



2010 ANNUAL REPORT

NOTES

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CHAIRMAN'S REPORT

On behalf of the Board of Directors, Management and Staff, it gives me great pleasure to present the 47th Annual Report of Shell Employees' Credit Union Ltd.

The financial position of the SECU remains very good, driven by balance sheet strength, substantial profitability and healthy prudential ratios which are well above statutory limits for capital adequacy and liquidity, with negligible delinquency. With around 1,800 members and \$46M in total assets.

SECU is a relatively small, but well managed and strong Credit Union. One of our slogans is, "Yes! We're small...But we can do better than the Big Four!"

- SECU is a credit union providing financial services to people with a common link through their workplaces and families.
- SECU exists to:
 - make a positive impact on the well being of its members
 - provide real benefits and value in financial products and services
 - engage with members as people
 - offer an alternative to banks and other financial institutions
 - include its members in a community.

In June 2010 we had a long standing Director, Geoff Brown, step down from the Board, after serving the SECU for 10 years. We thank Geoff for his dedicated contribution to SECU over many years and wish him and his family good health and happiness.

The resignation of Geoff saw the appointment of James Crowden to the SECU Board. I welcome James to the Board and thank him for his enthusiasm, commitment and attention demonstrated whilst learning this role as an Associate Director. The Board have an established program of attracting new Directors to the Credit Union. The Associate Director program, allows both the potential Director (Associate) and the Board to review each others skills, contribution and behaviour.

With the successions of Associate Directors to Board Directors, we now have vacancies for Associate Director positions. The Board is now pursuing suitable members to become Associate Directors, ensuring Board succession.

It has been a busy year for the SECU:

- APRA Prudential Review and Report of November 2009, resulted in only minor recommendations and observations, addressed by way of policy and procedure changes.
- Employment of a Business Development Officer, Gaylene Mazurek in December 2009.
- Introduction of Visa Debit Card in January 2010.
- Strategic Planning Saturday, 27 March 2010. Built on the two main themes developed from the 2009 Strategic Planning session, were designed to help the Credit Union adopt a new approach of building on our strength and the challenging times ahead. This has enabled us to develop a motivating and achievable plan to support a sustainable Credit Union over the next 3 years.
- New Office Opening on 30 March 2010, we celebrated the opening of our new, larger branch with over 100 members and guests attending.
- Board Performance Evaluation September 2010.
- Policy Review and Risk Management. Enhanced Board involvement in risk management – by introducing more regular proactive reviews of policies and the risk register by the Board and its Committees. SECU has implemented a more proactive approach to policy review and development.
- Industry Advertising Campaign - "It all comes back to you" – SECU along with more than 80 credit unions and building societies are working together in a television campaign, to explain the benefits of joining a banking institution that will put you first.

SECU members are part of 4.5 million Australians who choose to do their banking with someone that isn't a bank and are members of credit unions and mutual building societies.

Credit unions and building societies put their profits into creating better products for members, rather than giving returns to shareholders like the banks.

The advertising campaign shows that we're part of a group that offers Australians a way of banking without the banks. A way of banking that is fair for everyone.

Credit unions and building societies offer the same products as banks, but with consistently lower fees, better rates and superior customer service.

2011 and Beyond

SECU has demonstrated its confidence in the future by investing in the new office building at Clyde Refinery and establishing the Visa Debit product for our members' benefit.

SECU is a strong, secure place to save, invest, and borrow.

SECU are ready to support its members as required.

Additionally with lower interest rates on home loans and personal loans, SECU offers great value and flexibility to borrowers to meet your funding needs.

Members are encouraged to discuss their financial needs with our professional staff and see how SECU can help you make a change for the better. At SECU we put our members and the community first. Thank you for your ongoing support.

My appreciation goes to the SECU Board of Directors for the dedication they continually fulfil in carrying out their duties and responsibilities as directors.

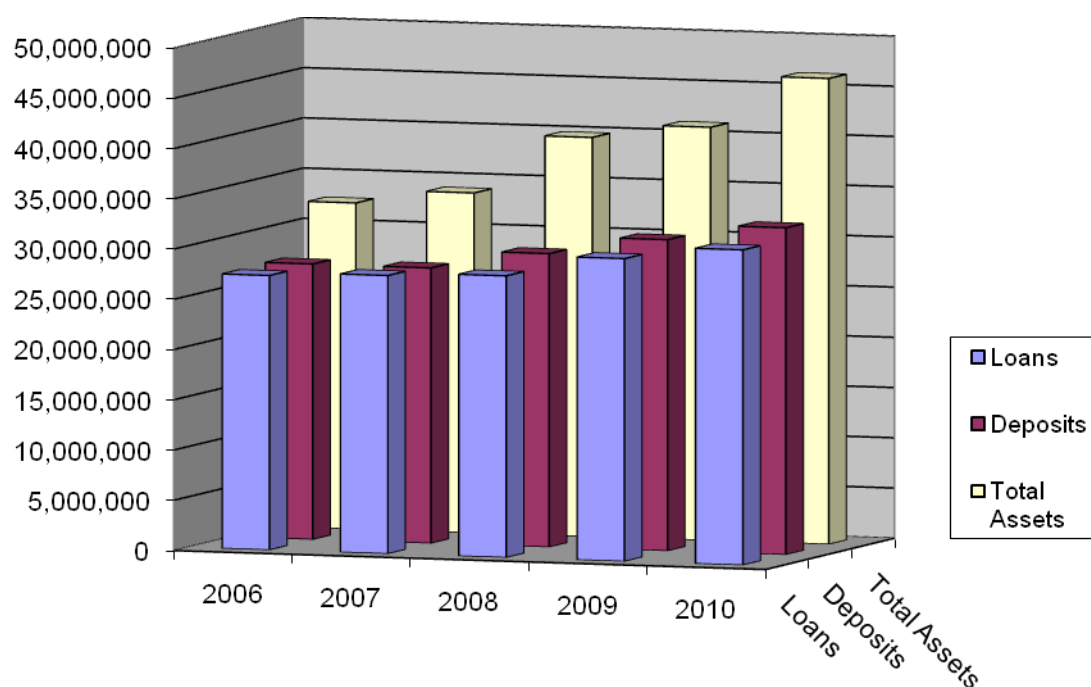
And finally, I want to recognise the hard work of the SECU staff, David, Sue, Ceri, Sonia, Lorraine, Leigh-Anne, Wendy and our new Business Development Officer, Gaylene. Our Management and staff at SECU are the heart and soul of our organisation in providing something special to our members and a sense of belonging to a 'Boutique Bank' that provides true membership value.



Ray Shina
Chairman

KEY STATISTICS OF THE CREDIT UNION

	2006	2007	2008	2009	2010
Members	1970	1986	1976	1918	1805
Deposits	27,439,786	28,421,443	29,217,361	30,977,386	32,540,733
Average Deposit	13,929	14,311	14,786	16,151	18,028
Loans	27,324,023	27,694,845	28,035,526	30,123,460	31,365,513
Average Loan	13,870	13,945	14,188	15,706	17,377
Loans funded	7,942,000	6,494,000	6,757,825	7,246,910	7,317,000
Bad Debts W/O	40,726	136	27,801	165	2,229
Capital Adequacy ratio	21.51	22.29	25.92	24.29	22.60
Total Reserves	4,572,033	4,864,374	5,276,520	5,474,244	5,661,795
Total Assets	32,491,845	33,860,706	39,757,592	41,144,893	46,376,122
Reserves/Assets	14.1	14.4	13.3	13.3	12.2



DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2010.

The Credit Union is a company registered under the Corporations Act 2001.

DIRECTORS

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

Name	Responsibilities	Board Meetings attended	Director
Ray Shina	Chairman and Audit & Risk Committee Member	12	Since 1996
Michael Said	Deputy Chairman	12	Since 1992
Joanne Masters	Audit & Risk Committee Chairman	11	Since 1995
Geoff Bennett	Audit & Risk Committee Member	12	1990 to 1994 and since 1998
Geoff Brown*	See note below	10	Since 2000
Murray Watts		9	Since 2008
Daniel Neagoie		11	Since 2008
Guy Mullarkey	Audit & Risk Committee Member	11	Since 2008
Barry Brown		11	Since 2008

* Geoff Brown resigned from the Board on the 23rd June 2010
James Crowden was appointed to the Board on 21st July 2010

COMPANY SECRETARY

The Company Secretary at the end of the year was:-

Name	Qualifications	Experience
David Gilbert	B. Comm. Accounting	24 years in credit unions. Employed at Shell Employees' Credit Union Ltd since April 1999.

DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Credit Union, controlled credit union or a related body corporate with a Director, a firm of which a Director is a member or a credit union in which a Director has a substantial financial interest, other than that disclosed in Note 29 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

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

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax was \$187,545 [2009 \$ 197,724]

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Credit Union.

REVIEW OF OPERATIONS

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

The result for the year was affected by:-

Significant reductions in interest rates impacted on both members and the Credit Union. The global financial crisis ensured that the Reserve Bank of Australia (RBA) moved quickly to maintain stability in the Australian economy. The RBA reduced interest rates by over 4% within a short period of time which adversely affected the Credit Union's interest rate margin over the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from this, there were no significant changes in the state of the affairs of the Credit Union during the year.

EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

- a. the operations of the Credit Union;
- b. the results of those operations; or
- c. the state of affairs of the Credit Union

in the financial years subsequent to this financial year.

AUDITORS' INDEPENDENCE

The auditors have provided the Declaration of Independence to the Board as prescribed by the Corporations Act 2001 as set out on page 11.



Chairman



Deputy Chairman

22 September 2010

DIRECTORS' DECLARATION

The Directors of Shell Employees' Credit Union Limited declare that:-

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

- a. comply with Accounting Standards; and
- b. give a true and fair view of the financial position of the Credit Union as at 30 June 2010 and performance for the year ended on that date.

The company has included in the notes to the financial statements an explicit and unreserved statement with the International Financial Reporting Standards.

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

This Declaration is made in accordance with a resolution of the Board of Directors.



Chairman

22 September 2010

INDEPENDENT AUDITOR'S REPORT to the Members of Shell Employees' Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Shell Employees' Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion;

- a. the financial report of Shell Employees' Credit Union Limited is in accordance with the *Corporations Act 2001*, including:-
 - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Director BDO Kendalls, Sydney

23 September 2010

**DECLARATION OF INDEPENDENCE
to the Directors of Shell Employees' Credit Union Limited**

As lead auditor of Shell Employees' Credit Union Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of;

- a. the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.



Director BDO Kendalls, Sydney

23 September 2010

STATEMENT OF COMPREHENSIVE INCOME
 for the year ended 30 JUNE 2010

	Note	2010 \$	2009 \$
Interest revenue	2.a	2,463,601	2,736,725
Interest expense	2.c	1,202,180	1,576,992
Net interest income		1,261,421	1,159,733
Fee commission and other income	2.b	164,812	160,965
		1,426,233	1,320,698
Less			
Non-interest expenses			
Impairment losses on loans receivable from members	2.d	16,901	228
Fee and commission expenses		94,977	115,951
General administration			
• Employees' compensation and benefits		509,665	465,094
• Depreciation and amortisation	2.f	70,433	20,547
• Information technology		153,319	125,331
• Office occupancy		-	-
• Other administration		178,886	164,854
Other operating expenses		185,824	156,505
Total non-interest expenses		1,210,005	1,048,510
Profit before income tax		216,228	272,188
Income tax expense	3	28,683	74,464
Profit after income tax		187,545	197,724

STATEMENT OF CHANGES IN MEMBER EQUITY
 for the year ended 30 June 2010

	Capital Reserve	Asset Revaluation Reserve	Reserve for Credit Losses	Retained Earnings	Total
	\$	\$	\$	\$	\$
Total at 1 July 2008	2,036	-	249,897	5,024,587	5,276,520
Movement in value on available for sale assets	-	-	-	-	-
Sub total	2,036	-	249,897	5,024,587	5,276,520
Profit for the year	-	-	-	197,724	197,724
Transfer of asset revaluation reserve to profit	-	-	-	-	-
Transfers to (from) reserves	146			(146)	
Transfer to capital account on redemption of shares	-	-	-	-	-
Total at 30 June 2009	2,182	-	249,897	5,222,165	5,474,244
Profit for the year	-	-	-	187,545	187,545
Transfer of asset revaluation reserve to profit	-	-	-	-	-
Transfers to (from) reserves					
Transfer to capital account on redemption of shares	398	-	-	(398)	-
Total as at 30 June 2010	2,580	-	249,897	5,409,312	5,661,789

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Cash	4	2,273,294	761,319
Receivables from financial institutions	5	11,840,776	9,555,550
Receivables	6	160,436	172,796
Loans to members	7 & 8	31,365,513	30,123,460
Available for sale investments	9	129,024	122,252
Property, plant and equipment	10	384,733	299,696
Taxation assets	11	150,757	85,951
Intangible assets	12	138,848	23,869
TOTAL ASSETS		46,443,381	41,144,893
LIABILITIES			
Short term borrowings	13	7,500,000	4,008,898
Deposits from members	14	32,540,733	30,977,386
Creditor accruals and settlement accounts	15	574,970	514,317
Taxation liabilities	16	-	-
Provisions	17	164,007	170,048
Deferred tax liabilities	18	1,882	-
TOTAL LIABILITIES		40,781,592	35,670,649
NET ASSETS		5,661,789	5,474,244
MEMBERS' EQUITY			
Capital reserve account	19	2,580	2,182
Asset revaluation reserve	20	-	-
General reserve for credit losses	21	249,897	249,897
Retained earnings		5,409,312	5,222,165
TOTAL MEMBERS' EQUITY		5,661,789	5,474,244

Table of other notes to accounts.

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CASH FLOW STATEMENT
 for the year ended 30 June 2009

	Note	2010 \$	2009 \$
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		2,440,183	2,754,243
Fees and commissions		100,236	133,810
Dividends		37,074	25,799
Other income		-	3,167
Revenue outflows			
Interest paid		(1,257,578)	(1,656,861)
Suppliers and employees		(1,152,139)	(996,144)
Income taxes paid		(91,607)	(189,818)
Net cash from revenue activities	32.b	76,169	74,196
Inflows from other operating activities			
Decrease in member loans (net movement)		(1,258,954)	(2,088,161)
Increase in member deposits and shares (net movement)		733,347	1,323,204
Decrease in deposits to other financial institutions (net)		(2,284,412)	123,031
Net cash from operating activities		(2,733,850)	(567,730)
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		16,272	-
Proceeds on sale of property, plant and equipment		-	-
Net cash received on transfer of engagements		-	-
Less: Outflows			
Purchase of investments in shares		-	(1,500)
Purchase of property plant and equipment		(132,874)	(316,184)
Purchase of intangible assets		(137,573)	-
Net cash from investing activities		(254,175)	(317,684)
FINANCING ACTIVITIES			
Inflows (outflows)			
Increase in borrowings (net movement)		4,500,000	-
Net cash from financing activities		4,500,000	-
Total net cash increase/(decrease)		1,511,975	(885,414)
Cash at beginning of year		761,319	1,646,733
Cash at end of year	32.a	2,273,294	761,319

NOTES TO ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Shell Employees' Credit Union Limited as a single credit union, for the year ended the 30th June 2010. The report was authorised for issue on 22 September 2010 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non-current assets [except for real property and available for sale investments which are stated at fair value]. The accounting policies are consistent with the prior year unless otherwise stated.

b. Loan to members

(i) Basis of recognition

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

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

(ii) Interest earned

Term loans – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account.

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

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, are brought to account as a reduction to income over the expected life of the loan and included as part of interest revenue.

(v) Fees on loans

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

(vi) Net gains and losses

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

c. Loan impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics or on an individual basis. The amount provided is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 22 details the credit risk management approach for loans.

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

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

(ii) Reserve for credit losses

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

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

(iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

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

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

e. Property, plant and equipment

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

- Buildings – Term of Lease Agreement.
- Plant and equipment – 3 to 7 years.
- Assets less than \$300 are not capitalised.

f. Receivables from other financial institutions

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

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

g. Equity investments and other securities

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

Investments in shares listed on the stock exchanges are revalued to fair value based on the market bid price at the close of business on balance sheet date. The gains and losses in fair value are reflected in equity through the asset revaluation reserve.

Investments in shares which do not have a ready market and are not capable of being reliably valued, are recorded at the lower of cost or recoverable amount.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account, comprises only gains and losses on disposal.

All investments are in Australian currency.

h. Member deposits

(i) Basis for measurement

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

(ii) Interest payable

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

i. Borrowings

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

j. Provision for employee benefits

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows, to be made for those benefits discounted, using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the Statement of Comprehensive Income as incurred.

k. Leasehold on premises

Leases where the lesser retains substantially all the risks and rewards of ownership of the net asset, are classified as operating leases. Payments made under operating leases (net of incentives received from the lesser) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

I. Income tax

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

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

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

m. Intangible assets

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

Computer software is amortised over the expected useful life of the software. These lives range from 2 to 5 years.

n. Goods and Services Tax

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

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the Australian Taxation Office, are classified as operating cash flows.

o. Impairment of assets

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

p. Accounting estimates and judgements

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans – refer Note 8.

q. New or emerging standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Nature of Change	Application date:	Impact on Initial Application
AASB 9 Issued Dec 2009 Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

2. STATEMENT OF COMPREHENSIVE INCOME**a. Analysis of interest revenue**

	2010 \$	2009 \$
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	37,275	50,542
Receivables from financial institutions	520,970	682,203
Loans to members	1,905,356	2,003,980
Total interest revenue	2,463,601	2,736,725

b. Fee, commission and other income**Fee and commission revenue**

Fee income on loans – other than loan origination fees

Fee income from member deposits

Other fee income

Insurance commissions

Other commissions

Total fee and commission revenue

43,188	74,446
5,236	5,770
52,105	51,783
100,529	131,999

Other income – available for sale assets

Gain on sale of available for sale investments

Dividends received on available for sale assets

Bad debts recovered

Miscellaneous revenue

Total fee commission and other income

23,044	-
37,074	25,799
3,660	727
505	2,440
164,812	160,965

c. Interest expenses

	2010	2009
	\$	\$
Interest expense on liabilities carried at amortised cost		
Short term borrowings	1,946	1,787
Deposits from financial institutions	-	-
Deposits from members	945,789	1,398,753
Other	254,445	176,452
Total interest expense	1,202,180	1,576,992

d. Impairment losses – available for sale assets

Loans and advances		
Increase in provision for impairment	14,672	63
Bad debts written off directly against profit	2,229	165
Total impairment losses	16,901	228

e. Other prescribed disclosures

Net gain/loss on available for sale investments	-	-
Previously recognised in equity	-	-
	-	-

General administration – depreciation expense comprises		
Plant and equipment	47,838	13,195
Amortisation of software	22,595	7,352
	70,433	20,547

Other Operating expenses include:-

Auditor's remuneration (excluding GST)		
Audit fees	30,080	30,080
Other services – taxation	3,500	3,500
Audit services – compliance	6,000	6,000
	39,580	39,580

3. INCOME TAX EXPENSE

The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:-

Profit	216,228	272,188
Prima facie tax payable on profit before income tax at 30%	64,869	178,356
Add tax effect of expenses non-deductible	-	-
Other non-deductible expenses	-	30
Subtotal	64,869	81,686
Less		
Franking rebate	9,830	6,497
Over provision in prior year	-	725
Investment allowance	26,356	-
Income tax expense attributable to current year profit	28,683	74,464

	2010 \$	2009 \$
4. CASH		
Cash on hand	68,035	197,526
Deposits at call	2,205,259	563,793
	2,273,294	761,319
5. RECEIVABLES FROM FINANCIAL INSTITUTIONS		
Deposits with industry bodies	1,981,022	1,988,431
Deposits with other societies	4,806,024	2,500,000
Deposits with banks	5,053,730	5,067,119
	11,840,776	9,555,550
6. RECEIVABLES		
Interest receivable on deposits with other financial institutions	102,540	67,197
Prepayments	25,155	20,546
Sundry debtors and settlement accounts	32,741	85,053
	160,436	172,796
7. LOANS TO MEMBERS		
a. Amount due comprises		
Overdrafts and revolving credit	206,338	197,925
Term loans	31,173,933	29,925,621
Subtotal	31,380,271	30,123,546
Less		
Provision for impaired loans (Note 8)	14,758	86
	31,365,513	30,123,460
b. Credit quality – security held against loans		
Secured by mortgage over real estate	27,131,646	26,087,950
Partly secured by goods mortgage	3,074,499	2,817,686
Wholly unsecured	1,174,126	1,217,910
	31,380,271	30,123,546

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

Security held as mortgage against real estate is on the basis of:-

• loan to valuation ratio of less than 80%	23,082,265	22,475,869
• loan to valuation ratio of more than 80% but mortgage insured	4,049,381	3,323,559
• loan to valuation ratio of more than 80% and not mortgage insured	-	288,522
Total	27,131,646	26,087,950

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

c. Concentration of loans

The values discussed below include on balance sheet values and off balance sheet undrawn facilities

	2010	2009
	\$	\$
(i) Loans to individual or related groups of members which exceed 10% of reserves in aggregate	8,403,047	6,395,443
Total	8,403,047	6,395,443

(ii) Geographical concentrations

Australia
Overseas

2010	Housing	Personal	Business	Total
NSW	26,386,610	4,075,947	229,324	30,691,881
Victoria	343,048	-	-	343,048
Queensland	172,664	146,368	-	319,032
South Australia	-	19,041	-	19,041
Western Australia	-	-	-	-
Tasmania	-	-	-	-
Northern Territory	-	-	-	-
ACT	-	-	-	-
Other	-	7,269	-	7,269
Total per balance sheet	26,902,322	4,248,625	229,324	31,380,271

2009	Housing	Personal	Business	Total
NSW	25,626,055	3,596,695	132,204	29,354,954
Victoria	350,288	9,498	-	359,786
Queensland	111,607	165,779	90,055	367,441
South Australia	-	3,423	-	3,423
Western Australia	-	21,573	-	21,573
Tasmania	-	-	-	-
Northern Territory	-	-	-	-
ACT	-	2,084	-	2,084
Other	-	14,285	-	14,285
Total per balance sheet	26,087,950	3,813,337	222,259	30,123,546

	2010	2009
	\$	\$
8. PROVISION ON IMPAIRED LOANS		
a. Total provision comprises		
Collective provisions	-	-
Individual specific provisions	14,758	86
Total Provision	14,758	86

b. Movement in the provision for impairment	2010	2009
	\$	\$
Balance at the beginning of year	86	23
Add (deduct)		
Transfers from (to) Statement of Comprehensive Income	14,672	63
Bad debts written off provision	-	-
Balance at end of year	14,758	86

Details of credit risk management are set out in Note 22.

c. Impaired loans written off		
Amounts written off against the provision for impaired loans	-	-
Amounts written off directly to expense	2,229	165
Total bad debts	2,229	165

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

In the Note below;

Carrying value is the amount of the balance sheet

Impaired loans value is the 'on balance sheet' loan balances which are past due by 90 days or more

Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans

	2010	2010	2010	2009	2009	2009
	Carrying	Value of	Provision	Carrying	Value of	Provision
	value	Impaired	for	value	Impaired	for
		Loans	Impairment		Loans	Impairment
	\$	\$	\$	\$	\$	\$
Loans to members						
Mortgages	27,131,646	-	-	26,087,950	-	-
Personal	4,042,287	29,587	14,758	3,837,671	-	-
Overdrafts	206,338	-	-	197,925	214	86
Total	31,380,271	29,587	14,758	30,123,546	214	86

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

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

	2010	2010	2009	2009
	Carrying	Provision	Carrying	Provision
	Value		Value	
	\$	\$	\$	\$
Non-impaired up to 30 days	31,350,684	-	30,018,278	-
30 to 90 days in arrears	-	-	105,268	-
90 to 180 days in arrears	14,971	5,989	-	-
180 to 270 days in arrears	14,616	8,769	-	-
270 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	-	-	-	-
Over limit facilities over 14 days	-	-	214	86
Total	31,380,271	14,758	30,123,760	86

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

f. Key assumptions in determining the provision for impairment

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

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

	Note	2010 \$	2009 \$
9. AVAILABLE FOR SALE INVESTMENTS			
Shares in unlisted companies – at cost			
CUSCAL	9.a	112,252	112,252
Combined Financial Processing Limited		-	10,000
Transaction Solutions		16,772	-
Total value of investments		129,024	122,252

a. CUSCAL Limited

The shareholding in CUSCAL is measured at cost, as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services (refer to Note 27). The shares are not able to be traded and are not redeemable.

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

The Credit Union is not intending, nor able to, dispose of these shares.

	2010 \$	2009 \$
10. PROPERTY, PLANT AND EQUIPMENT		
a. Plant and equipment – at cost	240,083	184,644
Less: provision for depreciation	188,900	166,269
Sub-total	51,583	18,375
Building – under construction	357,368	281,321
Less: provision for depreciation	24,218	-
Sub-total	333,150	281,321
Total	384,733	299,696

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

	2010		2009	
	\$	\$	\$	\$
	Buildings	Plant & Equipment	Buildings	Plant & Equipment
Opening balance (book value)	281,321	18,375	-	24,640
Purchases	76,047	56,828	281,321	6,930
Less				
Assets disposed	-	-	-	-
Depreciation charge	24,218	23,620	-	13,195
Impairment loss	-	-	-	-
Balance at the end of the year	333,150	51,583	281,321	18,375

	2010	2009
	\$	\$
11. TAXATION ASSETS		
Tax refund due	67,259	14,697
Deferred tax assets	83,498	71,254
	150,757	85,951
Deferred tax assets comprise:-		
Accrued expenses not deductible until incurred	8,374	8,493
Provisions for impairment on loans	39,404	26
Provisions for employee benefits	22,351	58,983
Depreciation on fixed assets	13,369	3,752
	83,498	71,254
12. INTANGIBLE ASSETS		
Computer software	246,540	108,967
Less provision for amortisation	107,692	85,098
	138,848	23,869
Movement in the assets balances during the year were:-		
Opening balance	23,869	3,289
Purchases	137,574	27,932
Less		
Assets disposed	-	-
Depreciation charge	22,595	7,352
Impairment loss	-	-
Balance at the end of the year	138,848	23,869

13. SHORT TERM BORROWINGS	2010	2009
	\$	\$
Loans	7,000,000	3,000,000
Deposits from other financial institution	500,000	1,008,898
	7,500,000	4,008,898

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

14. DEPOSITS FROM MEMBERS	2010	2009
	\$	\$
Member deposits		
At call	20,920,089	17,517,338
Term	11,617,034	13,456,212
Member withdrawable shares	3,610	3,836
	32,540,733	30,977,386

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

Concentration of member deposits

- (i) Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities

-	-
-	-

- (ii) Geographical concentrations.

	2010	2009
	\$	\$
NSW	28,949,053	27,589,122
Victoria	415,546	118,076
Queensland	1,233,998	1,320,160
South Australia	6,952	8,626
Western Australia	270,895	772,885
Tasmania	1,358	3,282
Northern Territory	428,215	247
ACT	11,543	10,464
Other	1,223,173	1,154,524
Total per balance sheet	32,540,733	30,977,386

15. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Annual leave	59,747	61,421
Creditors and accruals	69,535	83,336
Interest payable on deposits	155,330	210,728
Sundry creditors	290,358	158,832
	574,970	514,317

16. TAXATION LIABILITIES	2010 \$	2009 \$
Provision for income tax	-	-
	<u>-</u>	<u>-</u>
Current income tax liability comprises:-		
Liability for income tax in current year	34,911	74,891
Less instalments paid in current year	102,170	89,588
Balance – current year (refund due – see Note 11)	(67,259)	(14,697)
	<u>(67,259)</u>	<u>(14,697)</u>
	<u><u>-</u></u>	<u><u>-</u></u>
17. PROVISIONS	2010 \$	2009 \$
Long service leave	131,347	135,191
Provisions – other	32,660	34,857
	<u>164,007</u>	<u>170,048</u>
	<u><u>164,007</u></u>	<u><u>170,048</u></u>
	<u><u>-</u></u>	<u><u>-</u></u>
18. DEFERRED TAX LIABILITIES	2010 \$	2009 \$
Deferred tax liabilities	1,882	-
	<u>1,882</u>	<u>-</u>
Deferred income tax liability comprises:-		
Tax due on available for sale investments held in equity	1,882	-
	<u>1,882</u>	<u>-</u>
	<u><u>1,882</u></u>	<u><u>-</u></u>
	<u><u>-</u></u>	<u><u>-</u></u>
19. CAPITAL RESERVE ACCOUNT	2010 \$	2009 \$
Balance at the beginning of the year	2,182	2,036
Transfer from retained earnings on share redemptions	398	146
Balance at the end of year	2,580	2,182
	<u>2,580</u>	<u>2,182</u>
	<u><u>2,580</u></u>	<u><u>2,182</u></u>

Share Redemption

The accounts represent the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

20. ASSET REVALUATION RESERVES	2010	2009
	\$	\$
Available for sale revaluation reserve – investments	-	-
	-	-
Available for sale revaluation reserve – equity		
The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value		
Balance at the beginning of the year	-	-
Add: increase on revaluation of land & buildings	-	-
Less: deferred tax liability	-	-
Transfer to income upon realisation of asset	-	-
Balance at the end of year	-	-

21. GENERAL RESERVE FOR CREDIT LOSSES	2010	2009
	\$	\$
General reserve for credit losses	249,897	249,897
Other reserve for credit losses	-	-
	249,897	249,897

General reserve for credit losses

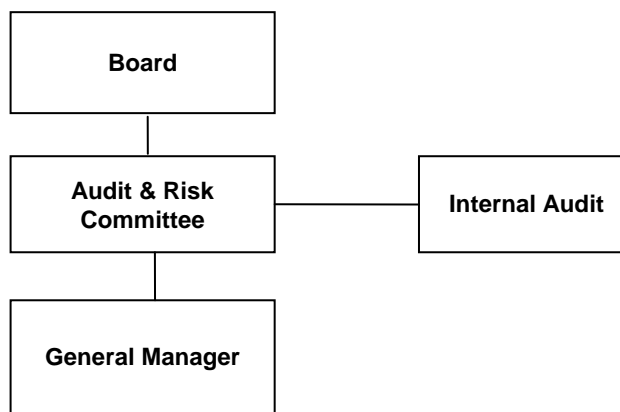
This reserve records amount previously set aside as a general provision and is maintained to comply with the Prudential Standards set down by APRA

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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



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

Board

This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.

Audit and Risk Committee

This is a key body in the control of risk. It has representatives from the Board as well as the Group's Chief Risk Officers. The Audit and Risk Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Audit and Risk Committee through monthly review of operational reports and control assignments are reviewed by the Audit and Risk Committee to confirm whether risks are within the parameters outlined by the Board.

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

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

The Board has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the Board. All exposures are checked daily against approved limits, independently of each business unit and are reported to the Board.

All loans are managed weekly through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or over-limit facilities over 14 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Board monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. The Credit Union's credit risk policy is adhered to by Management and Lending Staff. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the balance sheet date.

The General Manager has responsibility for managing interest rate risk exposures and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate gap. The weekly scrutiny of market risk reports, is intended to prevent any exposure breaches prior to the monthly review by the Board.

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

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

- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Operational Risk (including data risk management)

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

Market Risk Policy

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

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the General Manager who reports directly to the Board.

Interest Rate Risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within its treasury operations. This Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. This interest rate risk whilst monitored daily, is measured and reported to the Board monthly.

In the banking book, the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change. The level of mismatch on the banking book is set out in Note 24 below. The table set out at Note 24 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis.

Interest rate sensitivity

The Credit Union's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Credit Union's exposure to interest rate risk is set out in Note 24 which details the contractual interest change profile.

The Credit Union performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:-

- the interest rate change would be applied equally over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity or be replaced by deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- mortgage loans would all reprice to the new interest rate within 28 days;
- personal loans would reprice after a 3 month delay;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:-

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Credit Union has a longstanding arrangement with the industry liquidity support scheme, Credit Union Financial Support Services (CUFSS), which can access industry funds to provide support to the credit union should it be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union policy is to apply 13% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available. Note 27 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS. The maturity profile of the financial liabilities, based on the contractual repayment terms, is set out in the specific Note 23.

Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book, investment assets and derivative contracts (where applicable).

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 7.c.

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

The Credit Union has established policies over the:-

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies;

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

Past due and impaired

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

Weekly reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly with personal loans as facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Statement of Comprehensive Income. In estimating these cash flows, Management makes judgements about the counter-party's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance sheet provisions are maintained at a level that Management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in counter-party's industry and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are as set out in Note 8.

Bad debts

Amounts are written-off when collection of the loan or advance is considered to be remote. All write offs are on a case-by-case basis, taking account of the exposure at the date of the write-off.

On secured loans, the write off takes place on ultimate realisation of collateral value or from claims on any lenders mortgage insurance.

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

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction the Loan to Valuation Ratio (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Board policy is to maintain at least 75% of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

Concentration risk is a measurement of the Credit Union's exposure to an individual counter-party (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent), a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 7.c. The Credit Union holds no significant concentrations of exposures to members. Concentration exposures to counter-parties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base.

Concentration risk – industry

The Credit Union has a concentration in the retail lending for members who comprise employees and their families in the Shell Australia group. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 7.c.

Credit Risk – Liquid Investments

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

The Credit Union's large exposure policy restricts investments with any one ADI to 50% of the Credit Union's capital, in line with APS221, with the exception of CUSCAL where this concentration can exceed 50% and up to 500%.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one institution. The size of the Credit Union as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme, at least 3.2% of the total assets must be invested in CUSCAL, to allow the scheme to have adequate resources to meet its obligations if needed. The Board policy is to place investments in CUSCAL Limited, a company set up to support the member credit unions and which has a rating of AA-.

Investments are also placed in other financial institutions with a rating in excess of BBB-.

External Credit Assessment for Institution Investments

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

Operational Risk

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

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

- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of the whistle-blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card personal identification numbers (PINs) and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union. Internet fraud losses have arisen from unknown sources. Members' diligence with anti-virus and anti-spyware has proven to be successful in combating this global issue.

IT Systems

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

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

Capital Management

The capital levels are prescribed by APRA. Under the APRA Prudential Standards capital is determined in three components:-

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

The market risk component is not required, as the Credit Union is not engaged in a trading book for financial instruments.

Capital resources

1. Tier 1 Capital

The vast majority of Tier 1 capital comprises:-

- Retained profits
- Realised reserves.

2. Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:-

- A general reserve for credit losses.

Capital in the Credit Union is made up as follows:-

	2010	2009
Tier 1	\$	\$
Capital reserve	2,580	2,182
Retained earnings	5,409,312	5,222,165
Less prescribed deductions	408,099	156,250
Net tier 1 capital	5,003,793	5,068,097
General reserve for credit losses	243,138	241,553
Less prescribed deductions	189,517	61,126
Net tier 2 capital	53,621	180,427
Total capital	5,057,414	5,248,524

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The capital ratio as at the end of the financial year over the past 3 years is as follows:-

2010	2009	2008
23.01%	24.29%	25.89%

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

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below policy levels. Further a 5-year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Credit Union uses the Standardised Approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Credit Union's three year average net interest income and net non-interest income to the Credit Union's various business lines.

It is considered that the Standardised Approach accurately reflects the Credit Union's operational risk other than for the specific items set out below.

Internal Capital Adequacy Management

The Credit Union manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth or unforeseen circumstances, are assessed by the Board. The Management then update the forecast capital resources models produced and the impact upon the overall capital position of the Credit Union is reassessed.

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

- Fraud risk – The capital held to cover fraud risks is equal to the highest of our largest loss in the last ten years at \$15,000
- Property value decline – The Credit Union's approach is to take a capital charge in instances where the LVR exceeds 80 per cent, only in instances where the exposure is on an impaired loan in excess of 90 days. This is considered appropriate as it is only in these relatively poor quality exposures where there is a significant risk that the Credit Union may need to draw on the security held.

23. MATURITY PROFILE OF FINANCIAL ASSETS & LIABILITIES

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

2010	At call	0-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	2,273,294	-	-	-	-	-	2,273,294
Advances to financial institutions	-	11,235,504	1,569,963	84,200	344,725	-	13,232,592
Loans & advances	-	879,513	2,621,237	12,289,018	42,588,969	-	58,378,737
On balance sheet	2,273,294	12,115,017	4,191,200	12,373,218	42,933,694	-	73,884,623
Total financial assets	2,273,294	12,115,017	4,191,200	12,373,218	42,933,694	-	73,884,623
LIABILITIES							
Borrowings	-	7,574,321	-	-	-	-	7,574,321
Creditors	451,085	-	-	-	-	-	451,085
Deposits from members	20,920,089	6,804,050	5,393,909	25,323	-	-	33,118,048
On balance sheet	21,371,174	14,378,371	5,393,909	25,323	-	-	41,143,454
Undrawn commitments Note 26	-	4,555,882	-	-	-	-	4,555,882
Total financial liabilities	21,371,174	18,934,253	5,393,909	-	-	-	45,699,336
2009							
	At call	0-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	761,319	-	-	-	-	-	761,319
Advances to financial institutions	-	9,153,531	510,460	-	-	-	9,663,991
Loans & advances	-	844,290	2,516,261	11,796,864	40,883,356	-	56,040,771
On balance sheet	761,319	9,997,821	3,026,721	11,796,864	40,883,356	-	66,466,081
Total financial assets	761,319	9,997,821	3,026,721	11,796,864	40,883,356	-	66,466,081
LIABILITIES							
Borrowings	-	4,037,923	-	-	-	-	4,037,923
Creditors	-	-	-	-	-	240,357	240,357
Deposits from members	17,517,338	8,462,496	5,308,553	25,323	-	-	31,313,710
On balance sheet	17,517,338	12,500,419	5,308,553	25,323	-	240,357	35,591,990
Undrawn commitments Note 26	-	-	-	-	-	5,228,452	5,228,452
Total financial liabilities	17,517,338	12,500,419	5,308,553	25,323	-	5,468,809	40,820,442

24. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABLITES

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

2010	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non-interest bearing	Total
ASSETS	\$	\$	\$	\$	\$	\$	\$
Cash	2,205,259	-	-	-	-	68,035	2,273,294
Receivables	-	-	-	-	-	32,741	32,741
Advances to other financial Institutions	4,745,444	4,558,243	2,537,089	-	-	-	11,840,776
Loans & advances	31,380,271	-	-	-	-	-	31,380,271
Investments	-	-	-	-	-	129,024	129,024
On balance sheet	38,330,974	4,558,243	2,537,089	-	-	229,800	45,656,106
Total financial assets	38,330,974	4,558,243	2,537,089	-	-	229,800	45,656,106
LIABILITIES							
Borrowings	7,000,000	500,000	-	-	-	-	7,500,000
Creditors	-	-	-	-	-	359,887	359,887
Deposits from members	32,537,123	3,657,419	5,371,994	34,543	-	3,610	32,540,733
On balance sheet	39,537,123	4,157,419	5,371,994	34,543	-	363,497	40,400,620
Undrawn commitments	4,555,882	-	-	-	-	-	4,555,882
Total financial liabilities	44,093,005	4,157,419	5,371,994	34,543	-	363,497	44,956,502
2009							
ASSETS	\$	\$	\$	\$	\$	\$	\$
Cash	563,793	-	-	-	-	197,526	761,319
Receivables	-	-	-	-	-	168,637	168,637
Advances to other financial Institutions	5,001,044	4,054,506	500,000	-	-	-	9,555,550
Loans & advances	30,123,460	-	-	-	-	-	30,123,460
Investments	-	-	-	-	-	122,252	122,252
On balance sheet	35,688,297	4,054,506	500,000	-	-	488,415	40,731,218
Total financial assets	35,688,297	4,054,506	500,000	-	-	488,415	40,731,218
LIABILITIES							
Borrowings	1,000,000	3,008,898	-	-	-	-	4,008,898
Creditors	-	-	-	-	-	451,085	451,085
Deposits from members	22,161,596	3,645,770	5,143,163	23,021	-	3,836	30,977,386
On balance sheet	23,161,596	6,654,668	5,143,163	23,021	-	454,921	35,437,369
Undrawn commitments	-	-	-	-	-	5,228,452	5,228,452
Total financial liabilities	23,161,596	6,654,668	5,143,163	23,021	-	5,683,373	40,665,821

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held regularly traded by the Credit Union and there is no active market to assess the value of the financial assets and liabilities.

The values reported have not been adjusted for the changes in credit ratings of the assets.

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

	Fair Value	2010 Carrying Value	Variance	Fair Value	2009 Carrying Value	Variance
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	2,273,294	2,273,294	-	761,319	761,319	-
Receivables	32,741	32,741	-	168,637	168,637	-
Advances to other financial institutions	11,841,920	11,840,776	1,144	9,562,099	9,555,550	6,549
Loans	31,365,513	31,365,513	-	30,123,460	30,123,460	-
Investments	129,024	129,024	-	122,252	122,252	-
Total financial assets	45,642,492	45,641,348	1,144	40,737,767	40,731,218	6,549
FINANCIAL LIABILITIES						
Borrowings	7,500,000	7,500,000	-	4,008,880	4,008,898	(18)
Creditors	359,887	359,887	-	451,085	451,085	-
Deposits from members	35,539,224	32,540,733	(1,509)	31,000,790	30,977,385	23,405
Total financial liabilities	40,399,111	40,400,620	(1,509)	35,460,755	35,437,368	23,387

For these assets and liabilities the carrying value approximates fair value.

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

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

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

For variable rate loans (excluding impaired loans), the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

The fair value of call and variable rate deposits and fixed rate deposits repricing within 12 months, is the amount shown in the Statement of Financial Position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

Short term borrowings

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

	2010 \$	2009 \$
26. FINANCIAL COMMITMENTS		
a. Outstanding loan commitments		
The loans approved but not funded	388,200	1,229,567
b. Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:-		
Total value of facilities approved	4,374,020	4,196,810
Less amount advanced	206,338	197,925
Net undrawn value	4,167,682	3,998,885
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	4,555,882	5,228,452

27. STANDBY BORROWING FACILITIES

The Credit Union has a borrowing facility with CUSCAL Limited of:-

2010	Gross	Current	Net
		Borrowing	Available
	\$	\$	\$
Loan facility	-	7,000,000	-
Standby Facility	1,000,000	-	1,000,000
Overdraft facility	500,000	-	500,000
TOTAL STANDBY BORROWING FACILITIES	1,500,000	7,000,000	1,500,000

2009	Gross	Current	Net
		Borrowing	Available
	\$	\$	\$
Loan facility	-	3,000,000	-
Overdraft facility	500,000	-	500,000
TOTAL STANDBY BORROWING FACILITIES	500,000	3,000,000	500,000

Withdrawal of the loan facility is subject to the availability of funds at CUSCAL.

CUSCAL holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under the facility arrangements.

28. CONTINGENT LIABILITIES**Liquidity support scheme**

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

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

29. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONS

a. Remuneration of Key Management Persons

Key Management Persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of that credit union. Control is the power to govern the financial and operating policies of a credit union so as to obtain benefits from its activities.

Key Management Persons have been taken to comprise the Directors and members of the Management responsible for the day-to-day financial and operational management of the Credit Union.

The aggregate Compensation of Key Management Persons during the year comprising amounts paid or payable or provided for was as follows:-

Note the AASB 124 Standard does not specifically require the separation of the directors and executive remuneration. A single table may be shown for KMP combined.

	2010 Total \$	2009 Total \$
(i) short-term employee benefits	333,449	205,814
(ii) post-employment benefits superannuation contributions	24,438	18,065
(iii) other long-term benefits – net increases in long service leave provision	(9,300)	1,053
iv) termination benefits	-	-
(v) share-based payment	-	-
Total	348,587	224,932

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

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

	2010 \$	2009 \$
b. Loans to Directors and other Key Management Persons		
(i) The aggregate value of loans to Directors and other Key Management Persons as at balance date amounted to:-	2,529,319	2,229,630
(ii) The total value of revolving credit facilities to Directors and other Key Management Persons, as at balance date amounted to:-	15,000	50,000
Less amounts drawn down and included in (i)	5,000	647
Net balance available	10,000	49,353
(iii) During the year the aggregate value of loans disbursed to Directors and other Key Management Persons amounted to:-		
Term loans	457,706	40,000
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other Key Management Persons amounted to:-	-	-
(v) Interest and other revenue earned on loans and revolving credit facilities to Key Management Persons:-	138,585	142,082

The Credit Union's policy for lending to Directors and Management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.

There are no loans which are impaired in relation to the loan balances with Directors or other Key Management Persons.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Persons. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other Key Management Persons.

Other transactions between related parties include deposits from Directors, and other Key Management Persons are:-

Total value term and savings deposits from Key Management Persons	478,041	333,005
Total Interest paid on deposits to Key Management Persons	10,177	11,809

c. transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors and other Key Management Persons.

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

There are no benefits paid or payable to the close family members of the Key Management Persons.

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

Note If special concessions are in place for the following, full details must be provided in material:-

- (i) Close family of Key Management Persons
- (ii) Former Key Management Persons
- (iii) Other related party/persons.

30. SUPERANNUATION LIABILITIES

The Credit Union contributes to the CUE Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee. Employees may contribute to other funds in accordance with their "choice of funds"

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

31. SECURITISATION

The Credit Union:-

- (i) has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust,
- (ii) manages the loans portfolio on behalf of the trust,
- (iii) bears no risk exposure in respect of these loans,
- (iv) receives a management fee to recover the costs of no-going administration of the processing of the loan repayments and the issue of statements to the members.

In addition the Credit Union:-

- (i) is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria.
- (ii) receives a management fee to recover the costs of no-going administration of the processing of the loan repayments and the issue of statements to the members.

These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris and there is no residual benefits to the Credit Union.

During the year the Credit Union assigned no loans to Integris.

The amount of securitised loans under management as at 30 June 2010 is \$ Nil; 2009 was \$ Nil.

	2010 \$	2009 \$
32. NOTES TO CASH FLOW STATEMENT		
a. Reconciliation of cash		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:-		
Cash on hand	68,035	197,526
Deposits at call	2,205,259	563,793
Bank overdraft	-	-
Total cash	2,273,294	761,319
	2010 \$	2009 \$
b. Reconciliation of cash from operations to accounting profit		
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax		
Profit after income tax	187,545	197,724
Add (deduct):-		
Bad debts written off	2,229	165
Depreciation expense	70,433	20,547
Loss on sale of assets	-	-
Increase in provisions for staff leave	(5,518)	(14,526)
Increase in Provisions for loans	14,672	63
Increase in provision for income tax	(52,562)	(115,652)
Increase in other provisions	(2,197)	18,368
Increase in accrued expenses	(14,092)	31,977
Increase in interest payable	(55,398)	(79,869)
Increase in deferred tax liability	1,882	-
Loss (gain) on sale of assets	(23,044)	-
Decreases in prepayments	(4,609)	(2,417)
Decreases in deferred tax assets	(12,244)	298
Decrease in interest receivable	(23,418)	17,518
Decrease in sundry receivables	(7,510)	-
Net cash from revenue activities	76,169	74,196

33. CORPORATE INFORMATION

The Shell Employees' Credit Union Ltd is a company limited by shares and is registered under the Corporations Act 2001.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the Credit Union.

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