. In addition to graduate qualifications in a range of disciplines one member holds post-graduate business qualifications. Between committee members there is considerable senior management experience in diverse industries.

The members of the Committee during the year were:

Chair

A M O'Donnell (to 17 December)
H L Webster (appointed 17 December)

Members

S A Chapman (appointed 17 December)
P G Gogarty (appointed 17 December)
S Nolis (to 17 December)

Secretary

B Markwart

4.4 NOMINATION COMMITTEE (COMMITTEE ESTABLISHED BY THE BOARD)

The purpose of this committee is to

- Assess each person who is nominated as a candidate for a directors' election, or who is a retiring elected director standing for re-election and provide a report to the Board of its assessment of each person; and
- On an annual basis seek information and advice as considered appropriate and based on the analysis of the information and consideration of the advice make a recommendation to the Board on the levels of remuneration for the Board and board committees.

The Committee's charter is accessible via the corporate governance section of the Community CPS website.

Effective execution of these responsibilities requires knowledge of:

- Principles of board remuneration;
- Processes for the nomination and election of directors;

- Appropriate characteristics and competencies of effective boards and directors; and
- Interview techniques.

This committee is well qualified to perform these duties. Between committee members there is substantial experience at senior management level.

The members of the Committee during the year were:

Members – Directors

S A Chapman
G J Green (to 17 December)
S Nolis (appointed 17 December)

Independent Persons

J Jeffreys
B M Linn

Secretary

G Milani

5. OTHER BOARD DUTIES

The following directors and officers of Community CPS are also directors of the named controlled entities:

Community CPS Foundation Limited

P G Gogarty
R O Keogh
C A Nance
H L Webster

CPS Weymouth Pty Ltd

C M Doogan

Eastwoods Group Ltd

C M Doogan
B G Hanna
R O Keogh
A M O'Donnell

Eastwoods Wealth Management Pty Ltd

C M Doogan
B G Hanna

Eastwoods Accounting & Taxation Pty Ltd

C M Doogan
B G Hanna

Eastwoods Finance Brokers Pty Ltd

R O Keogh

Community CPS Services Pty Ltd

R O Keogh
W J Matters

CORPORATE GOVERNANCE

6. GROUP RISK MANAGEMENT POLICY

Community CPS is committed to risk management.

Community CPS' Group risk management policy recognises that Community CPS has a number of controlled entities. For the purposes of risk management, all controlled entities within the Community CPS Group are covered by and must adhere to Community CPS' risk management policies. The management of risk on a whole-of-group basis mitigates contagion risk.

Common directorships amongst Community CPS Group companies and the management structure of the Community CPS Group ensure that the risks associated with the existing operations and any new developments of the individual entities are evaluated and managed with a view to minimising the risk exposure of the Community CPS Group and Community CPS.

An element of Community CPS' risk management practices is a comprehensive corporate insurance program.

On an annual basis the Chief Executive Officer provides APRA with a 'declaration', endorsed by the Board, attesting that for the financial year past:

- The key risks facing Community CPS and the Community CPS Group have been identified;
- Systems have been established to monitor and manage those risks;
- These risk management systems are operating effectively; and
- The risk management systems descriptions provided to APRA are accurate and current.

The Community CPS Group risk management policy is accessible via the corporate governance section of the Community CPS website.

7. CONFLICTS OF INTEREST

Community CPS maintains a conflicts of interest policy, and the purpose of this policy is to ensure that:

- An executive officer who has a material personal interest in the subject matter of a board submission declares that interest via an appropriate notation in the submission so that the Board is fully aware of the interest; and
- Directors comply with their legal obligations to disclose any material personal interests that they have in a matter that relates to the affairs of Community CPS and its controlled entities.

The Community CPS conflicts of interest policy is accessible via the corporate governance section of the Community CPS website.

8. ETHICAL STANDARDS

The Board plays a key role in upholding the core values of credit unions and promoting high standards of corporate and business ethics. Community CPS' policy is that its directors and staff maintain the highest ethical standards in line with the Community CPS code of conduct. Community CPS also adheres to the Mutual Banking Code of Practice. The Community CPS code of conduct is accessible via the corporate governance section of the Community CPS website.

9. REMUNERATION OF DIRECTORS AND EXECUTIVES

It is Community CPS policy that each director and executive officer position be remunerated at a level that is appropriate to the role and its responsibilities, with the objective of attracting and retaining good quality people who will maintain Community CPS' viability and development. All remuneration is provided by way of salary or salary-sacrifice package components, with no equity-based benefits.

Remuneration for directors is assessed annually following reference to industry benchmarking information and to external

consultants. No component of any director's remuneration is related to the performance of Community CPS and, other than statutory superannuation contributions, there are no schemes for directors' retirement benefits.

Executive officers remuneration is based on:

- The work value of the role, comprising requirements for expertise and judgement plus the degree of accountability; and
- Fair market levels, based on information provided by professional remuneration consultants.

10. DIRECTORS' DEVELOPMENT AND EDUCATION

The Board is conscious of its obligations to regulators and members and is committed to ongoing training and attendance at relevant conferences and seminars. Only by continuing to keep abreast of issues that have an impact on the business can the Board fulfil its responsibilities.

11. PERFORMANCE DEVELOPMENT

The Board undertakes periodic reviews and analysis of its conduct and performance and each director also partakes in a cycle of reviewing and analysing their personal contributions. Plans are developed and agreed so that directors will continue to meet the high expectations of members and regulators. During the year a board appraisal and director peer assessments were conducted.

12. COMMUNICATION TO MEMBERS

The Board aims to keep members informed so they can assess the performance of directors, management and Community CPS and provides:

- An annual report which is available to members in hard copy upon request and is accessible on the Community CPS website; and
- Detailed information at the annual general meeting or any other members' meetings.

DIRECTORS REPORT

The directors submit their report together with the financial statements of Community CPS Australia Limited (the Credit Union) and the Consolidated Entity for the financial year ended 30 June 2011, the Independent Audit Report thereon and the Auditor's Independence Declaration. The financial statements have been prepared in accordance with the requirements of the Corporations Act, 2001.

DIRECTORS

Individual director's details are set out on pages 8 - 11.

COMPANY SECRETARIES

Gianni Milani has substantial finance industry experience. Gianni holds a Bachelor of Arts in Accounting, a Master of Business Administration and a Graduate Diploma in Applied Corporate Governance. He is a Fellow Certified Practising Accountant and a Chartered Secretary being an Associate of the Institute of Chartered Secretaries and Administrators.

Ross Norgate has 35 years experience in financial institutions. Ross is a Fellow Certified Practising Accountant and holds a First Class Honours Degree in Accounting, Finance and Systems.

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union and the activities within the Consolidated Entity in the course of the financial year were to provide financial services to members and this remained unchanged.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in the financial statements of the Consolidated Entity.

REVIEW OF OPERATIONS

The consolidated entity had a successful year in providing financial services to members and completing one further merger, with Wagga Mutual Credit Union. As a result of the merger and organic business growth, loans under management grew by 11% and deposits from members grew 7% which, together with securitisation activities, provided the majority of the funding for loan growth.

Profit after tax was \$27.132 million, an increase of 21% when compared with last year's profit after tax, and reflects a continuation of stability in profitable operations. A reconciliation of reported profit to underlying profit is set out in Table 1.

DIVIDENDS

The Credit Union acquired D Class preference shares from United Credit Union through its merger with that company in 2009. Dividends totaling \$28,800 (fully franked) have been declared on these D Class shares, payable 30 September 2011. During the year a dividend was paid of \$59,988 for D Class shares. In the statutory report of the directors for the previous financial year \$56,126 was provided for the payment of dividends on D Class shares.

From the merger with Wagga Mutual Credit Union in June 2011, the Credit Union acquired \$1.3 million in preference shares. The dividend on these is payable quarterly at a 30bp margin above the 90 day Bank Bill Swap Rate and are fully-franked.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity in the financial year ending after 30 June 2011.

LIKELY DEVELOPMENTS

The Credit Union and Consolidated Entity will continue to create and return value to members through the provision of financial services to members and other Group clients. Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

TABLE 1 - CONSOLIDATED UNDERLYING EARNINGS

	BEFORE TAX	TAX	AFTER TAX
Per Statement of Comprehensive Income	\$36.846m	\$9.714m	\$27.132m
+/- Fair value adjustment on interest rate swaps	(\$0.670m)	(\$0.201m)	(\$0.469m)
Business combination costs	\$0.899m	\$0.267m	\$0.623m
Special dividend income	(\$2.360m)	\$0.000m	(\$2.360m)
Consolidated Entity Underlying Profit	\$34.706m	\$9.780m	\$24.926m

DIRECTORS REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Credit Union paid an insurance premium to insure officers of the Credit Union and its controlled entities against liability. The liabilities insured are for losses arising from any claim against an officer for any civil or criminal proceeding in their capacity as an officer of the entities. The contract also covers officers of the wholly owned controlled entities.

Disclosure of the amount of insurance premium payable under, and a summary of the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

The Credit Union has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Credit Union or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' MEETINGS

The names of directors holding office as at the date of this report and during the year, and attendance at Board and Board Committee meetings held are as set out in Table 2. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted in most instances.

ROUNDING OFF

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Class Order 98/100 issued by Australian Securities and Investment Commission as the Credit Union has total assets greater than \$10 million.

TABLE 2

DIRECTORS	BOARD MEETINGS		BOARD COMMITTEE MEETINGS	
	ELIGIBLE TO ATTEND	MEETINGS ATTENDED	ELIGIBLE TO ATTEND	MEETINGS ATTENDED
Stephanie Ann Chapman	10	10	8	8
Daniel Joseph Cloghan	4	4	2	2
Christopher Matthew Doogan	10	10	6	6
Peter Gogarty	10	8	5	4
Gary Johannes Green	10	9	6	5
Barry George Hanna	10	10	5	5
Catherine Anne Nance	10	9	4	4
Steven Nolis	10	9	5	4
Anne Maree O'Donnell	10	10	5	4
Heather Louise Webster	10	8	4	4

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included at page 33.

BOARD COMMITTEES

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of three standing Board sub-committees. Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. Membership of each committee comprises at least three directors. The Chief Executive Officer attends all Board committee meetings. Details of Board committees are contained in the Corporate Governance Statement on pages 24 - 29.

Signed in Adelaide this 26th day of August 2011, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.



Chris Doogan AM
Chair



Barry G Hanna
Director

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2011 ANNUAL GENERAL MEETING

Members are reminded that the Annual General Meeting of the members of Community CPS Australia Ltd will be held at The Victoria Room, Hilton Adelaide, 233 Victoria Square, Adelaide, SA on 23 November 2011 commencing at 6pm (CST). Registration will open at 5:30pm.

AUDITOR'S INDEPENDENCE DECLARATION AND DIRECTORS' DECLARATION

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

To: the directors of Community CPS Australia Limited

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

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

mv Hinchliffe

Michelle Hinchliffe

Partner

Adelaide

26th day of August 2011

In the opinion of the directors of Community CPS Australia Limited (the "Credit Union"):

- there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable; and
- the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001, International Financial Reporting Standards (as disclosed in Note 1a) and giving a true and fair view of the Credit Union's and the consolidated entity's financial position as at 30 June 2011 and their performance for the financial year ended on that date.

Signed this 26th day of August 2011, in accordance with a resolution of the Directors, made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors.

Doogan

Chris Doogan AM
Chair

Hanna

Barry G Hanna
Director

INDEPENDENT AUDIT REPORT

Independent auditor's report to the members of Community CPS Australia Ltd

Report on the financial report

We have audited the accompanying financial report of Community CPS Australia Ltd (the Credit Union), which comprises the Balance Sheets as at 30 June 2011, and Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Credit Union and the Group comprising the Credit Union and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Credit Union's and the Group's financial position and of their performance.

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

Auditor's opinion

In our opinion:

- (a) the financial report of CPS Community Australia Ltd is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

mv Hinchliffe

Michelle Hinchliffe
Partner

Adelaide
26th August 2011

STATEMENTS OF COMPREHENSIVE INCOME

	Note*	CONSOLIDATED		CREDIT UNION	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
FOR THE YEAR ENDED 30 JUNE 2011					
Interest revenue	2	221,245	167,642	221,360	167,668
Interest expense	3	138,949	96,313	139,483	96,396
Net interest revenue		82,296	71,329	81,877	71,272
Net fair value adjustment on interest rate swaps	2	670	3,137	670	3,137
Other income	2	28,763	25,511	23,427	20,023
Total operating income		111,729	99,977	105,974	94,432
Impairment losses	3	1,477	1,122	1,492	1,159
Business combination costs	3	890	371	890	371
Other expenses	3	72,516	67,334	67,863	62,873
Profit before income tax expense		36,846	31,150	35,729	30,029
Income tax expense	4	9,714	8,797	9,518	8,578
Profit from continuing operations	24	27,132	22,353	26,211	21,451
Other comprehensive income for the period (net of tax)		-	-	-	-
Total comprehensive income for the period		27,132	22,353	26,211	21,451

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

BALANCE SHEETS

	Note*	CONSOLIDATED		CREDIT UNION	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
AS AT 30 JUNE 2011					
Assets					
Cash and cash equivalents	5	62,922	11,907	62,922	11,907
Prepayments and other receivables	6	29,557	5,369	29,306	4,920
Placements with other financial institutions	7	377,268	361,524	377,234	361,350
Net Loans and advances to members	8,9	2,932,387	2,630,775	2,932,387	2,630,775
Investment securities	11	14,255	14,009	16,730	16,484
Property, plant and equipment	12	7,414	11,177	7,331	11,058
Held-for-sale assets	13	5,827	-	5,827	-
Intangible assets	14	675	456	675	452
Goodwill	15	3,355	3,355	-	-
Deferred tax assets	4	8,722	9,062	8,291	8,652
Total assets		3,442,382	3,047,634	3,440,703	3,045,598
Liabilities					
Deposits from other financial institutions	16	6,575	34,747	6,575	34,747
Deposits from members	17	2,763,393	2,579,555	2,767,239	2,581,644
Trade and Other payables	18	29,732	13,272	29,201	13,110
Borrowings	19	358,568	163,164	358,568	163,164
Other financial liabilities	20	2,327	6,403	2,327	6,403
Provisions	21	-	68	-	68
Employee benefits	27	6,374	5,921	5,667	5,310
Current tax liabilities	4	5,110	4,172	5,048	4,130
Deferred tax liabilities	4	5,000	5,958	5,000	5,952
Total liabilities		3,177,079	2,813,260	3,179,625	2,814,528
Net assets		265,303	234,374	261,078	231,070
Equity					
Share Capital	22	2,122	956	2,127	961
Reserves	23	109,512	106,151	109,512	106,151
Retained earnings	24	153,669	127,267	149,439	123,958
Total equity		265,303	234,374	261,078	231,070

* The Balance Sheets are to be read in conjunction with the notes to the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011	Share Capital	Asset Revaluation Reserve	Asset Realisation Reserve	Redeemed Share Reserve	General Reserve for Credit Losses	Transfer of Business Reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED								
Balance at 1 July 2009	962	1,703	2,962	1,246	5,726	75,665	102,781	191,045
Net profit for the period	-	-	-	-	-	-	22,353	22,353
Attributable to business combinations	2,442	-	-	-	494	20,522	-	23,448
Transfers to/(from) Reserves	-	(1,703)	-	57	(551)	-	2,197	-
Share Capital redeemed out of profits	(2,448)	-	-	-	-	-	-	(2,448)
Dividends	-	-	-	-	-	-	(64)	(64)
Balance at 30 June 2010	956	-	2,962	1,303	5,669	96,217	127,267	234,374
Net profit for the period	-	-	-	-	-	-	27,132	27,132
Attributable to business combinations	1,256	-	-	-	319	2,377	-	3,952
Transfers to/(from) Reserves	-	-	-	128	537	-	(665)	-
Share Capital redeemed out of profits	(90)	-	-	-	-	-	-	(90)
Dividends	-	-	-	-	-	-	(65)	(65)
Balance at 30 June 2011	2,122	-	2,962	1,431	6,525	98,594	153,669	265,303
CREDIT UNION								
Balance at 1 July 2009	967	1,703	2,962	1,246	5,726	75,665	100,374	188,643
Net profit for the period	-	-	-	-	-	-	21,451	21,451
Attributable to business combinations	2,442	-	-	-	494	20,552	-	23,488
Transfers to/(from) Reserves	-	(1,703)	-	57	(551)	-	2,197	-
Share Capital redeemed out of profits	(2,448)	-	-	-	-	-	-	(2,448)
Dividends	-	-	-	-	-	-	(64)	(64)
Balance at 30 June 2010	961	-	2,962	1,303	5,669	96,217	123,958	231,070
Net profit for the period	-	-	-	-	-	-	26,211	26,211
Attributable to business combinations	1,256	-	-	-	319	2,377	-	3,952
Transfers to/(from) Reserves	-	-	-	128	537	-	(665)	-
Share Capital redeemed out of profits	(90)	-	-	-	-	-	-	(90)
Dividends	-	-	-	-	-	-	(65)	(65)
Balance at 30 June 2011	2,127	-	2,962	1,431	6,525	98,594	149,439	261,078

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

STATEMENTS OF CASH FLOWS

	Note*	CONSOLIDATED		CREDIT UNION	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
FOR THE YEAR ENDED 30 JUNE 2011					
Cash flows from operating activities					
Interest received		223,950	166,143	224,064	166,169
Net increase in loans, advances and other receivables		(235,533)	(252,686)	(235,533)	(252,686)
Net increase/(decrease) in placements with other financial institutions		(11,292)	11,322	(7,100)	11,229
Other non interest income received		29,048	25,795	23,522	20,220
Interest and other costs of finance paid		(131,865)	(93,597)	(132,399)	(93,328)
Net increase in deposits from members		102,041	150,498	103,798	151,597
Net increase in other borrowings		185,766	41,722	185,698	41,371
Net increase/(decrease) in deposits from other financial institutions		(28,171)	15,372	(28,171)	15,372
Payments to suppliers and employees		(76,084)	(68,872)	(76,080)	(64,799)
Income tax paid		(8,587)	(1,386)	(8,384)	(1,222)
Net cash from operating activities	25 (a)	49,273	(5,689)	49,415	(6,077)
Cash flows from investing activities					
Repayment of amounts loaned to controlled entities		-	-	(146)	332
Payment for other investments		(1)	-	-	-
Payment for property, plant and equipment	12	(1,398)	(815)	(1,395)	(775)
Proceeds from sale of property, plant and equipment		84	13	84	13
Payment for intangible assets	14	(790)	(116)	(790)	(112)
Payments on redemption of share capital		(90)	(6)	(90)	(6)
Dividends Paid		(60)	(64)	(60)	(64)
Repayment of Capital Instruments		-	(2,500)	-	(2,500)
Payment for expenses directly attributable to business combinations		(890)	(371)	(890)	(371)
Increase in cash balances via business combination	10	4,887	6,747	4,887	6,747
Net cash used in investing activities		1,742	2,888	1,600	3,264
Net cash from financing activities					
-					
Net increase/(decrease) in cash and cash equivalents		51,015	(2,801)	51,015	(2,813)
Cash and cash equivalents at the beginning of the financial year		11,907	14,708	11,907	14,720
Cash and cash equivalents at the end of the financial year	25 (b)	62,922	11,901	62,922	11,907

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Community CPS Australia Limited (“the Credit Union”) is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2011 comprises the Credit Union and its controlled entities (together referred to as the “Consolidated Entity”). The financial report was authorised for issue by the directors on 26 August 2011.

(a) Statement of Compliance

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

(b) Basis of Preparation

The financial report has been prepared in Australian dollars and in accordance with the accruals basis of accounting using historical costs except for the valuation of derivative financial instruments, hedged loans and Available for Sale Assets. Except where stated, the financial report does not take into account changing money values or current valuations of assets. Cost is based on the fair values of the consideration given in exchange for assets. The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information has been rounded to the nearest thousand unless otherwise stated. The Credit Union holds an Australian Financial Services Licence and has therefore applied ASIC Class Order CO 10/654 and has presented both parent company and group financial statements in this financial report.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Consolidated Entity. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, significant areas of estimation uncertainty and critical areas where judgement has been applied are as follows:-

- Loans and receivables are carried at amortised cost, requiring estimates to be made of their expected life. The expected life of mortgage secured loans is estimated at 54 months while other loans have an estimated expected life of 23 months. In addition, loans and receivables is carried net of impairment provisions which are determined based on estimates of default probabilities and the loss incurred in the event of default. Further, judgement has been exercised in determining that not all the risks and rewards of ownership of securitised loans have been transferred.
- In assessing goodwill for impairment, estimates have been made of expected future cash flows from the applicable cash generating units and judgement used to determine the rate at which those cash flows are discounted.

- Similarly, the obligation for long-term employee benefits is determined based on estimates of the amount and timing of related future cash flows with judgement applied in determining the rate at which those cash flows are discounted.

AASB 101 allows assets and liabilities to be classified by their nature and in an order that reflects their relative liquidity. As this presentation provides information that is reliable and more relevant, assets and liabilities are not presented as current and non-current on the face of the Balance Sheets.

(c) New Accounting Standards and Interpretations Not Yet Adopted

The following standards and interpretations are available for early adoption but are not yet mandatory and have not been applied in preparing this financial report:

- *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 for application in financial years beginning on or after 1 January 2013^o*;
- *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] for application in financial years beginning on or after 1 January 2011^o*;
- *AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement for application in financial years beginning on or after 1 January 2011^o*;
- *AASB 9 Financial Instruments for application in financial years beginning on or after 1 January 2013^o*;
- *AASB 124 Related Party Disclosures for application in financial years beginning on or after 1 January 2011^o*;
- *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for application in financial years beginning on or after 1 July 2013^o*;

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- 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] for application in financial years beginning on or after 1 January 2011^o
- AASB 1053 Application of Tiers of Australian Accounting Standards for application in financial years beginning on or after 1 July 2013^e,
- AASB 2010-6 Amendment to Australian Accounting Standards for application in financial years beginning on or after 1 July 2011^o;
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 for application in financial years beginning on or after 1 January 2013^e,
- AASB 2010-8 Amendments to Australian Accounting Standards for application in financial years beginning on or after 1 January 2012⁸,
- AASB 2010-9 Amendment to Australian Accounting Standards for application in financial years beginning on or after 1 July 2011^o;
- AASB 1054 Amendments to Australian Additional Disclosures for application in financial years beginning on or after 1 January 2011^o,
- AASB 2011-1 Amendments to Australian Accounting Standards for application in financial years beginning on or after 1 January 2011^o,
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements for application in financial years beginning on or after 1 July 2013^e
- AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments 1 July 2012⁸

The above standards will be mandatory for the Consolidated Entity's 30 June 2012^o, 30 June 2013⁸, and 30 June 2014^e financial reports.

These standards are not expected to have any material recognition or measurement impacts on the Consolidated Entity's financial report upon initial application but, in respect of certain standards, would result in additional disclosures.

(d) Accounts Payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the procurement of goods and services. These liabilities are carried at amortised cost.

(e) Borrowings

Interest on wholesale borrowings and other interest-bearing liabilities is brought to account on an effective yield basis. The amount of the accrual is measured on a nominal basis and recognised as a liability in the accounts of the Consolidated Entity. These liabilities are carried at amortised cost.

(f) Business Combinations – Mutual Entity Mergers

The Consolidated Entity has adopted revised AASB3 Business Combinations for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring after 1 July 2009 are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Consolidated Entity. For every business combination, the Consolidated Entity identifies the acquirer, which is the party that obtains control in the combination. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date. Consideration transferred is determined as the acquisition date fair value of the acquiree's equity interests. Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed.

Transaction costs that the Consolidated Entity incurs in connection with a business combination are expensed as incurred.

(g) Cash and Cash equivalents

Cash and cash equivalents comprise cash at branches and in automatic teller machines plus deposits at call with Approved Deposit-taking Institutions. Interest income on cash and cash equivalents is recognised using the effective interest rate method in the Statement of Comprehensive Incomes. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows but as part of Borrowings in the Balance Sheets.

(h) Deposits

Interest on deposits is credited in accordance with the terms of each deposit and brought to account on an effective yield basis. Interest is accrued as part of the deposit balances which are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(i) Derivative Financial Instruments

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the Balance Sheet and not for speculative purposes. Derivative financial instruments are recognised at fair value. Realised gains and losses on interest rate swaps are recognised immediately in the Statement of Comprehensive Income via inclusion in the determination of interest revenue while unrealised changes in the fair value of interest rate swaps is included as Other Income. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Consolidated Entity enters into fixed for floating interest rate swap transactions that are designated as an effective hedging instrument against a specified dollar value of fixed rate loan exposures which will reprice in the same specified month and year. For fair value hedges, the change in fair value of the hedging derivative are recognised immediately in the Statement of Comprehensive Income together with changes in the fair value of the hedged item attributable to the hedged risk. Hedge accounting is discontinued when the hedge instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss over the last six months of the life of the related hedging instrument.

Interest rate swaps that do not qualify for hedge accounting are accounted for as trading instruments and any changes in fair value are recognised immediately in profit or loss. Further details of derivative financial instruments are disclosed in Note 33(j).

(j) Employee Benefits

Provisions are made in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Where these provisions are expected to be settled within 12 months, these liabilities are measured at their nominal values using the remuneration rate expected to apply at the time of settlement including on-costs.

Provisions made in respect of long service leave not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date. Provision is made for all employees from the date of employment.

A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Long-term employee benefits

The Consolidated Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Australian government bonds that have maturity dates approximating the terms of the Consolidated Entity's obligations.

The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Consolidated Entity as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Financial Assets and Liabilities

The Consolidated Entity initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at fair value on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(k) Financial Assets and Liabilities (continued)

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. An interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Entity enters into transactions whereby it transfers assets recognised on its Balance Sheet, but retains either all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Balance Sheet.

The Consolidated Entity securitises various consumer financial assets, which generally results in a sale of these assets to special-purpose entities, which, in turn issue securities to investors.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of the GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of other receivables or payables in the Balance Sheet.

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

(m) Impairment

The carrying amounts of the Consolidated Entity's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash-generating unit) exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal of that previous revaluation with any excess recognised through the Statement of Comprehensive Income.

Goodwill is tested for impairment annually. Whenever there is any indication that the goodwill may be impaired any impairment loss is recognised immediately in profit and loss and is not subsequently reversed.

(n) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not recognised if the temporary differences affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill. Deferred tax assets and deferred tax liabilities are not offset.

The Credit Union's disclosed available franking credits are based on the balance of its franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of current tax liabilities or franking debits that will arise from the receipt of current tax asset refunds;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year end, and
- (d) franking credits that the Credit Union may be prevented from distributing in subsequent years.

During the financial year ended 30 June 2011, the Consolidated Entity reassessed the financial effect of the taxation consolidation legislation and elected that all the controlled entities would not join a tax consolidation group and be taxed as a single entity. As a result, the individual entities continue to recognise current and deferred tax amounts in their own right which is then consolidated into the accounts of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(o) Intangible Assets

Goodwill

Goodwill, representing the excess of the cost of acquisition of a business over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually. Refer to note 1(m) in relation to impairment

Computer Software

Software acquired by the Consolidated Entity is stated at cost less accumulated amortisation. Amortisation is charged from the date the asset is available for use on a straight line basis over a period of 2-3 years.

The Barton Securitisation Program

Costs associated with establishing the program and each series issue, other than the interest cost of the Notes, are amortised over the weighted average life of the AAA-rated notes for each series. This generally results in amortisation over 3-4 years on a straight line basis and is reflected as part of borrowing costs.

(p) Investment Securities

Investment Securities are classified as available for sale assets and carried at fair value. Gains and losses arising from fair value changes are recognised in other comprehensive income and presented in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. These assets are subject to annual testing as to whether there is objective evidence of impairment (refer note 1(m)). If assessed as impaired, any cumulative loss previously recognised in comprehensive income, and carried in equity, and any additional impairment loss is transferred to profit or loss. Any subsequent recovery in the fair value of an impaired investment security is recognised in other comprehensive income. In the Credit Union's financial statements, investments in controlled entities are carried at cost.

(q) Leased Assets

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

(r) Loans and Advances

Loans and advances are recognised at amortised cost using the effective interest rate method, after assessing required provisions for impairment. Loan and credit limit interest is calculated on the daily balance outstanding and is charged to members' accounts on the last day of each month. Overdraft interest is calculated on the daily balance outstanding and is charged in arrears to members' accounts at the beginning of the following month. All housing loans are secured by registered mortgages.

Impairment

All loans and advances are subject to regular management review to assess whether there is any objective evidence of impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment provisions against Loans and Receivables are only raised for "incurred losses" (once objective evidence is obtained that a loss event has occurred) not anticipated future losses. Loan impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, including possible foreclosure recoveries and associated costs, discounted at the loan's original effective interest rate. Significant loans and loans in arrears 120 days or greater are assessed individually for impairment. Smaller and less delinquent loans are impairment tested in portfolios based upon similar risk profiles using objective evidence, which may be historical experience adjusted to accommodate the effects of current conditions at each balance date.

Bad debts are written off when identified.

Bad loans are written off against the Provision for Impaired Loans. Adjustments to the Provision for Impaired Loans are taken to the Statement of Comprehensive Income and reported with Impairment Losses. Recovery of loans previously written off is recognised in the Statement of Comprehensive Income only when the amount has been received from the debtor.

Statutory reporting requirements for Impaired Loans

All loans and advances are reviewed and graded according to the anticipated level of credit risk. Accounting Standard AASB 7 *Financial Instruments*: Disclosures prescribes specific reporting requirements of impaired loans, acquired assets and past-due loans.

The following classifications have been adopted:

Restructured loans are those 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 and the revised terms are not comparable to new facilities.

Past-due loans are loans where the borrower has failed to make a repayment when contractually due. Provision for these loans is made according to the period of arrears and with regard to the underlying security.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Loans and Advances – Provision for Impairment

The aggregate provision set out in these accounts is the higher of the calculated provision and the prescribed provisioning requirements set down in AGN 220.3 and a dynamic arrears-based arrears loss calculation, as described in the following paragraphs .

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

(r) Loans and Advances (continued)

Specific Provision

The specific provision against impaired loans exists to provide for loans that are 120 days or more in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows. The dynamic arrears-based loss provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default.

Collective Provision

The collective provision against impaired loans exists to provide for overdrawn and over-limit revolving credit facilities and loans that are less than 120 days in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows.

The statutory collective component of the provision is contingent upon the length of time loan repayments are in arrears and the security held. The provision varies according to the type of security attached to the loan and the number of days each loan is in arrears.

Reversals of Impairment Losses

An impairment loss in respect of Loans and Advances carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

General Reserve for Credit Losses

In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults. The general reserve for credit losses is raised to recognise that loans that are not currently in arrears have a probability of future loss, and that

loans that are provided for may result in a higher loss due to changed circumstances.

The reserve is calculated based on current non-delinquent credit balances, historical default probabilities and loss in the event of default rates plus a calculated stress scenario loss for mortgage secured exposures and adjusted for expected changes in economic default drivers and internal credit risk appetite.

(s) Member Share Capital

Withdrawable member share capital (redeemable preference shares) is classed as a liability (at amortised cost) and is therefore reported under the classification of Deposits from members (Note 16). Each member holds one redeemable preference share.

The Redeemed Share Reserve (Note 23) represents the amount of Preference Shares redeemed by the Credit Union during the period 1 July 1999 to the date of this financial report. The Corporations Act 2001 requires that redemption of these shares is to be made out of profit or through a new issue of shares for the purpose of the redemption. Since the value of the shares redeemed have been paid to the members in accordance with the terms and conditions of the share issue, the account balance represents the amount of profits appropriated to the account for the period stated above.

(t) Other Receivables

Receivables are recorded at amounts due less any allowance for impairment and are classified as loans and receivables.

(u) Placements with Other Financial Institutions

Placements with other financial institutions are classified as held to maturity financial instruments and are reported exclusive of accrued interest. Income is recognised when earned. Term deposits with financial institutions are recorded at amortised cost.

Investments in Bank Bills and Bank Bonds are recorded at cost plus or minus any amount taken into account for discounts or premiums arising at acquisition. Discounts or premiums are amortised over the period of investment through the Statement of Comprehensive Income so that the investments attain their redemption values by maturity date.

Any profits or losses arising from the sale of investment securities prior to maturity are taken to the Statement of Comprehensive Income in the period in which they are realised.

(v) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Credit Union (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. A list of controlled entities appears in Note 11 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Credit Union obtains control and until such time as the Credit Union ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(w) Property, Plant and Equipment

Assets acquired are initially recorded at the cost of acquisition, being the fair value of the consideration provided plus costs incidental and directly attributable to the acquisition.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Consolidated Entity in future years, otherwise the costs are expensed as incurred.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Assets are depreciated on a straight line basis from the date of acquisition or from the time the asset is held ready for use. The following estimated useful lives are used in the calculation of depreciation:

Land and buildings

Current Year	Prior Year
40 years	40 years

Fit-out and leasehold improvements

Current Year	Prior Year
4 to 5 years	4 to 5 years

Plant and equipment

Current Year	Prior Year
3 to 7 years	3 to 7 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(x) Held-for-sale Assets

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Credit Union's accounting policies. Thereafter the assets are generally measured at lower of their carrying amount of fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses are recognised in profit or loss.

(y) Provisions

Provisions are recognised when the Consolidated Entity has a present, legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the expected consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation, and those cash flows are discounted to the present value where appropriate.

(z) Revenue Recognition

Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

Rendering of services

Wealth Management fees and commissions are recognised on an accruals basis or when services have been rendered. Fee income in respect of accounting and taxation services is recognised when invoices are raised.

Interest revenue

Interest revenue on loans (other than loans designated as "non-accrual") is recognised using the effective interest method on an accrual basis taking into consideration the interest rate applicable to the financial assets. Loan establishment fees are also included in the effective interest rate method and are amortised over the life of the loan. Other transaction related loan fees, including loan break fees, are recognised at the point of rendering the service to the member and reported as part of Other Income.

Due to the short term nature and reviewability of Revolving Credit facilities, all associated fees, including establishment fees, are recognised at the time the related service is performed.

Sale of assets

Revenue from the sale of assets is recognised when the significant risks and rewards of ownership of the asset passes from the Consolidated Entity to the buyer.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
2 REVENUE				
Revenue from operations consisted of the following items:				
Interest revenue	221,245	167,642	221,360	167,668
Fair value adjustment on interest rate swaps	670	3,137	670	3,137
Other income				
Fees and commissions				
• Loan fee income	2,405	2,849	2,405	2,849
• Securitised loan management fees	658	660	915	660
• Wealth management income	3,053	2,867	-	-
• Accounting and taxation income	2,579	2,495	-	-
• Member fee income	8,191	7,723	8,191	7,723
• Other fee income	1,686	1,163	1,686	1,163
• Insurance commissions	4,207	3,749	4,207	3,749
• Other commissions	1,726	2,179	1,718	2,034
Income from property	237	147	268	178
Net gain on disposal of property, plant and equipment	18	10	18	10
Recovery of loans and advances previously written off	471	586	471	586
Dividend Income	3,385	872	3,385	871
Other	147	211	163	200
Total Other income	28,763	25,511	23,427	20,023
Total revenue	250,678	196,290	245,457	190,828

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
3 EXPENSES				
Profit before income tax expense has been arrived at after charging the following expenses:				
Interest Expense	138,949	96,313	139,483	96,396
Bad debts written off	1,393	1,563	1,314	1,485
Increase / (decrease) in impairment provisions	84	(441)	178	(326)
Impairment losses	1,477	1,122	1,492	1,159
Business combination costs	890	371	890	371
Other expenses				
Depreciation				
• Plant and equipment	1,231	1,233	1,210	1,193
• Building	146	125	146	125
• Leasehold improvements	1,325	1,646	1,301	1,618
	2,702	3,004	2,657	2,936
Amortisation				
• Software	570	281	567	258
	570	281	567	258
Staff costs	32,554	31,045	29,241	27,851
Contributions to defined contribution superannuation funds	2,605	2,591	2,330	2,257
Provision for employee entitlements	619	571	497	464
General administrative expenses				
• Fee and commission expense	8,182	7,385	8,181	7,383
• Information technology	4,891	4,341	4,769	4,230
• Occupancy	2,636	2,435	2,537	2,353
• Marketing	4,422	3,210	4,357	3,162
• Printing and Stationery	770	713	707	642
• Communication	2,453	2,394	2,374	2,328
Other operating expenses	3,822	4,023	3,714	4,062
Operating lease rentals	6,290	5,921	5,932	5,527
Recovery of losses associated with HIH Insurance	-	(580)	-	(580)
Total Other expenses	72,516	67,334	67,863	62,873
Total Non interest expense	74,883	68,827	70,245	64,403
Total expenses	213,832	165,140	209,728	160,799

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
4 INCOME TAXES				
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense				
Current year	9,657	8,007	9,431	7,776
Adjustments recognised in the current year in relation to prior years	(143)	(133)	(143)	(133)
	9,514	7,874	9,288	7,643
Deferred tax expense				
Origination and reversal of temporary differences	200	923	230	935
Total tax expense	9,714	8,797	9,518	8,578
Attributable to:				
Continuing operations	9,714	8,797	9,518	8,578
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows :				
Profit from operations	36,846	31,150	35,729	30,029
Income tax expense calculated at 30% (2010: 30%)	11,054	9,345	10,718	9,009
Non deductible expenses	4,444	3,803	4,199	3,559
Non-assessable income	(1,997)	(664)	(1,863)	(526)
Other deductible expenditure	(4,521)	(4,083)	(4,299)	(3,871)
Other assessable income	676	(395)	676	(395)
Change in recognised temporary differences	201	924	230	935
	(1,197)	(415)	(1,057)	(298)
Under / (Over) provision of income tax in previous year	(143)	(133)	(143)	(133)
Income tax expense	9,714	8,797	9,518	8,578
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
4 INCOME TAXES (CONTINUED)				
(c) Current Tax Balances				
Current Tax Liabilities comprise:				
Income tax payable	5,110	4,172	5,048	4,130
	5,110	4,172	5,048	4,130
(d) Deferred Tax Balances				
Deferred tax assets comprise:				
Other receivables	53	12	45	-
Net Loans and advances to members	575	497	575	497
Other financial assets	698	1,921	698	1,921
Property, plant and equipment	3,082	2,750	2,936	2,602
Intangible assets	822	819	822	819
Goodwill	53	53	-	-
Trade and Other payables	949	650	945	647
Employee benefits	1,912	1,776	1,700	1,593
Other	578	584	570	573
	8,722	9,062	8,291	8,652
Deferred tax liabilities comprise:				
Prepayments	-	1	-	1
Net Loans and advances to members	803	1,825	803	1,825
Investment securities	1,790	1,790	1,790	1,790
Property, plant and equipment	1,561	1,475	1,561	1,469
Intangible assets	846	867	846	867
	5,000	5,958	5,000	5,952
Net deferred tax assets	3,722	3,104	3,291	2,700
(e) Franking Credits				
Adjusted franking account balance (tax paid basis)			57,674	46,917
5 CASH AND CASH EQUIVALENTS				
Cash on hand and deposits at call	62,922	11,907	62,922	11,907
	62,922	11,907	62,922	11,907

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
6 PREPAYMENTS AND OTHER RECEIVABLES				
Prepayments and other receivables	25,252	2,980	24,674	2,397
Allowance for impairment	(26)	(41)	-	-
	25,226	2,939	24,674	2,397
Interest receivable	4,331	2,430	4,331	2,375
Amount receivable from controlled entities	-	-	301	148
	29,557	5,369	29,306	4,920

7 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	83,137	168,903	83,103	168,903
Bank negotiated certificates of deposit and bonds	287,419	192,447	287,419	192,447
Other deposits	4,212	174	4,212	-
Term deposits	2,500	-	2,500	-
	377,268	361,524	377,234	361,350

8 NET LOANS AND ADVANCES TO MEMBERS				
Revolving credit loans	229,007	212,040	229,007	212,040
Term loans	2,705,295	2,420,390	2,705,295	2,420,390
Gross loans and advances	2,934,302	2,632,430	2,934,302	2,632,430
Provision for impairment	(1,915)	(1,655)	(1,915)	(1,655)
Net loans and advances	2,932,387	2,630,775	2,932,387	2,630,775

Actual expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

(a) Concentration of risk

The loan portfolio of the Consolidated Entity includes no loans, or groups of loans that represent greater than 10% of capital. An analysis of the concentration of the Consolidated Entity's loans and advances by geographic location is provided below:

• South Australia	1,291,093	1,222,915	1,291,093	1,222,915
• Western Australia	733,576	670,955	733,576	670,955
• Australian Capital Territory	440,146	386,690	440,146	386,690
• New South Wales	381,459	296,896	381,459	296,896
• Other	88,028	54,974	88,028	54,974
Gross loans and advances	2,934,302	2,632,430	2,934,302	2,632,430

NOTES TO THE FINANCIAL STATEMENTS

8 NET LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Securitised loans

The Credit Union has established The Barton securitisation program to provide a diversified and longer term source of funding compared to previous options. The Credit Union sells the rights to future cashflows of eligible residential home loans into The Barton program and receives funds equal to the aggregated outstanding balances on all loans which The Barton program has purchased and the subsequently issued Notes for investors to invest in. Whilst the cashflows have been transferred, the Credit Union has been appointed to service the loans. In broad terms, the Credit Union's obligation is to continue to manage the loans as if it were the lender.

The Credit Union uses Waratah Finance Pty Ltd ("Waratah") as a vehicle to securitise loans and provide funding for future lending. The Credit Union sells the rights to future cashflows of eligible residential home loans to Waratah and receives funds equal to the aggregated outstanding balances on all loans which Waratah has purchased. Whilst the cashflows have been transferred, the Credit Union has been appointed to service the loans. In broad terms the Credit Union's obligation is to continue to manage the loans as if it were the lender.

The transfer of a financial asset is dependant upon the extent to which the risks and rewards of ownership are transferred. In the case of loans securitised with Barton and Waratah it has been determined that the Credit Union substantially retains the risks and rewards of ownership and hence continues to recognise the assets for financial reporting purposes. The balance at year end is separately disclosed below with a liability to Barton and Waratah for the same amount being recognised under Note 19 – Borrowings.

The risks associated with the Barton and Waratah securitised loans relate to the potentially variable nature of the cashflows received by the Credit Union for servicing the loans. In addition, the Credit Union currently owns the Barton subordinated note tranches and is therefore exposed to first loss credit risk in respect of Barton loans. These risks are managed by the Credit Union.

The Credit Union acquired a loan securitisation program and associated special purpose entity (Jasper Warehouse Trust) upon the transfer of business of United Credit Union Limited. In the case of loans securitised into the Jasper Warehouse Trust, it has been determined that the Credit Union substantially retains the risks and rewards of ownership and hence continues to recognise the assets for financial reporting purposes. This program was wound-up in October 2010. The balance at last year end is separately disclosed below with a liability for the same amount being recognised under Note 19 – Borrowings.

The Credit Union acquired loans which had been sold into the Trinity securitisation program upon the transfer of business of Wagga Mutual Credit Union Limited. The Trinity loans are considered to be a clean sale of loan receivables that effectively transfers the risks and rewards of ownership and hence these loans are treated as off-balance sheet.

In addition to the above programs, the Credit Union has used Integris Securitisation Services Pty Ltd ("Integris") to provide funding for future lending. The sale of loans to Integris is considered to be a clean sale of loan receivables that effectively transfers the risks and rewards of ownership and hence these loans are treated as off-balance sheet.

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
On-Balance sheet securitised loans (The Barton, Waratah & Jasper)	356,768	158,164	356,768	158,164
Off-Balance sheet securitised loans (Integris, Trinity)	75,826	68,511	75,826	68,511

9 IMPAIRMENT OF LOANS AND ADVANCES

The policy covering impaired loans and advances is set out in Note 1.

Specific provision for impairment

Balance at beginning of financial year	689	767	689	767
Bad debts written off	(1,314)	(1,485)	(1,314)	(1,485)
Acquired through business combinations	82	289	82	289
Impaired loan expense	1,325	1,118	1,325	1,118
Closing specific provision for impairment	782	689	782	689

Collective provision for impairment

Balance at beginning of financial year	966	925	966	925
Acquired through business combinations	321	-	321	-
Impaired loan expense	(154)	41	(154)	41
Closing collective provision for impairment	1,133	966	1,133	966
Total provision for impairment	1,915	1,655	1,915	1,655

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
9 IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)				
Past-due loan balances				
With provision for impairment	24,725	19,623	24,725	19,623
Provision for impairment	(1,915)	(1,655)	(1,915)	(1,655)
Without provision for impairment	50,322	43,101	50,322	43,101
Net past-due loans	73,132	61,069	73,132	61,069
Past-due loans with no provision are mortgage loans that are fully secured by real property and no loss is expected even in the event of enforcement and subsequent repossession and sale.				
(a) Interest revenue on non-accrual and restructured loans	-	-	-	-
(b) Interest foregone on non-accrual and restructured loans	52	26	52	26
(c) Net fair value of assets acquired through the enforcement of security during the financial year	1,198	53	1,198	53

10 BUSINESS COMBINATIONS

The Credit Union accepted a total voluntary transfer of Companion Credit Union Limited ("Companion") on 1 January 2010, under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under these transactions.

The Credit Union accepted a total voluntary transfer of Wagga Mutual Credit Union Limited ("Wagga") on 4 June 2011 under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under this transaction. Wagga's business has been assessed for identifiable Intangible Assets and none were recognised by the Credit Union because their values are not material.

These business combinations with other credit unions enable the Consolidated Entity to offer its members enhanced access and a broader range of products and services. In addition, its increased scale will enhance its ability to pursue its strategic goals, further spread its geographic risks, improve operating efficiency and provide increased opportunities for its staff.

It is not practical to disclose the amount of Companion's profit or loss since its acquisition date, since this is indistinguishable in the Credit Union's accounts. Had this business combination been effected at 1 July 2010, the revenue of the Consolidated Entity for the year ended 30 June 2011 would have been approximately \$258.4 million, and profit after tax approximately \$25.6 million.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
10 BUSINESS COMBINATIONS (CONTINUED)				
Details of business combinations are as follows:				
Consideration				
Cash	-	-	-	-
Deferred Purchase Consideration	-	-	-	-
	-	-	-	-
Fair Value of Net Assets Acquired				
Assets				
Cash and cash equivalents	4,887	6,747	4,887	6,747
Prepayments and other receivables	451	3,167	451	3,167
Placements with other financial institutions	11,227	31,914	11,227	31,914
Net Loans and advances to members	70,979	215,204	70,979	215,204
Investment securities	247	1,292	247	1,292
Property, plant and equipment	3,433	3,032	3,433	3,032
Intangible assets	-	178	-	178
Deferred tax assets	965	869	965	869
Liabilities				
Deposits from other financial institutions	-	14,000	-	14,000
Deposits from members	73,891	215,422	73,891	215,422
Trade and Other payables	880	1,407	880	1,407
Borrowings	9,638	3,459	9,638	3,459
Derivative Financial Instruments	-	722	-	722
Provisions	3,353	1,630	3,353	1,630
Employee benefits	318	796	318	796
Current tax liabilities	35	540	35	540
Deferred tax liabilities	122	799	122	799
Net Assets Acquired	3,952	23,628	3,952	23,628
Equity				
Issued capital	1,256	2,442	1,256	2,442
Reserves	2,696	21,186	2,696	21,186
Net Assets less Equity Acquired	-	-	-	-
Goodwill on Acquisition	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
11 INVESTMENT SECURITIES				
Unlisted shares at cost				
• Controlled entities	-	-	2,475	2,475
• Available-for-sale investment securities	1,740	1,494	1,740	1,494
	1,740	1,494	4,215	3,969
Unlisted shares at fair value	-	-	-	-
• Available-for-sale investment securities	12,515	12,515	12,515	12,515
	12,515	12,515	12,515	12,515
Total investment securities	14,255	14,009	16,730	16,484

Available-for-sale investment securities carried at cost are investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured because the information about these companies that would be required to estimate their fair value is not readily available.

Available-for-sale investment securities carried at fair value are investments in equity instruments of a company in which the Consolidated Entity acquired additional shares in 2008 from a willing seller in an arms length transaction. The 2008 purchase price applicable to this transaction was applied to the Consolidated Entity's entire holding as the shares' fair value and continues to be the best indicator of fair value.

Investment in controlled entities

All controlled entities are domiciled in Australia.

Investment in controlled entities comprises:

Name	CONSOLIDATED ENTITY INTEREST	
	2011 %	2010 %
Eastwoods Wealth Management Pty Ltd	100	100
Eastwoods Accounting and Taxation Pty Ltd	100	100
Eastwoods Group Ltd	100	100
Eastwoods Finance Brokers Pty Ltd	100	100
CPS Waymouth Pty Ltd	100	100
Community CPS Services Pty Ltd	100	-
Community CPS Foundation Ltd	100	100
Adelaide and Region Community Support Fund	-	100
Canberra and Region Community Support Fund	-	100
Perth and Region Community Support Fund	-	100
Newcastle and Hunter Region Community Support Fund	-	100
Adelaide and Region Community Deductible Gift Recipient Fund	-	100
Canberra and Region Community Deductible Gift Recipient Fund	-	100
Perth and Region Community Deductible Gift Recipient Fund	-	100
Newcastle and Hunter Region Community Deductible Gift Recipient Fund	-	100
Community CPS Foundation Master Support Fund	100	-
Community CPS Foundation Master Deductible Gift Recipient Fund	100	-
Jasper Warehouse Trust	-	100
The Barton Series 2011-1 Trust	100	-

Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Finance Brokers Pty Ltd and Eastwoods Wealth Management Pty Ltd are wholly owned by Eastwoods Group Ltd. Community CPS Foundation Ltd is a public company limited by guarantee with the Credit Union being the sole \$100 guarantor.

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENT SECURITIES (CONTINUED)

During the financial year ended 30 June 2011, Community CPS Foundation Ltd revised its corporate structure to reduce administration costs. As a consequence the four Regional Support and Deductible Gift Recipient funds were closed and the surplus funds transferred into the Master Funds. Further, the Credit Union established The Barton securitisation program which created The Barton Series 2011-1 Trust and Community CPS Services Pty Ltd as Trust Manager of the Series Trust.

In April 2011, the Credit Union established a residential mortgage-backed securitisation (RMBS) program, The Barton program and established The Barton Series Trust to purchase mortgage loans it originated. The beneficial interest in the trust is divided into two classes of units, being residual capital units (ten) and residual income units (one). The Credit Union holds nine residual capital units and the residual income unit.

United entered into a mortgage securitisation program in January 2007, and established the Jasper Warehouse Trust to purchase mortgage loans it originated. The beneficial interest in the Trust is divided into three units, being two capital units and one income unit. The two capital units are divided into two classes, 1 Class A capital unit and 1 Class B capital unit. As a consequence of the transfer of United's business, the Credit Union holds the income unit and Class B capital unit. The beneficial interest of the Class A capital unit is limited to a maximum of \$1,000 thereby giving the Credit Union control of the Trust. As a result, the Trust is consolidated as part of the Consolidated Entity. The Jasper Warehouse Trust was wound up in October 2010.

12 PROPERTY, PLANT AND EQUIPMENT		Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
Consolidated	Note*	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount					
Balance at 1 July 2009		3,903	12,706	13,352	29,961
Acquisitions through business combinations		2,742	-	3,527	6,269
Additions		-	297	524	821
Disposals		-	-	(107)	(107)
Balance at 30 June 2010		6,645	13,003	17,296	36,944
Reclassified as held-for-sale asset		(6,347)	-	-	(6,347)
Acquisitions through business combinations		3,665	-	1,182	4,847
Additions		95	655	648	1,398
Disposals		-	(1)	(225)	(226)
Balance at 30 June 2011		4,058	13,657	18,901	36,616
Accumulated Depreciation					
Balance at 1 July 2009		323	8,350	10,951	19,624
Acquisitions through business combinations		457	-	2,786	3,243
Disposals		-	-	(104)	(104)
Depreciation Expense	3	125	1,646	1,233	3,004
Balance at 30 June 2010		905	9,996	14,866	25,767
Reclassified as held-for-sale asset		(520)	-	-	(520)
Acquisitions through business combinations		420	-	993	1,413
Disposals		-	-	(160)	(160)
Depreciation Expense	3	146	1,325	1,231	2,702
Balance at 30 June 2011		951	11,321	16,930	29,202
Net Book Value					
As at 30 June 2010		5,740	3,007	2,430	11,177
As at 30 June 2011		3,107	2,336	1,971	7,414

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	Note*	Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
		\$'000	\$'000	\$'000	\$'000
Credit Union					
Gross Carrying Amount					
Balance at 1 July 2009		3,903	12,152	12,935	28,990
Acquisitions through business combinations		2,742	-	3,527	6,269
Additions		-	297	486	783
Disposals		-	-	(107)	(107)
Balance at 30 June 2010		6,645	12,449	16,841	35,935
Reclassified as held-for-sale asset		(6,347)	-	-	(6,347)
Acquisitions through business combinations		3,665	-	1,182	4,847
Additions		95	655	645	1,395
Disposals		-	(1)	(224)	(225)
Balance at 30 June 2011		4,058	13,103	18,444	35,605
Accumulated Depreciation					
Balance at 1 July 2009		323	7,890	10,587	18,800
Acquisitions through business combinations		457	-	2,786	3,243
Disposals		-	-	(102)	(102)
Depreciation Expense	3	125	1,618	1,193	2,936
Balance at 30 June 2010		905	9,508	14,464	24,877
Reclassified as held-for-sale asset		(520)	-	-	(520)
Acquisitions through business combinations		420	-	998	1,418
Disposals		-	-	(158)	(158)
Depreciation Expense	3	146	1,301	1,210	2,657
Balance at 30 June 2011		951	10,809	16,514	28,274
Net Book Value					
As at 30 June 2010		5,740	2,941	2,377	11,058
As at 30 June 2011		3,107	2,294	1,930	7,331

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 30 June 2011 by Mr G. Cummins A.A.P.I. of CB Richard Ellis, to determine the fair value of the land and buildings as at financial year end. The valuation was performed on the basis of the Controlled Entity occupying the majority of the building and a sub-lease being in place that valued the property at \$4.270m (2010: \$4.75m.) Capital expenditure commitments for plant and equipment contracted for but not provided for and payable within one year \$Nil (2010:\$Nil). There are no capital commitments payable after one year (2010: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
13 HELD-FOR-SALE ASSETS				
Property, Plant and Equipment	5,827	-	5,827	-
Balance at end of financial year	5,827	-	5,827	-

Buildings held in Wagga Wagga and Cessnock are classified as held-for-sale and are listed with a real estate agent for sale. The building at South Avenue, Cressnock was sold in August 2011 for \$1.292m

14 INTANGIBLE ASSETS				
Gross Carrying Amount - Capitalised Software				
Balance at beginning of the financial year	6,776	5,932	6,636	5,796
Acquisitions through business combinations	-	728	-	728
Additions	790	116	790	112
Balance at end of financial year	7,566	6,776	7,426	6,636
Accumulated Amortisation				
Balance at beginning of the financial year	6,321	5,489	6,184	5,376
Acquisitions through business combinations	-	550	-	550
Amortisation Expense	570	281	567	258
Balance at end of financial year	6,891	6,320	6,751	6,184
Net Book Value				
Balance at beginning of the financial year	455	443	452	420
Balance at end of financial year	675	456	675	452

15 GOODWILL				
Balance at beginning of the financial year	3,355	3,355	-	-
Balance at end of financial year	3,355	3,355	-	-

Goodwill is associated with the Consolidated Entity's wealth management and accounting and taxation cash-generating units. The recoverable amount of the goodwill in these cash-generating units was based on its value in use; determined by discounting the future cash flows generated from the continuing use of these units based on the following key assumptions:

- Cash flows for the wealth management and accounting and taxation cash-generating unit are projected based on recent actual operating results, the Board approved budget for the coming Financial year, the Board approved forecast for the subsequent two Financial years and an extrapolated forecast for the following two Financial years (based on medium term growth trends) to provide a five year Cash flow forecast.
- The discount rate applied to the forecast cash-generating unit cash flows was based on the calculated weighted average cost of capital for each corresponding company using current risk free rates and applying applicable market Beta's, equity, small cap and credit premia.

16 DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS				
Interest bearing deposits	6,575	34,747	6,575	34,747

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
17 DEPOSITS FROM MEMBERS				
Withdrawable member shares	805	811	805	811
Deposits from controlled entities at call	-	-	2,209	2,077
Call deposits	1,213,397	1,117,660	1,213,397	1,117,660
Term deposits	1,549,191	1,461,084	1,550,828	1,461,096
	2,763,393	2,579,555	2,767,239	2,581,644

Each member share entitles the holder to vote at a meeting of members (except if the member is a minor), to participate equally in any surplus upon winding up and to request its redemption at any time. The shares are not transferable and have no dividend entitlement.

The number of member shares at 30 June 2011 is 185,308 (2010: 178,251).

(a) Concentration of deposits

The deposit portfolio of the Credit Union does not include any deposits or groups of deposits that represents a material concentration in terms of the source of liability.

18 TRADE AND OTHER PAYABLES

Unearned loan fee obligation	1,119	1,024	1,119	1,024
Trade and other creditors	28,613	12,248	28,082	12,086
	29,732	13,272	29,201	13,110

19 BORROWINGS

Subordinated Debt	8,100	5,000	8,100	5,000
Securitised Loan Funding	350,468	158,164	350,468	158,164
	358,568	163,164	358,568	163,164

The subordinated debt has been acquired through the Transfer of Business from: *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 for application in financial years beginning on or after 1 January 2013*;

- United Credit Union Ltd (\$5.0m) and expires 15 November 2016. Interest is paid quarterly at the prevailing bank bill swap reference rate plus a margin of 225bp.
- Wagga Mutual Credit Union Ltd (\$3.1m) of which \$1.4m was issued from the Australian Mutual T1 Capital Funding Trust No1 which was formed to raise capital for a group of credit unions. This was issued under the laws of New South Wales with CUNA Mutual Life Australia Limited as the trustee and will pay quarterly interest at the prevailing bank bill swap reference rate plus a margin of 50 bps. The remaining \$1.7m was issued by Wagga Mutual and pays interest quarterly at a margin to the prevailing bank bill swap reference rate.

Securitized Loan Funding is provided through Perpetual Corporate Trust Limited ("Perpetual") and Waratah Finance Pty Limited ("Waratah Finance"). Funding provided through Perpetual is in its capacity as Trustee for The Barton Series 2011-1 Trust. Under the transaction documents for this facility, The Barton Series 2011-1 Trust acquires residential mortgages originated by the Credit Union. The acquisition of the residential mortgages by The Barton Series 2011-1 Trust is funded by Notes issues from The Barton Series 2011-1 Trust. The Master Trust Deed established for this structure does not have an expiry date. The maturity profile of the Issued Notes are effectively tied to the maturity profile of the associated securitized loans and has been disclosed accordingly at Note 33(c).

Funding provided through Waratah Finance Pty Limited ("Waratah Finance") is in its capacity as Trustee for the CPS Credit Union Asset Trust. Under the transaction documents for this facility, Waratah Finance acquires residential mortgages originated by the Credit Union. The acquisition of the residential mortgages by Waratah Finance is funded through loans provided by both Waratah Receivables Corporation and Westpac Banking Corporation to Waratah Finance. The Waratah Finance facility expires in September 2011, but can be extended from time to time by mutual consent. Where the facility is not extended, equitable ownership of the residential mortgages will remain with Waratah Finance. Consequently, the maturity profile of the securitized loan funding is effectively tied to the maturity profile of the associated securitized loans and has been disclosed accordingly at Note 33 (c).

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
20 OTHER FINANCIAL LIABILITIES				
At fair value:				
Interest rate swaps	2,327	6,403	2,327	6,403

21 PROVISIONS				
Provision for member interest adjustments				
Balance at beginning of financial year	68	420	68	420
Amount settled during the year	(68)	(352)	(68)	(352)
Balance at end of financial year	-	68	-	68

Prior to it transferring its business to the Credit Union, United Credit Union Ltd made provision for expected interest adjustment payments to certain borrowing members as a consequence of disclosure errors in their original loan documents. Settlement of these amounts commenced in April 2010 and are now complete.

22 SHARE CAPITAL				
D Class shares				
Balance at beginning of financial year	956	962	961	967
Redeemed out of profits during the year	(90)	(6)	(90)	(6)
Balance at end of financial year	866	956	871	961
Redeemable Preference Shares				
Balance at beginning of financial year	-	-	-	-
Acquired through business combinations	1,256	2,442	1,257	2,442
Redeemed out of profits during the year	-	(2,442)	-	(2,442)
Balance at end of financial year	1,256	-	1,257	-
Total Share Capital	2,122	956	2,128	961

D Class shares are non-cumulative redeemable preference shares with no voting rights additional to those attributable to the holder's member share. The dividend rate is determined by the Board every six months and paid annually. At 30 June 2011, there were 870,500 D Class shares on issue fully paid to \$1 per share.

Wagga Mutual Credit Union held \$1.3m of redeemable preference shares issued by CUNA Mutual Life Australia Limited as trustee for Australian Mutual T2 Capital Funding Trust. This was issued under the laws of New South Wales and will pay quarterly dividends at the prevailing bank bill swap reference rate plus a margin of 300bps.

NOTES TO THE FINANCIAL STATEMENTS

23 RESERVES

Asset revaluation and realisation reserves

Upward (or subsequent downward) adjustments to the carrying value of assets are recorded in the asset revaluation reserve. With the exception of Available For Sale financial assets, when a revalued asset is sold, the portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to the asset realisation reserve.

Redeemed share reserve

The redeemed share reserve is used to redeem redeemable preference shares out of profit upon a member redeeming a D Class Share or ceasing membership with the Credit Union.

General reserve for credit losses

In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Transfer of business reserve

Mergers with other mutual entities are accounted for by recognising the assets and liabilities of the transferring entity on the balance sheet at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed, less external costs directly attributable to the merger, is taken directly to equity as a reserve.

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
24 RETAINED EARNINGS				
Balance at beginning of financial year	127,267	102,781	123,958	100,374
Transfer (to)/from general reserve for credit losses	(537)	551	(537)	551
Transfer (to)/redeemed member share reserve	(128)	(57)	(128)	(57)
Transfer from Asset Realisation Reserve	-	1,703	-	1,703
Net Profit attributable to members	27,132	22,353	26,211	21,451
Dividends declared	(65)	(64)	(65)	-
Balance at end of financial year	153,669	127,267	149,439	123,958

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
25 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of profit to net cash flows from operating activities:				
Profit for the period	27,132	22,353	26,211	21,451
Impairment losses	1,477	1,122	1,492	1,159
Depreciation and amortisation of non current assets	3,272	3,285	3,223	3,193
Business combination costs classified as cash flows from investing activities	890	371	890	371
Realisation of discount on repayment of capital instrument	-	58	-	58
Net (Gain) / Loss on sale of plant and equipment	(18)	(10)	(18)	(10)
Changes in assets and liabilities				
(Increase) / Decrease in net loans, advances and other receivables	(235,533)	(252,686)	(235,533)	(252,686)
(Increase) / Decrease in placements with other financial institutions	(11,292)	11,322	(7,100)	11,229
(Increase) / Decrease in interest receivable	2,705	(1,499)	2,705	(1,499)
(Increase) / Decrease in prepayments and other receivables	(19,646)	(2,675)	(24,043)	(3,045)
(Increase) / Decrease in other financial assets	(670)	(3,137)	(670)	(3,137)
(Increase) / Decrease in deferred tax assets	1,304	2,317	1,325	2,348
Increase / (Decrease) in deposits from members	102,041	150,498	103,798	151,597
Increase / (Decrease) in other borrowings	185,766	41,722	185,698	41,371
Increase / (Decrease) in provisions	(68)	(352)	-	-
Increase / (Decrease) in deposits from other financial institutions	(28,171)	15,372	(28,171)	15,372
Increase / (Decrease) in interest payable	7,084	3,009	7,084	3,009
Increase / (Decrease) in employee entitlements	137	(389)	39	(495)
Increase / (Decrease) in current tax liability	903	6,569	883	6,485
Increase / (Decrease) in deferred tax liability	(1,080)	(1,474)	(1,073)	(1,478)
Increase / (Decrease) in other creditors	13,040	(1,465)	12,675	(1,370)
Net cash from operating activities	49,273	(5,689)	49,415	(6,077)

(b) Reconciliation of cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments readily convertible to cash within one working day, net of outstanding overdrafts.

Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows;

Cash and cash equivalents (Note 5)	62,922	11,907	62,922	11,907
Closing cash balance	62,922	11,907	62,922	11,907

(c) Cashflows presented on a net basis

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

- i) member deposits to and withdrawals from deposit accounts
- ii) borrowings and repayments on loans, advances and other receivables
- iii) membership shares purchased and redeemed
- iv) dealings with other financial institutions

NOTES TO THE FINANCIAL STATEMENTS

25 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

(d) Financing facilities

The Credit Union has access to the following financing facilities with Cuscal Ltd, Indue Ltd and Waratah Finance Pty Ltd.

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Overdraft facility - Cuscal Ltd				
Approved limit (committed)	15,000	15,000	15,000	15,000
Balance at end of financial year	-	-	-	-
Unused credit at end of financial year	15,000	15,000	15,000	15,000
Overdraft facility - Indue Ltd				
Approved limit (committed)	350	-	350	-
Balance at end of financial year	-	-	-	-
Unused credit at end of financial year	350	-	350	-
Loan securitisation funding - Waratah Finance Pty Ltd				
Approved limit (uncommitted)	80,000	175,000	80,000	175,000
Balance at end of financial year	71,748	158,164	71,748	158,164
Unused credit at end of financial year	8,252	16,836	8,252	16,836
Standby facilities - Cuscal Ltd				
Approved limit (committed)	15,000	15,000	15,000	15,000
Balance at end of financial year	-	-	-	-
Unused credit at end of financial year	15,000	15,000	15,000	15,000

The Cuscal standby facility has an approved limit of \$15,000,000 and is a committed facility that can be drawn within 24 hours. Repayments are required at the maturity of the agreed term and the facility is secured by a floating charge over the Credit Union's assets.

All facilities are reviewed annually and therefore contractually mature within 1 year. The securitisation funding line with Waratah Finance Pty Ltd expires in September 2011 but provides for annual extensions by mutual consent. Should the securitisation facility ever not be extended and therefore terminate, ownership of the securitised loans remains with Waratah Finance Pty Ltd and the borrowing is not repaid. Consequently, the maturity profile of the securitised loan funding is effectively tied to the maturity profile of the associated securitised loans.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
26 OPERATING LEASES				
Non-cancellable operating lease payments				
Less than 1 year	5,758	5,559	5,390	5,207
Between 1 and 5 years	10,216	12,440	9,676	11,590
Beyond 5 years	106	260	106	260
	16,080	18,259	15,172	17,057
Non-cancellable operating lease commitments receivable				
Less than 1 year	362	111	396	143
Between 1 and 5 years	662	117	761	380
	1,024	228	1,157	523

Operating Leases - as Lessee

Occupancy - The Consolidated Entity has entered into lease arrangements for periods up to 10 years, for the occupancy of business premises. The total amount of rental expense recognised in the financial year, in relation to occupying these premises was \$6,271,717 (2010: \$5,920,880). This represents the minimum lease payments. There are no contingent rental clauses.

The occupancy leases have varying option clauses to extend up to 5 years and contain market review clauses in the event that the Consolidated Entity exercises its option to renew. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Motor Vehicles - The Consolidated Entity has entered into lease arrangements for periods up to 5 years, for the operation of these assets. The total amount of rental expense recognised in the financial year, in relation to using the assets was \$226,631 (2010: \$151,612). This represents the minimum lease payments. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases - as Lessor

The Credit Union has entered into an arrangement with Eastwoods Wealth Management Pty Ltd for occupancy of floor space in its building at Mawson, ACT along with a sub-lease arrangement with an external party for occupancy of leased space for periods of up to 3 years. Rental Income recognised by the Consolidated Entity in the financial year was \$143,052 (2010: \$147,090).

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
27 EMPLOYEE BENEFITS				
(a) Employee entitlements				
Provision for employee benefits - current				
• Annual leave	2,739	2,552	2,425	2,260
• Long service leave - current	411	371	375	347
	3,150	2,923	2,800	2,607
Provision for employee benefits - non current				
• Long service leave - non current	3,224	2,998	2,867	2,703
Total provision for employee benefits	6,374	5,921	5,667	5,310
Accrued Staff costs included in other payables (Note 18)	1,875	1,616	1,724	1,521
Aggregate employee benefit and related on-cost liabilities	8,249	7,537	7,391	6,831
	No.	No.	No.	No.
(b) Number of Full Time Equivalent Employees at year end	489	502	447	462

28 COMMITMENTS TO EXTEND CREDIT

Binding commitments to provide loan funding are agreements to lend to the member as long as there is no violation of any condition established in the contract. The total commitment amounts do not necessarily represent future cash requirements. The balance of undrawn credit limits are commitments which can be unconditionally revoked at any time without notice and are subject to review at least annually.

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Approved but undrawn loans	103,529	41,170	103,529	41,170
Approved but undrawn credit limits	211,707	186,149	211,707	186,149
	315,236	227,319	315,236	227,319

29 SIGNIFICANT ALLIANCES

The Credit Union has significant alliances with the following suppliers of services :

Cuscal Ltd

This entity supplies the Credit Union with rights to member cheques, Redicard and Visa card in Australia and provides services in the form of settlement with bankers for member cheques, electronic funds deposit, and Visa card transactions and provides the link for all member electronic funds transactions to the computer bureau which services the Credit Union. The Credit Union is a shareholder in Cuscal Ltd.

Data Action Pty Ltd

This company is the computer bureau which provides the Credit Union with a range of computing services. The Credit Union is a shareholder in the company.

Allianz Insurance Ltd

The Credit Union is an agent of Allianz Australia Insurance Limited for the purpose of offering their specialised range of insurance products for Credit Union members.

BT Financial Group

Eastwoods Wealth Management Pty Ltd has an agreement with Asgard Capital Management Ltd to provide administration services to financial planning clients and with Securitor to provide dealer-to-dealer services. Asgard and Securitor are both members of the BT Financial Group.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
30 AUDITOR'S REMUNERATION				
Amounts received or due and receivable by the auditors of the Consolidated Entity				
• auditing the financial report	161	172	135	149
• APRA audit activities	42	39	42	39
• auditing the AFSL Returns	8	8	5	5
• other assurance services	76	24	76	10
• taxation services	86	113	86	105
	373	356	344	308

The auditor of Community CPS Australia Ltd is KPMG.

The Board is satisfied that the provision of non-audit services has not compromised auditor independence.

No audit or other services were provided by practices related to the auditor of the Consolidated Entity.

31 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Credit Union at any time during the reporting period, and unless otherwise indicated were key management personnel for the entire period.

Non-Executive directors

C M Doogan

A M O'Donnell

S A L Chapman

P Gogarty

G J Green

B G Hanna

C A Nance

S Nolis

H L Webster

D Clogan (term ended on 26 November 2010 and did not seek re-election)

Executives

R O Keogh (Chief Executive Officer)

	CONSOLIDATED		CREDIT UNION	
	2011 \$	2010 \$	2011 \$	2010 \$
Key management personnel compensation				
The aggregate compensation of the key management personnel of the Consolidated Entity and the Credit Union is set out as follows:				
Short term employee benefits	1,141,699	1,742,013	934,613	1,742,013
Post employment benefits	87,204	147,433	67,752	147,433
Termination benefits	-	504,080	-	504,080
	1,228,903	2,393,526	1,002,365	2,393,526

The key management personnel compensation detailed above is included in staff costs (Note 3) and includes \$614,221 (2010: \$635,659) relating to directors.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		CREDIT UNION	
	2011	2010	2011	2010
	\$	\$	\$	\$
31 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)				
Other transactions with key management personnel - financial instruments				
Loans to key management personnel				
Loans and overdrafts outstanding	4,845,215	5,885,389	4,845,215	5,885,389

Loans totalling \$1,290,000 (2010: \$1,769,986) were made to key management personnel during the year.

During the year key management personnel repaid \$1,421,214 (2010: \$1,428,772) of the balance outstanding on their loan.

Loans are either unsecured or secured by registered mortgage over the borrower's residences.

Interest received on the loans during the year totalled \$204,698 (2010: \$217,198).

	CONSOLIDATED		CREDIT UNION	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deposits from key management personnel				
Deposit balances	6,530,380	6,395,336	4,081,584	6,395,290

Financial instrument transactions between key management personnel and the Credit Union during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions materially no more favourable than those given to other employees or members generally.

These terms and conditions have not been breached and no amounts have been written down or recorded as allowances as the balances are considered fully collectible.

Other transactions with key management personnel - equity instruments

Each key management member holds one Member share in the Credit Union.

B G Hanna holds one B class share in Eastwoods Accounting and Taxation Pty Ltd.

No other directors hold shares in any controlled entity of the Credit Union.

32 OTHER RELATED PARTY DISCLOSURES

Other related party transactions - ultimate parent entity

Community CPS Australia Ltd is the parent entity in the Consolidated Entity and the ultimate parent entity in the wholly owned group.

Other related party transactions - equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 11 to the financial statements.

Other related party transactions - transactions within the wholly-owned group

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group; and
- controlled entities, listed in Note 11.

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Notes 6 and 18 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly-owned group were;

- net changes in amounts payable/receivable to/from Eastwoods Wealth Management Pty Ltd -\$147,622 (2010: -\$672,800), Eastwoods Accounting & Taxation Pty Ltd -\$317,667 (2010: -\$149,663);
- interest charged on receivables during the year from Eastwoods Wealth Management Pty Ltd \$Nil (2010:\$NIL), Eastwoods Accounting & Taxation Pty Ltd \$18,054 (2010: \$27,988);
- the Credit Union provides administrative support to its controlled entities across a range of services, including accounts payable processing, marketing support, property maintenance, Information Technology etc. The extent of this support is not material to the Credit Union and no charges are levied for their provision;
- the Credit Union made donations totalling \$647,000 (2010: \$542,038) to the Adelaide and Region Community Support Fund, Canberra and Region Community Support Fund and Perth and Region Community Support Fund, Newcastle and Hunter Region Community Support Fund and Community CPS Foundation Master Support Fund;

NOTES TO THE FINANCIAL STATEMENTS

32 OTHER RELATED PARTY DISCLOSURES (CONTINUED)

- a management fee of \$86,355 (2010: \$57,869) was charged by Eastwoods Group Ltd to Eastwoods Wealth Management Pty Ltd and Eastwoods Accounting and Taxation Pty Ltd (half each) for management services provided;
- a management fee of \$47,021 (2010: \$Nil) is paid to Community CPS Services Pty Ltd for trust management services in relation to The Barton Trust, and
- a management fee of \$253,122 (2010: \$Nil) was received by the Credit Union in relation to The Barton Trust for custodian services and loan servicing in accordance with the Trust documents for the Barton securitisation program.

33 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

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

The Credit Union and Consolidated Entity has in place an enterprise wide risk management process. The process is managed through its Board Risk Committee, the Board Audit and Finance Committee, and the Management Operations Risk Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures, and a Business Risk and Continuity Plan.

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

(b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The Credit Union does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Credit Union's policies, as approved by the Board. Compliance with policies is reviewed by the risk management structure in place on a continuous basis, as discussed under Note 33(a) above.

(c) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will encounter difficulties in meeting obligations from its financial liabilities. The Consolidated Entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk. The key measure used by the Consolidated Entity for managing liquidity risk is the ratio of high quality liquid assets to its liabilities base, as defined in APRA Prudential Standards. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily, medium and longer term liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on credit unions in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Credit Union of a minimum liquidity holdings basis whereby the Credit Union is required to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times. The Credit Union and the Consolidated Entity complied with all APRA liquidity requirements throughout the year

	CONSOLIDATED	
	2011	2010
	%	%
Liquidity holdings	12.70	13.49

An analysis of residual contractual maturities of the Consolidated Entity's financial assets and liabilities is set out below. Actual expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments	< 1 mth	1 - 3 mths	3 mths - 1 yr	1 - 5 yrs	> 5 yrs	No maturity specified	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
i) Financial assets - 2011							
Cash	-	-	-	-	-	14,381	14,381
Deposits at call	48,541	-	-	-	-	-	48,541
Prepayments and other receivables	-	-	-	-	-	29,557	29,557
Placements with other financial institutions	196,353	79,382	99,500	2,033	-	-	377,268
Loans and advances to members	229,008	8,889	41,555	398,322	2,256,528	-	2,934,302
Investment securities	-	-	-	-	-	14,255	14,255
Total financial assets	473,902	88,271	141,055	400,355	2,256,528	58,193	3,418,304
ii) Financial liabilities - 2011							
Deposits from other financial institutions	2,535	2,014	2,026	-	-	-	6,575
Deposits from members	1,526,915	479,108	705,259	52,111	-	-	2,763,393
Other payables	-	-	-	-	-	29,732	29,732
Borrowings	-	1,700	6,400	-	350,468	-	358,568
Other financial liabilities	44	96	438	1,749	-	-	2,327
Total financial liabilities	1,529,494	482,918	714,123	53,860	350,468	29,732	3,160,595
Commitments to extend credit	312,236	-	-	-	-	-	312,236
i) Financial assets - 2010							
Cash	-	-	-	-	-	13,329	13,329
Deposits at call	(1,422)	-	-	-	-	-	(1,422)
Prepayments and other receivables	-	-	-	-	-	5,369	5,369
Placements with other financial institutions	160,650	72,492	128,382	-	-	-	361,524
Loans and advances to members	212,039	15,061	51,949	356,579	1,996,802	-	2,632,430
Investment securities	-	-	-	-	-	14,009	14,009
Total financial assets	371,267	87,553	180,331	356,579	1,996,802	32,707	3,025,239
ii) Financial liabilities - 2010							
Deposits from other financial institutions	13,266	21,481	-	-	-	-	34,747
Deposits from members	1,118,466	757,622	660,929	42,538	-	-	2,579,555
Other payables	-	-	-	-	-	13,272	13,272
Borrowings	-	-	-	5,000	158,164	-	163,164
Other financial liabilities	42	295	1,956	4,110	-	-	6,403
Total financial liabilities	1,131,774	779,398	662,885	51,648	158,164	13,272	2,797,141
Commitments to extend credit	227,320	-	-	-	-	-	227,320

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk management

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

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

The Consolidated Entity minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified categories. The majority of members are concentrated in South Australia, Western Australia, the Australian Capital Territory and regional New South Wales. Credit risk in loans receivable is managed through both up-front and ongoing risk assessment processes applied for all members, including affordability and security requirements, approval authorities and the securing of credit insurance for higher risk loans. Loan provisions are calculated as disclosed under Note 1 - Summary of Significant Accounting Policies.

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2011 or 2010.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating of at least investment grade.

	CONSOLIDATED			
	Loans and advances to members		Placements with other financial institutions	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Exposure to credit risk				
Carrying amount				
Individually impaired				
• Mortgage secured	7,472	2,634	-	-
• Other loans	477	631	-	-
Gross amount	7,949	3,265	-	-
Less: Allowance for impairment	782	689	-	-
Carrying amount	7,167	2,576	-	-
Collectively impaired:				
• Mortgage secured	7,835	7,652	-	-
• Other loans	2,203	2,050	-	-
• Overdrawn and overlimit savings	6,738	6,656	-	-
Gross amount	16,776	16,358	-	-
Less: Allowance for impairment	1,133	966	-	-
Carrying amount	15,643	15,392	-	-
Past due but not impaired				
• less than 30 days	48,407	41,446	-	-
• 30 days +	-	-	-	-
Carrying amount	48,407	41,446	-	-
Neither past due nor impaired				
Carrying amount	2,861,171	2,571,361	377,268	361,524
Total carrying amount	2,932,387	2,630,775	377,268	361,524

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on equity of between 10% and 12%; during the year ended 30 June 2011 the return was 10.8% percent (2010: 10.5%). There were no changes in the Group's approach to capital management during the year.

(f) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses. As a mutual organisation, the Credit Union's primary source of capital is retained earnings. The Credit Union maintains an Internal Capital Adequacy Assessment Process to provide assurance that its capital holdings are commensurate with its risk exposures, it identifies future capital needs in advance and has plans in place to respond to unexpected capital deficiencies. Note 34 provides an outline of the Capital Adequacy of the Credit Union.

(g) Market risk management

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

Interest rate risk is managed in the following ways:

The Board has in place a market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. The policy sets risk limits above which the Credit Union is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps;

Overall daily management of interest rate risk is vested in the Assets and Liability Committee (ALCO). The ALCO meets monthly and reviews the interest rate risk position and measures taken to manage that position. The ALCO is also responsible for reviewing all policies associated with market risk and treasury matters.

Two methods are used to measure interest rate risk, namely Market Value of Equity (MVE) and net interest income volatility with the MVE the preferred measure. The MVE method encompasses the price sensitivity of assets and liabilities and the value of the cash flows to maturity. The calculations are obtained through the use of specific modelling software using actual and projected financial information within defined interest rate scenarios of upward and downward shocks of 200 basis points. The net interest income approach is derived from the same modelling software utilising simulated income projections. A rudimentary gap analysis methodology is also employed. Refer to Note 33(h).

(h) Interest rate risk management

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

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date, which is not materially different to that of the Credit Union, are as follows:

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments	Variable int. rate \$'000	Fixed interest rate maturing in :						Non- interest bearing \$'000	Total \$'000	Weighted av. effective int. rate %
		< 1 yr \$'000	1 - 2 yrs \$'000	2 - 3 yrs \$'000	3 - 4 yrs \$'000	4 - 5 yrs \$'000	> 5 yrs \$'000			
i) Financial assets - 2011										
Cash	-	-	-	-	-	-	-	14,381	14,381	n/a
Deposits at call	48,541	-	-	-	-	-	-	-	48,541	5.95%
Prepayments and other receivables	-	-	-	-	-	-	-	29,557	29,557	n/a
Placements with other financial institutions	-	375,235	500	1,033	500	-	-	-	377,268	5.60%
Loans and advances to members	2,064,321	344,963	232,252	246,488	32,688	11,668	1,921	-	2,934,301	7.45%
Investment securities	-	-	-	-	-	-	-	14,255	14,255	n/a
Total financial assets	2,112,862	720,198	232,752	247,521	33,188	11,668	1,921	58,193	3,418,303	-
ii) Financial liabilities - 2011										
Deposits from other financial institutions	-	6,500	-	-	-	-	-	75	6,575	6.00%
Deposits from members	1,205,947	1,477,224	30,716	19,008	957	735	-	28,806	2,763,393	4.77%
Other payables	-	-	-	-	-	-	-	29,732	29,732	n/a
Borrowings	-	358,568	-	-	-	-	-	-	358,568	5.96%
Total financial liabilities	1,205,947	1,842,292	30,716	19,008	957	735	-	58,613	3,158,268	-
Interest rate swaps - notional principal	-	132,877	(65,891)	(65,545)	(1,441)	-	-	-	-	6.28%
i) Financial assets - 2010										
Cash	-	-	-	-	-	-	-	13,329	13,329	n/a
Deposits at call	(1,422)	-	-	-	-	-	-	-	(1,422)	n/a
Prepayments and other receivables	-	-	-	-	-	-	-	5,369	5,369	n/a
Placements with other financial institutions	-	356,950	-	-	-	-	-	4,574	361,524	5.41%
Loans and advances to members	1,860,323	346,310	203,988	154,758	37,668	25,124	4,259	-	2,632,430	7.08%
Investment securities	-	-	-	-	-	-	-	14,009	14,009	n/a
Total financial assets	1,858,901	703,260	203,988	154,758	37,668	25,124	4,259	37,281	3,025,239	-

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments	Variable int. rate \$'000	Fixed interest rate maturing in :						Non- interest bearing \$'000	Total \$'000	Weighted av. effective int. rate %
		< 1 yr \$'000	1 - 2 yrs \$'000	2 - 3 yrs \$'000	3 - 4 yrs \$'000	4 - 5 yrs \$'000	> 5 yrs \$'000			
ii) Financial liabilities - 2010										
Deposits from other financial institutions	-	34,290	-	-	-	-	-	457	34,747	5.98%
Deposits from members	1,117,354	1,399,085	30,799	9,625	543	973	-	21,176	2,579,555	4.49%
Other payables	-	-	-	-	-	-	-	13,272	13,272	n/a
Borrowings	-	163,164	-	-	-	-	-	-	163,164	6.38%
Total financial liabilities	1,117,354	1,596,539	30,799	9,625	543	973	-	34,905	2,790,738	
Interest rate swaps - notional principal	-	112,258	(45,416)	(64,715)	(1,474)	(653)	-	-	-	7.16%

The Consolidated Entity has disclosed the above information in relation to financial assets and liabilities based on the expected repricing dates. These dates may differ significantly from the contractual dates however this basis provides a more accurate measure for evaluating the interest rate risk to which the entity is exposed.

The Credit Union provides mortgage secured loans to its members at interest rates that can be fixed for terms of one to five years. The member retains an option to break their loan contract during the fixed rate period upon payment of the prescribed fee. This fee is calculated based on the economic loss of the Credit Union and should off-set the loss incurred due to the breaking of the contract.

(i) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios considered on a monthly basis include 100 and 200 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either 12 month forecast net interest revenue, in respect of net interest revenue sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2011				30 June 2010			
	100 bp rise	100 bp fall	200 bp rise	200 bp fall	100 bp rise	100 bp fall	200 bp rise	200 bp fall
Market Value of Equity Sensitivity								
Average for the period	-0.60%	0.64%	-0.81%	0.98%	0.04%	-0.01%	0.66%	-0.53%
Maximum for the period	-1.44%	1.49%	-2.49%	2.70%	-0.28%	0.31%	-0.07%	0.21%
Minimum for the period	0.15%	-0.13%	0.70%	-0.57%	0.38%	-0.35%	1.46%	-1.37%
Net Interest Revenue Sensitivity								
Average for the period	1.93%	-1.90%	4.35%	-4.24%	2.06%	-2.03%	4.74%	-4.61%
Maximum for the period	2.32%	-2.29%	5.16%	-5.03%	2.37%	-2.33%	5.38%	-5.24%
Minimum for the period	1.38%	-1.36%	3.20%	-3.12%	1.86%	-1.83%	4.29%	-4.17%

(j) Interest rate swap contracts

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

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Average interest rate		Fair Value		Notional principal amount	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Outstanding fixed for floating contracts						
Less than 1 year	6.85%	7.27%	(578)	(2,293)	48,435	168,413
1 to 2 years	6.97%	6.89%	(1,669)	(1,284)	65,891	45,416
2 to 5 years	5.19%	7.06%	(80)	(2,826)	66,985	66,841
			(2,327)	(6,403)	181,311	280,670

	CONSOLIDATED		CREDIT UNION	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and assessed as effective fair value hedges. Fair value movements on financial instruments recognised in the Income Statement comprised the following:				
Net (losses)/gains on effective fair value hedging instruments	(1,817)	6,182	(1,817)	6,182
• Net gains/(losses) on fair value hedged items	1,951	(5,319)	1,951	(5,319)
• Amortisation of quarantined fair value amounts on de-designated hedged items	(1,589)	(1,380)	(1,589)	(1,380)
• Net gains/(losses) on derivatives not hedge accounted	2,125	3,654	2,125	3,654
Total fair value movements recognised in the Income Statement	670	3,137	670	3,137

(k) Financial assets and liabilities by classification

The table below sets out the Consolidated Entity's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

	Note	Available for sale \$'000	At fair value \$'000	Held-to-maturity \$'000	Loans and Receivables \$'000	Other at amortised cost \$'000	Total Carrying Amount \$'000	Fair Value \$'000
30 June 2011								
Cash and cash equivalents	5	-	-	-	62,922	-	62,922	62,922
Prepayments and other receivables	6	-	-	-	29,557	-	29,557	29,557
Placements with other financial institutions	7	-	-	377,268	-	-	377,268	376,398
Loans and advances to members	8,9	-	-	-	2,932,387	-	2,932,387	2,964,667
Investment Securities	11	14,255	-	-	-	-	14,255	14,255
Deposits from other financial institutions	16	-	-	-	-	6,575	6,575	6,481
Deposit from members	17	-	-	-	-	2,763,393	2,763,393	2,755,292
Other payables	18	-	-	-	-	29,732	29,732	29,732
Borrowings	19	-	-	-	-	358,568	358,568	358,568
Other financial liabilities	20	-	2,327	-	-	-	2,327	2,327

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Available for sale \$'000	At fair value \$'000	Held-to- maturity \$'000	Loans and Receivables \$'000	Other at amortised cost \$'000	Total Carrying Amount \$'000	Fair Value \$'000
30 June 2010								
Cash and cash equivalents	5	-	-	-	11,907	-	11,907	11,907
Prepayments and other receivables	6	-	-	-	5,369	-	5,369	5,369
Placements with other financial institutions	7	-	-	361,524	-	-	361,524	360,490
Loans and advances to members	8,9	-	-	-	2,630,775	-	2,630,775	2,655,142
Other financial assets		-	-	-	-	-	-	-
Investment Securities	11	14,009	-	-	-	-	14,009	14,009
Deposits from other financial institutions	16	-	-	-	-	34,747	34,747	34,193
Deposit from members	17	-	-	-	-	2,579,555	2,579,555	2,570,288
Other payables	18	-	-	-	-	13,272	13,272	13,272
Borrowings	19	-	-	-	-	163,164	163,164	163,164
Other financial liabilities	20	-	6,403	-	-	-	6,403	6,403

(I) Fair value of financial instruments

The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the Statement of significant accounting policies (Note 1)

Cash and cash equivalents

As the assets are at call the carrying amount equates to fair value.

Other receivables

The carrying amount of trade debtors and other receivables is estimated to approximate fair value.

Placements with other financial institutions

The fair values of other deposits are estimated using discounted cash flow analysis, based on current market rates for investments having substantially the same terms and conditions. Bank accepted bills of exchange and bank negotiable certificates of deposit held are not intended to be traded but held until maturity. The fair value of these assets is based on the quoted market price at balance date.

Loans and advances to members

The fair values of loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Other financial assets

The fair value of Interest rate swaps are determined as the net present value of the future cash flows.

Investment Securities

With exception of shares held in Cuscal Ltd, the fair value and carrying value of unlisted shares is their original cost because their fair value cannot be measured reliably. A parcel of Cuscal shares were purchased during the year ended 30 June 2008 for \$1.25 per share. In acquiring the parcel of Cuscal shares, a range of high level values were determined using various valuation methodologies with a market methodology average supporting the \$1.25 price. As the shares purchased are identical in terms of rights and obligations to Cuscal shares already held, this determined the fair value for the original shares held and hence a fair value upward adjustment was raised in equity in that year.

Deposits from other financial institutions

The fair values of deposits from other financial institutions are estimated using discounted cash flow analysis, based on current market rates for deposits having substantially the same terms and conditions.

Deposits from members

The carrying amount approximates fair value for savings account balances as they are at call.

The fair value of members' term deposits are estimated using discounted cash flow analysis, based on current market rates for term deposits having substantially the same terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

Other Payables

This includes interest payable and accrued expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Borrowings

The fair values of borrowings are estimated using discounted cash flow analysis, based on current market rates for borrowings having substantially the same terms and conditions.

	Total carrying amount as per Balance Sheets		Aggregate net fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The aggregate net fair values of financial assets and financial liabilities at the balance date, are as follows:				
i) Financial assets				
Cash and liquid assets	62,922	11,907	62,922	11,907
Prepayments and other receivables	29,557	5,369	29,557	5,369
Placements with other financial institutions	377,268	361,524	376,398	360,490
Loans and advances to members	2,932,387	2,630,775	2,964,667	2,655,142
Investment securities	14,255	14,009	14,255	14,009
Total financial assets	3,416,389	3,023,584	3,447,799	3,046,917
ii) Financial liabilities				
Deposits from other financial institutions	6,575	34,747	6,481	34,193
Deposits from members	2,763,393	2,579,555	2,755,292	2,570,288
Other payables	29,732	13,272	29,732	13,272
Borrowings	358,568	163,164	358,568	163,164
Other financial liabilities (interest rate swaps)	2,327	6,403	2,327	6,403
Total financial liabilities	3,160,595	2,797,141	3,152,400	2,787,320

(m) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities (the Consolidated Entity has no such financial instruments)
- Level 2: inputs other than unquoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 2		Level 3	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
i) Financial assets				
Available-for-sale investment securities	-	-	14,255	14,009
	-	-	14,255	14,009
ii) Financial liabilities				
Other financial liabilities (interest rate swaps)	2,327	6,403	-	-
	2,327	6,403	-	-

NOTES TO THE FINANCIAL STATEMENTS

33 FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Balance at beginning of the financial year	14,009	12,717
Acquisitions through business combinations	246	1,292
Total gains or losses in other comprehensive income	-	-
Balance at end of financial year	14,255	14,009

Although the Consolidated Entity considers that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value at Level 3. However, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value of Level 3 financial instruments significantly relative to total assets or equity.

34 CAPITAL ADEQUACY

APRA calculation (minimum 8%)

	CONSOLIDATED	
	2011 %	2010 %
APRA calculation (minimum 8%)	16.14	16.41

APRA Prudential Standards require credit unions to maintain at all times a minimum ratio of capital to risk-weighted assets of 8%.

As part of its risk management process, the Credit Union has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the 8% minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market and credit risk. The Credit Union and the Consolidated Entity complied with all APRA capital adequacy requirements throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

35 CONTINGENT LIABILITIES

Credit Union Financial Support System (CUFSS):

The Credit Union is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Ltd have agreed to participate in. CUFSS is a company limited by guarantee, each credit union's guarantee being \$100.

As a member of CUFSS, the Credit Union:

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

No such direction has, at balance date, been given to the Credit Union.

Letter of financial support - Eastwoods Wealth Management Pty Ltd:

The Credit Union has provided a letter of limited financial support to its controlled entity, Eastwoods Wealth Management Pty Ltd, in connection with that entity's Financial Services Licensing obligations.

The fair value of this letter of financial support is \$Nil as the Credit Union does not envisage Eastwoods Wealth Management Pty Ltd needing to call on it, due to the financial position and projections for the company.

Financial guarantees provided on behalf of members:

At balance date, the Credit Union had financial guarantees in place that it had provided on behalf of members, totalling \$899,705 (2010: \$709,104).

The Credit Union has not received any directions in relation to these guarantees to balance date.

The fair value of these guarantees is \$Nil as they are secured by either registered mortgage or term deposit and no loss, even in the event of directions, is anticipated.

36 SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Consolidated Entity's financial statements as at 30 June 2011.

GLOSSARY OF TERMS AND ACRONYMS

APRA

Australian Prudential Regulation Authority

ASIC

Australian Securities and Investments Commission

BBSW

Bank Bill Swap Reference Rate is used in financial markets as a benchmark for interest rate related transactions.

Capital Adequacy Ratio

A ratio used to measure the prudential strength of a financial institution. Prudential strength is calculated as total retained earnings and other 'capital' divided by total assets, weighted to reflect the relative risks associated with our operations.

Consolidated

The combined accounts of Community CPS Australia ("Community CPS") and its controlled entities.

Contingent Liability

A possible liability that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within Community CPS' control.

Controlled Entity

An entity for which Community CPS influences its decision making, to ensure it operates for the benefit of Community CPS achieving its overall goals and objectives.

Deferred Tax Amounts

Deferred Tax Assets and Deferred Tax Liabilities reflect the tax effect of timing differences, being items which are brought to account in different periods for income tax and accounting purposes.

Derivative Financial Instrument

Derivative Financial Instruments create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument, but without the transfer of the underlying primary instrument.

Equity

The excess of Community CPS' assets over its liabilities, which is the amount owned by members. Also referred to as Member's Funds.

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Franking Credit

Tax credits arising largely from the payment of tax by Community CPS that are available for attachment to eligible distributions by Community CPS to its members.

Interest Rate Swap

A type of derivative Financial Instrument under which Community CPS agrees to exchange interest cash flows (usually calculated on differing bases) with another party for an agreed period of time.

Liability

A debt or obligation to another party, e.g. a savings account held on behalf of a Community CPS member.

Liquid Assets

A monetary asset that can be readily converted to cash at Community CPS' option and is subject to an insignificant change in value.

Provisions

An amount set aside out of profits in the accounts of Community CPS for an expense which has been incurred, but the amount and timing of payment can only be estimated (e.g. long service leave or bad debts).

Receivables

Amounts owed by members and other external parties for which payment is expected soon.

Reserves

The net change in value of revalued assets still held (Asset Revaluation Reserve), the net change in value of revalued assets subsequently sold (Asset Realisation Reserve), the Equity transferred to Community CPS from another credit union upon merger (Transfer of Business Reserve) and the value of shares redeemed out of retained profits (Redeemed Share Reserve).

Securitisation

A financing technique whereby one party can convert an illiquid asset (such as a member's loan) into a liquid asset (such as cash) through the equitable assignment of its ownership interest (essentially the sale of the liquid asset).

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We ensure our members have many choices on how they interact with us – either face to face, by telephone or internet, or by taking advantage of our mobile relationship service.

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Community CPS Branches

With 48 Branches across the Australian Capital Territory, New South Wales, South Australia and Western Australia there is sure to be a Branch near you. Visit www.communitycps.com.au to find your nearest one.

Eastwoods Wealth Management and Eastwoods Accounting and Taxation

62 The Parade, Norwood SA 5067

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AFSL 237856

Bankers

Cuscal Limited
National Australia Bank Limited

Auditors

KPMG

Solicitors

Langes+
Norman Waterhouse
Kelly & Co
Williams Love & Nicol

Affiliations

Abacus Australian Mutuals
World Council of Credit Unions
Credit Union Financial Support System
Credit Union Foundation Australia