savings & loans annual report

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Contents

Directors' Report

For the year ended 30 June 2009

The Directors present their report, together with the financial report of Savings & Loans Credit Union (S.A.) Limited ('the Credit Union') and the consolidated financial report of the consolidated entity, being the Credit Union and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the provision of retail financial services and financial planning advice to our members and acting as an insurance agent.

There were no significant changes in the nature of these activities during the year.

Results of Operations

	2009	2008
	$'000	$'000
The profit of the consolidated entity was:		
Underlying profit before income tax expense	11,915	14,408
Less cash flow hedge ineffectiveness	(4,804)	-
Less merger expenses	(2,216)	-
Add Special Visa IPO Dividend	1,825	-
Profit before income tax expense	**6,720**	**14,408**
Income tax expense	(1,143)	(3,515)
Profit for the period	**5,577**	**10,893**

For the purpose of improving the comparability of profit before income tax between accounting periods, merger expenses, cash flow hedge ineffectiveness and special dividends have been separately disclosed as these are non-recurring in nature and not part of normal operations.

Review of Operations

During the 2009 financial year, the Credit Union merged with Austral Credit Union to expand its presence in the Melbourne market. The merged entity was operational from 1 November 2008. The consolidated entity experienced a growth rate of 6% in assets under management during the 2008/2009 year taking total assets at 30 June 2009 to $3,230 million. This included the integration of Austral Credit Union assets of $156 million. The consolidated entity achieved a profit of $5.58 million after tax compared to last year's result of $10.89 million, a decrease of 49%. The reason for the decrease is disclosed in the results of operations; mainly merger costs and expense relating to the ineffectiveness of cash flow hedges. These costs were partly offset by a $1.83m special dividend from Cuscal, a service aggregator in which the Credit Union is a part owner. The dividend was to redistribute part of the proceeds it received from the change in shareholding structure of VISA. The decrease in profit was also due to the higher cost of funding resulting from the sustained impacts of global financial market issues. The 2008/2009 profit was transferred to reserves, resulting in a capital adequacy ratio of 11.44%, which is in excess of the minimum required by Australian Prudential Regulation Authority (APRA) regulations.

Dividends on Share Capital

The consolidated entity has not paid or declared a dividend on Share Capital during the year ended 30 June 2009 and the Directors do not recommend that a dividend be paid out of the surplus for the year ended 30 June 2009.

State of Affairs

While the growth rate for the 2008/09 financial year was substantially lower than what has been achieved in prior years, it was in line with Finance Industry benchmarks. This result was achieved in difficult market conditions as a result of continued global financial market issues.

The Board resolved to close the Credit Union's agency network by 30 June 2009. Agencies were originally established by the Credit Union to provide members with transaction channels in locations not serviced by a branch or ATM. The emergence of alternate channels and increased ATM access had seen a steady reduction in the use of the agency network and a subsequent reduction in the value generated for the Credit Union.

In the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Events Subsequent to Reporting Date

On the 13 August 2009 the Credit Union entered into a Memorandum of Understanding with Australian Central Credit Union with an intention to form a new credit union via a merger using the Transfer of Business regulations. Australian Central Credit Union is similarly sized to Savings & Loans thus the merged Credit Union will have approximately $6b in on-balance sheet assets. The merger is expected to provide a strategic opportunity to offer improved member benefits via access to a broader range of products and services and a wider distribution network including more branches. The merger is dependent upon regulatory approval and members of both Credit Unions approving the creation of the merged entity. The merged entity is expected to be operational from 1 December 2009.

Other than as outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

Growth targets have been reduced due to a decrease in the availability and increase in the price of wholesale funding. The Credit Union will concentrate on increasing the level of deposits from members by continuing to offer competitive market rates.

Board of Directors

The Credit Union maintains a register of Directors in accordance with the *Corporations Act 2001* requirements. The register includes details of each Director's interest in securities issued by the Credit Union. The register is available for inspection without a fee. All Directors of the Credit Union are non-executive Directors.

Directors' Report
For the year ended 30 June 2009

The Directors of the Credit Union at any time during or since the end of the financial year are:

William (Bill) Raymond Cossey AM, B.Sc., MAICD

Director since 1999
Chairperson – Savings & Loans Credit Union (SA) Ltd

Savings & Loans Committee Memberships Audit Committee; Board Risk Management Committee; Corporate Governance and Policy Committee

Other Board Memberships University of South Australia Council; Tennis S.A.; Don Dunstan Foundation; Elderly Citizens' Homes (ECH Inc); Flinders Finance Pty Ltd; Social Inclusion Board; Energy Industry Ombudsman's Board; Let's Talk Home Loans Group Pty Ltd; Austral Financial Planning Pty Ltd

Memberships Australian Institute of Company Directors; Australian Human Resources Institute; Australian Institute of Management; Australasian Mutuals Institute Ltd; Institute of Public Administration Australia; Australian Institute of Justice Administration

Occupation Semi-retired, previously State Courts Administrator

Kevin Michael Crawshaw B.Sc. (Hons.), Dip.Ed., MBA, FAICD

Director since 1988

Savings & Loans Committee Memberships Chairperson – Audit Committee

Other Board Memberships Health Partners Inc.

Memberships Fellow of the Australian Institute of Company Directors; Australasian Mutuals Institute Ltd; Credit Union Executives' Society (Certified Credit Union Director)

Occupation Health Care Act Transition Project Manager, Country Health SA

Jan McMahon BA (Hons.), FAICD, AFAMI

Director since 1989

Savings & Loans Committee Memberships Board Risk Management Committee

Other Board Memberships Chairperson – Health Partners Inc.; S.A. Superannuation Board; Superannuation Funds Management Corporation of S.A.; UTLC Executive and Council

Memberships Fellow of the Australian Institute of Company Directors; Australasian Mutuals Institute Ltd; ACTU Women's Committee

Occupation General Secretary, PSA of S.A. Incorporated; Branch Secretary, CPSU/SPSF S.A. Branch

Judith (Gael) Fraser BA, Dip. Lib, M. Urban Planning and Regional Development, MAICD

Director since 1999

Savings & Loans Committee Memberships Audit Committee

Other Board Memberships Board Member AUQA (Australian Universities Quality Agency)

Memberships Australian Institute of Urban Studies; Australasian Mutuals Institute Ltd; Australian Institute of Company Directors; Institute of Public Administration Australia

Occupation Director, Office of the Training and Skills Commission

Kathryn (Anne) Skipper AM, Dip. Nursing, FAICD, FAIM

Director since 2002

Savings & Loans Committee Memberships Chairperson - Corporate Governance and Policy Committee

Other Board Memberships Deputy Chairperson - SA Tourism Commission; Chairperson – Plan International Australia; Chairperson – Royal District Nursing Service; Aboriginal Foundation of SA, Qantas Foundation, Credit Union Foundation of Australia

Memberships Fellow of the Australian Institute of Company Directors; Australasian Mutuals Institute Ltd

Occupation Corporate Governance Consultant

Amanda Elizabeth Heyworth BA (Accounting), Grad. Dip. (Applied Finance and Investment), MBA (AGSM), SF Fin, FAICD

Director since 2004

Savings & Loans Committee Memberships Board Risk Management Committee

Other Board Memberships Signostics Ltd, Playford Centre; Playford Capital Pty Ltd; Objective Software Technology Pty Ltd

Memberships Governor – American Chamber of Commerce in Australia; Honorary Member - Leadership Institute of Australia; Senior Fellow - Financial Services Institute of Australia; Fellow - Australian Institute of Company Directors; Member, Australasian Mutuals Institute Ltd

Occupation CEO, Playford Capital

Lesley Claire (Leni) Palk LLB (Hons.), LLM (Comm.) University of Adelaide

Director since 2004

Savings & Loans Committee Memberships Corporate Governance and Policy Committee

Other Board Memberships Legal Practitioners Conduct Board; Medical Board of South Australia (to 7 August 2009) (Deputy Member)

Memberships Law Society of South Australia (to 30 June 2009); Australasian Mutuals Institute Ltd

Occupation Barrister, Solicitor, Notary Public. Admitted SA 1985, NSW 1987, High Court of Australia 1986; Appointed Notary Public 1986

Stephen (Mark) Day B. Bus, Grad Dip (Applied Finance and Investment) FAICD, FTA

Director since 2006

Savings & Loans Committee Memberships Chairperson – Board Risk Management Committee

Other Board Memberships Chairman – Electricity Industry Superannuation Scheme; Walford Anglican School for Girls

Memberships Fellow of the Finance and Treasury Association; Australian Institute of Company Directors; Australasian Mutuals Institute Ltd

Occupation Principal, Corporate Treasury Consulting Pty Ltd

Directors' Report
For the year ended 30 June 2009

Company Secretaries

Mr Greg Connor, (Dip. Teaching, BEd., Grad. Dip. Bus. Admin., JP, SF Fin), Chief Executive Officer, has held the position of company secretary for the past nine years and previously held the position of Chief Manager of Operations of a major financial institution for four years. Mr Connor currently sits on a number of boards, including the Australasian Mutuals Institute Ltd; Australasian Institute of Management SA; Abacus - Australian Mutuals; Bedford Industries; Flinders Finance Pty Ltd; Let's Talk Home Loans Group Pty Ltd; and Austral Financial Planning Pty Ltd.

Mr Neal Matotek (BEc, CA) has been the Chief Financial Officer for three years and been employed by the Credit Union for the past 13 years in Finance related roles. Previous to being employed at the Credit Union, Mr Matotek was an Audit Manager with KPMG.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Credit Union during the financial year are:

	Board Meetings of the Credit Union		Audit Committee		Risk Management Committee		Corporate Governance and Policy Committee	
	E	**A**	**E**	**A**	**E**	**A**	**E**	**A**
W.R. Cossey	(11)12	11	6	6	(10)11	9	6	6
K.M. Crawshaw	12	12	6	6	-	-	-	-
J. McMahon	(10)12	10	-	-	(9)11	9	-	-
K.A. Skipper	12	12	-	-	-	-	(4) 6	4
J.G. Fraser	(11)12	11	6	3	-	-	-	-
A.E. Heyworth	(10)12	10	-	-	(10)11	10	-	-
L. Palk	12	12	-	-	-	-	6	6
S.M. Day	12	12	-	-	11	11	-	-

E – Number of meetings eligible to attend (noting approved leave)

A – Number of meetings attended

Directors' Report
For the year ended 30 June 2009

Directors' Interests

During the financial year, no Director of the consolidated entity has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the consolidated financial statements) by reason of a contract made by the Credit Union or its controlled entity or with any Director or with a firm of which a Director is a member, or with an entity in which a Director has a substantial interest.

Indemnification and Insurance of Officers

The Credit Union holds a Directors' and Officers' insurance policy on behalf of the Directors of each entity in the consolidated entity. The total policy premium in relation to the consolidated entity for the year ended 30 June 2009, which was paid for by the Credit Union, amounted to $39,072 (2008: $40,903).

The policy indemnifies Directors against damages, legal costs and expenses arising from any claim made against them jointly or separately in relation to their duties as Directors of the Credit Union or the controlled entity.

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

Lead Auditor's Independence Declaration Under Section 307c of the *Corporations Act 2001*

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the year ended 30 June 2009.

Signed in accordance with a resolution of the Board of Directors of Savings & Loans Credit Union (S.A.) Limited.

Bill Cossey.

W. R. Cossey, Chairperson
Dated at Adelaide this 26th day of August 2009.

Lead Auditor's Independence Declaration Under Section 307c of the *Corporations Act 2001*

To: The Directors of Savings & Loans Credit Union (S.A.) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

KPMG

KPMG

M Hinchliffe

M Hinchliffe, Partner
Dated at Adelaide this 26th day of August 2009

Corporate Governance Statement

for the year ended 30 June 2009

Corporate Governance

The Credit Union continues to demonstrate its commitment to a high standard of corporate governance.

Corporate governance describes the system by which the Credit Union and the consolidated entity are directed and managed. It includes how we define and achieve our objectives, as well as how we manage our relationships with members (shareholders), Directors, employees and other stakeholders such as regulators and suppliers.

Good corporate governance encourages the consolidated entity to create value through achieving its objectives, whilst providing accountability and control systems that are appropriate to the risks involved in its business.

This statement outlines the main corporate governance practices in place throughout the financial year.

Board of Directors

Board Governance

The Credit Union is governed by the Board whose principal source and rules of governance include:

- The Constitution;
- Board Charter;
- Terms of Reference of various Board committees; and
- Board policy statements.

The Credit Union has a compliance framework in place which identifies the requirements of, and facilitates compliance with, the Prudential Standards and Guidelines produced by the industry's regulator, the Australian Prudential Regulation Authority (APRA).

Role of the Board

The Board's primary role is the protection and enhancement of long-term member (shareholder) value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including:

- Establishing a strategic plan based on the Credit Union's vision statement and values designed to meet members' needs;
- Approving budgets and key performance indicators and monitoring these on a regular basis;
- Setting remuneration, appointing, removing and creating succession plans for the Chief Executive Officer and, as appropriate, Directors; and
- Ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's role are set out in the Board Charter.

The Board has delegated responsibility for operation and administration of the consolidated entity to the Chief Executive Officer. Responsibilities are delineated by a formal Instrument of Delegation.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees namely a Risk Management Committee, a Corporate Governance and Policy Committee and an Audit Committee. All Board members are informed of the schedule of meeting dates for all Committees. Those directors who are not Committee members are invited to attend meetings as observers. These committees have written Terms of Reference, which are reviewed by the Board on a regular basis. From time to time, the Board may convene a special purpose committee or task force to consider a particular issue.

The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds 12 scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may require consideration.

Director Professional Development

The consolidated entity has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of Directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. All Directors are given access to continuing professional development opportunities to update and enhance their skills and knowledge of the credit union and finance industries, changing regulatory requirements, and ongoing business opportunity and risk management issues.

Composition and Performance of the Board

The names of the Directors of the consolidated entity in office during the period of, and up to the date of, this report are set out in the Directors' Report. Under the Savings & Loans Credit Union Constitution, the Board is required to have a minimum of five Directors and at least five Directors must be appointed by members. Subject to certain constraints, the Board may also appoint Directors. There were eight Directors during the financial year. Seven Directors were member-appointed with the Board appointing Director Mark Day as permitted under the Constitution. This appointment brings additional skills to the Board.

All Directors of the consolidated entity during the financial year were non-Executive Directors. The Board has in place a process to review its own performance. This process involves each Director conducting peer reviews, and the Board reviewing its collective performance. Further enhancements to this process are currently being implemented.

Director Independence

Each Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

Chairperson

The Board elects the Chairperson of the Board annually. The Chairperson of the Board also sits on each Board Committee.

Audit Committee

The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

Corporate Governance Statement
for the year ended 30 June 2009

The General Manager Professional Services (responsible for the internal audit function), the external auditors, the Chief Executive Officer and other management are invited to Audit Committee meetings at the discretion of the Chairperson of the Committee.

The responsibilities of the Audit Committee include:

- Reviewing the annual financial statements for recommendation to the Board. This includes new or significant changes to accounting policies to ensure compliance with Australian Accounting Standards and reviewing significant accounting estimates and the results of the external audit;
- Reviewing the effectiveness of the risk management framework;
- Assessing and monitoring the performance and objectivity of the internal audit function and approving the annual internal audit plan;
- Reviewing annually the external auditor's independence in accordance with relevant Corporations Act, professional body and APRA requirements;
- Completing the annual Fit and Proper assessment of the external auditor in accordance with prudential standards;
- Assessing the adequacy of the internal control framework;
- Organising, reviewing and reporting on any special reviews deemed necessary by the Board;
- Ensuring fraud risks are properly identified and effective preventative and detective controls are in place to manage these risks;
- Monitoring processes to ensure compliance with regulatory requirements;
- Receiving the annual report on the conduct and outcomes of the Whistleblowers Protection Program; and
- Overseeing the APRA statutory reporting requirements.

In addition, the Audit Committee monitors and evaluates the performance and effectiveness of the external auditor including:

- Reviewing the external audit plan and agreeing the annual engagement letter;
- Reviewing the external audit reports and monitoring management's responsiveness to the findings;
- Discussing with the external auditor any problems encountered during the audit; and
- Meeting with the external auditor at least once a year independently of management.

The external auditor is invited to attend every Audit Committee meeting.

Corporate Governance and Policy Committee

The role of the Corporate Governance and Policy Committee is to make recommendations to the Board on the development, maintenance and review of governance-related matters.

The responsibilities of the Corporate Governance and Policy Committee include monitoring and review of:

- Strategic planning processes;
- Board and Chief Executive Officer succession plans;
- Director skill mix, education and professional development;
- Board Code of Ethics;
- Board, Director and Chief Executive Officer assessment processes;
- Regulatory environment;
- Election of Directors, Annual General Meeting (AGM) and Annual Report;
- Instrument of Delegation; and
- Overall scope and depth of Board policies and review of specific policies in the areas of governance and human resources.

Risk Management

Board Risk Management Committee

The role of the Board Risk Management Committee is to monitor the consolidated entity's risks and make recommendations to the Board on risk management related matters and policies.

The Board Risk Management Committee receives reports from management relating to financial, market, credit, liquidity and operational risks and other risk related issues. The Board Risk Management Committee also receives specialist reports from external parties covering specific areas of risk where necessary.

Oversight of the Risk Management System

The Board Risk Management Committee oversees and monitors the risk management systems and processes to ensure that relevant risks are identified, managed and monitored in accordance with the Risk Management Framework, sound business practice and regulatory requirements. In addition, the Board Risk Management Committee ensures that risks are managed within the limits and risk appetite as agreed by the Board.

Risk Management, Compliance and Control

The Board is responsible for the overall internal control framework within the consolidated entity, but recognises that no cost-effective internal control framework will preclude all errors and irregularities.

The consolidated entity has in place appropriate practices to ensure that:

- Board approval is obtained when capital expenditure and expenditure commitments are above Board-approved limits;
- Business transactions are properly authorised and executed;
- Its financial exposures are managed and controlled appropriately;
- Its financial reporting is accurate and complies with the financial reporting regulatory framework; and
- Systems are in place to achieve high standards of compliance with regulatory requirements.

Quality and Integrity of Personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Corporate Governance Statement
for the year ended 30 June 2009

Assessment of Effectiveness of Risk Management

Internal Audit assists the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the abovementioned compliance and control systems. The Audit Committee is responsible for approving the program of Internal Audit reviews to be conducted each financial year and for the scope of the work to be performed.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Code of Ethics

The consolidated entity has advised each Director that they must comply with the Board Code of Ethics. The Code of Ethics, which is available to members on request, covers:

- Confidentiality;
- Conflict of interest (see below);
- Conduct at and outside of meetings;
- General Board protocols; and
- Other related matters.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the consolidated entity. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director-related entity transactions with the consolidated entity are set out in notes to the financial statements.

Communication with Members (Shareholders)

The Board encourages full participation of members at the AGM to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the members as single resolutions. It is current practice that proxy forms are issued to all eligible members with the notice of AGM.

Members are requested to vote on the appointment and aggregate remuneration of Directors and changes to the Constitution. Copies of the Constitution are available to any member who requests it and from savingsloans.com.au.

Mr Robert Lindsay has been appointed the Returning Officer for the Credit Union's election of Directors in 2009. Mr Lindsay has extensive experience as a Returning Officer in State Government elections and supervisory roles in Federal Government elections. The appointment of Mr Lindsay as an independent Returning Officer provides for a transparent, efficient and accurate election of Directors to the Credit Union and its members.

Other means of communication with members include:

- The Annual Report which is available to all members from the Credit Union's website savingsloans.com.au or, alternatively, by post if the member has elected to receive it by this means; and
- Communication of key events to members through the on-line News & Views newsletter and savingsloans.com.au.

Feedback from members is also regularly sought through a variety of mechanisms including surveys, website blogs, focus groups and informal feedback opportunities.

Other Corporate Governance Matters

Other structures and processes contributing to good corporate governance within the consolidated entity include:

- Management committees – a variety of management committees are in place to support the control framework described above, including: Executive, Pricing, Executive Asset & Liability Committee, Credit and Operational Risk.
- Business sustainability – during the year the consolidated entity further enhanced the application of business sustainability considerations (such as environmental and social considerations) in its decision making processes. The Credit Union is committed to sustainable business practices that are supported by a range of initiatives. Corporate Social Responsibility (CSR) requires that we conduct our business in a transparent and ethical way that enhances value for all of our stakeholders. Good governance structures and the practices which are in place within the organisation provide for a solid foundation on which to build our corporate social responsibility program.
- Strategic planning process – the Board and management of the consolidated entity have developed a robust and integrated strategic planning process that links relevant aspects from long term strategic and capital management planning through to annual business planning and individual performance planning processes.
- Fit & Proper and Governance processes – to ensure the Credit Union meets the requirements under APRA's Prudential Standards the Board has a range of policies to support compliance with these standards. The standards include the minimum requirements that Authorised Deposit–taking Institutions must apply in corporate governance and in determining the fitness and propriety of individuals to serve in responsible person positions, including the position of Director. The Fit and Proper assessment process has been applied to the external auditor, Senior Management and all incumbent Directors and all were determined as meeting the requirements of the Fit and Proper policy.

Income Statements

for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Interest income	2	212,563	217,527	212,563	217,535
Interest expense	3	(155,637)	(157,046)	(155,641)	(157,348)
Net interest income		**56,926**	**60,481**	**56,922**	**60,187**
Other income	4	28,661	24,500	28,471	24,143
Net impairment loss on financial assets	16	(1,546)	(1,606)	(1,546)	(1,606)
Other expenses	5	(77,321)	(68,967)	(77,216)	(68,474)
Profit before tax	**8**	**6,720**	**14,408**	**6,631**	**14,250**
Income tax expense	8	(1,143)	(3,515)	(1,116)	(3,467)
Profit for the period		**5,577**	**10,893**	**5,515**	**10,783**
Profit attributable to the members		5,577	10,893	5,515	10,783

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 15 to 48.

Statements of Changes in Equity

30 June 2009

Consolidated	Note	Redeemed preference shares $'000	Retained profits $'000	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Available for sale investment revaluation reserve $'000	General credit loss reserve $'000
Opening balance 1 July 2008		209	140,648	16,802	2,861	123	4,146
Revaluation of property, plant and equipment		-	-	-	(132)	-	-
Effective portion of changes in value of cash flow hedges, net of tax		-	-	(44,418)	-	-	-
Revaluation of financial instruments		-	-	-	-	599	-
Acquisition of Austral Credit Union net reserves		72	14,781	-	-	-	451
Transfer from retained profits		31	84	-	-	-	(115)
Total non-profit items recognised directly in equity		103	14,865	(44,418)	(132)	599	336
Profit for the period		-	5,577	-	-	-	-
Total recognised income and expense for the period		103	20,442	(44,418)	(132)	599	336
Closing balance at 30 June 2009	**27**	**312**	**161,090**	**(27,616)**	**2,729**	**722**	**4,482**

Amounts stated are net of tax

30 June 2008

Consolidated	Note	Redeemed preference shares $'000	Retained profits $'000	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Available for sale investment revaluation reserve $'000	General credit loss reserve $'000
Opening balance 1 July 2007		188	130,001	9,032	1,671	739	3,922
Revaluation of property, plant and equipment		-	-	-	1,190	-	-
Effective portion of changes in value of cash flow hedges, net of tax		-	-	7,770	-	-	-
Revaluation of financial instruments		-	-	-	-	(473)	-
Gain on available for sale assets transferred to profit and loss		-	-	-	-	(143)	-
Transfer from retained profits		21	(246)	-	-	-	224
Total non-profit items recognised directly in equity		21	(246)	7,770	1,190	(616)	224
Profit for the period		-	10,893	-	-	-	-
Total recognised income and expense for the period		21	10,647	7,770	1,190	(616)	224
Closing balance at 30 June 2008	**27**	**209**	**140,648**	**16,802**	**2,861**	**123**	**4,146**

Amounts stated are net of tax

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 15 to 48.

Statements of Changes in Equity (continued)

30 June 2009

Credit Union	Note	Redeemed preference shares $'000	Retained profits $'000	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Available for sale investment revaluation reserve $'000	General credit loss reserve $'000
Opening balance 1 July 2008		209	140,634	16,802	2,861	123	4,146
Revaluation of property, plant and equipment		-	-	-	(132)	-	-
Effective portion of changes in value of cash flow hedges, net of tax		-	-	(44,418)	-	-	-
Revaluation of financial instruments		-	-	-	-	599	-
Acquisition of Austral Credit Union net reserves	10	72	14,756	-	-	-	451
Transfer from retained profits		31	84	-	-	-	(115)
Total non-profit items recognised directly in equity		103	14,840	(44,418)	(132)	599	336
Profit for the period		-	5,515	-	-	-	-
Total recognised income and expense for the period		103	20,355	(44,418)	(132)	599	336
Closing balance at 30 June 2009	**27**	**312**	**160,989**	**(27,616)**	**2,729**	**722**	**4,482**

Amounts stated are net of tax

30 June 2008

Credit Union	Note	Redeemed preference shares $'000	Retained profits $'000	Cash flow hedge reserve $'000	Asset revaluation reserve $'000	Available for sale investment revaluation reserve $'000	General credit loss reserve $'000
Opening balance 1 July 2007		188	130,096	9,032	1,671	739	3,922
Revaluation of property, plant and equipment		-	-	-	1,190	-	-
Effective portion of changes in value of cash flow hedges, net of tax		-	-	7,770	-	-	-
Revaluation of financial instruments		-	-	-	-	(473)	-
Gain on available for sale assets transferred to profit and loss		-	-	-	-	(143)	
Transfer from retained profits		21	(245)	-	-	-	224
Total non-profit items recognised directly in equity		21	(245)	7,770	1,190	(616)	224
Profit for the period		-	10,783	-	-	-	-
Total recognised income and expense for the period		21	10,538	7,770	1,190	(616)	224
Closing balance at 30 June 2008	**27**	**209**	**140,634**	**16,802**	**2,861**	**123**	**4,146**

Amounts stated are net of tax

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 15 to 48.

Balance Sheets
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	11	56,551	30,056	56,551	30,056
Receivables due from other financial institutions - Available for sale	12	109,847	281,927	109,847	281,927
Accrued income	13	2,435	2,892	2,435	2,892
Investment securities – Available for sale	14	257,531	49,675	257,531	49,675
Loans and advances	15	2,794,632	2,622,842	2,794,632	2,622,842
Other investments – Available for sale	18	6,552	5,927	6,712	6,087
Property, plant and equipment	17	25,708	25,636	25,708	25,636
Other receivables	19	(40,681)	27,589	(40,681)	27,416
Current tax asset	9	189	638	216	695
Deferred tax asset	20	17,543	-	17,543	-
Total assets		**3,230,307**	**3,047,182**	**3,230,494**	**3,047,226**
Liabilities					
Payables due to other financial institutions	21	875,644	1,007,399	875,644	1,007,399
Members' deposits	22	2,169,115	1,833,360	2,169,400	1,833,472
Employee benefits	23	6,475	6,657	6,475	6,657
Other payables	24	27,354	21,248	27,357	21,194
Deferred tax liabilities	20	-	3,730	-	3,730
Bonds, notes and debentures	25	10,000	10,000	10,000	10,000
Total liabilities		**3,088,588**	**2,882,394**	**3,088,876**	**2,882,452**
Net assets		**141,719**	**164,788**	**141,618**	**164,774**
Equity					
Redeemed preference share capital account	26	312	209	312	209
Reserves	27	(19,683)	23,931	(19,683)	23,931
Retained profits	27	161,090	140,648	160,989	140,634
Total equity		**141,719**	**164,788**	**141,618**	**164,774**

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 15 to 48.

Statements of Cash Flows
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Cash Flows from Operating Activities					
Interest received from loans to members		184,928	189,458	184,928	189,466
Net movement in members' loans		(177,478)	(413,982)	(177,478)	(413,982)
Other income		573	2,880	573	2,880
Inflow from Mutual Aid Scheme		5,747	5,966	5,747	5,966
Interest paid to depositors		(99,378)	(79,044)	(99,378)	(79,050)
Interest paid to other financial institutions and on subordinated debt		(61,133)	(74,913)	(61,133)	(74,913)
Fees and commissions received		22,225	19,482	22,035	19,108
Fees and commissions paid		(598)	(596)	(598)	(596)
Income taxes paid		(2,023)	(8,406)	(2,023)	(8,406)
Cash paid to suppliers and employees		(67,518)	(66,390)	(67,416)	(66,209)
Net cash from operating activities	**35(b)**	**(194,655)**	**(434,232)**	**(194,743)**	**(434,423)**
Cash Flows from Investing Activities					
Interest received from investments		23,919	19,754	23,919	19,754
Proceeds on sale of fixed assets		173	176	173	176
Payments for property, plant and equipment		(4,493)	(8,863)	(4,493)	(8,863)
Proceeds on sale of shares		-	2,571	-	2,571
Dividends received		2,414	616	2,414	616
Payments for non-tradable investments		24,535	(1,981)	24,375	(2,141)
Payments for shares		-	(856)	-	(856)
Net cash used in investing activities		**46,548**	**20,104**	**46,388**	**19,944**
Cash Flows from Financing Activities					
Net increase in deposit accounts		367,105	253,196	367,353	253,547
Net increase/(decrease) in securitised funding		(49,755)	126,923	(49,755)	126,923
Net increase/(decrease) in wholesale funding and short term borrowings		(82,000)	89,000	(82,000)	89,000
Capital note issue/(redemption)		-	(17,000)	-	(17,000)
Net increase in member share accounts		28	(12)	28	(12)
Net cash provided by financing activities		**235,378**	**452,107**	**235,626**	**452,458**
Net increase/(decrease) in cash held		**87,271**	**37,979**	**87,271**	**37,979**
Cash at the beginning of the financial year		**336,658**	**298,679**	**336,658**	**298,679**
Cash at the end of the financial year	**35(a)**	**423,929**	**336,658**	**423,929**	**336,658**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 15 to 48.

Notes to the Financial Statements
for the year ended 30 June 2009

1. Statement of Significant Accounting Policies

a) Reporting entity

The consolidated financial report of Savings & Loans Credit Union (S.A.) Limited (the 'Credit Union') comprises the Credit Union and its subsidiaries (together referred to as the 'consolidated entity'). The Credit Union is incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 26th August 2009.

b) Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the consolidated entity also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

Basis of measurement

The financial report has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as available for sale, and land and buildings.

Functional and presentation currency

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

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 16 – impairment of loans and advances and note 36 – financial instruments and risk management.

Issued standards early adopted

The consolidated entity has not early adopted any issued standards in this financial year.

These accounting policies set out below have been consistently applied by each entity in the consolidated entity.

c) Basis of consolidation

(i) Controlled entities

Controlled entities are those entities (including special purpose entities) controlled by the Credit Union. Control exists when the Credit Union has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Special purpose entities require consolidation in circumstances such as those where the consolidated entity has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the special purpose entity. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in controlled entities are carried at their cost of acquisition in the Credit Union's financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

Interest income

Interest income is recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability or, where appropriate, a shorter period to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the consolidated entity estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. Further information is included in Note 1(e) (ii) Available for sale investments and Note 1(f) Loans and Advances.

Lending fees

Fee income and direct costs relating to loan origination, financing or restructuring are deferred and amortised to interest income over the life of the loan using the effective interest method. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are taken to profit on an accrual basis.

Notes to the Financial Statements

for the year ended 30 June 2009

1. Statement of Significant Accounting Policies (continued)

Early termination fees

Early termination fees relating to the early repayment of fixed rate home loan contracts are deferred and amortised to interest income over the remaining term of the fixed rate loan contract where the loan continues with no other substantive change to the loan contract. Where early termination fees are received on loans which are terminated or substantively changed, these fees are recognised as income when charged to the member.

Other non-interest income

Service charges are recognised as income when charged to the member.

Recoveries for non Savings & Loans Credit Union members using the Credit Union's ATMs are recognised as income when they become receivable.

Insurance commission is recognised evenly over the term of each insurance policy.

Securitisation management fees are accrued as invoiced on a monthly basis.

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

Dividends on equity investments are brought to account in the income statement when the right to receive payment is established. Dividend revenue is recognised net of any franking credits.

Other commission is recognised as income upon the provision of services.

e) Financial instruments

(i) Derivative financial instruments

The consolidated entity uses derivative financial instruments (interest rate swaps) to hedge its exposure to interest rate risks arising from lending, and funding activities. In accordance with its Treasury and Market Risk policies, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any unrealised gain or loss (net of tax) on the derivative financial instrument is recognised directly in equity within the hedge reserve. The associated cumulative gain or loss is removed from the hedge reserve and recognised in the income statement in the same period or periods during which the cash flows of the hedged item are recognised in the income statement.

The ineffective part of any gain or loss is recognised immediately in the income statement. This represents the amount by which changes in the fair value of the expected cash flow of the hedging derivative differ from the fair value of the changes (or expected changes) in the cash flow of the hedged item.

Where the hedged item is derecognised, the cumulative gain or loss arising on the derivative financial instrument is recognised immediately in the income statement. If cash flow hedge accounting ceases for reasons other than derecognition of the hedged item, the cumulative gain or loss that remains in equity from the period when the hedge was effective is recycled to the profit and loss when the previously hedged forecast cash flows affect income.

(ii) Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand at branches and other points of distribution such as agencies and automatic teller machines. Cash and cash equivalents also comprise deposits at call and the balance of overnight accounts with other financial institutions. These assets are brought to account at face value.

Receivables due from other financial institutions

Receivables due from other financial institutions include investment securities and other investments not classified as available for sale. Receivables due from other financial institutions are initially recorded at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using the effective interest method.

Available for sale investments

Certain assets disclosed within receivables due from other financial institutions, investment securities and other investments, are classified as available for sale investments.

Available for sale investments include interest-earning term deposits held with other financial institutions, bonds, bills of exchange, certificates of deposit, commercial paper and quoted equities. It also includes shares in controlled entities and unquoted equities and investments. Available for sale investments (except for shares in controlled entities and unquoted equities) are initially recognised at fair value including direct and incremental transaction costs and thereafter at fair value. Gains and losses arising from changes in the fair value are reported in the available for sale revaluation reserve net of applicable income taxes until investments are sold, collected, otherwise disposed of, or until such investments become impaired. Unquoted equities and investments, whose fair value can not be reliably estimated, are valued at cost.

Available for sale investments are tested for impairment in line with Note 1 (g) Impairment.

On disposal, the accumulated change in fair value within the available for sale revaluation reserve is recognised in the income statement.

Notes to the Financial Statements

for the year ended 30 June 2009

f) Loans and advances

Loans and advances include home loans, commercial loans, personal loans, credit card and other forms of retail lending. Loans and advances are initially recorded at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using the effective interest method.

Note 1 (d) provides detail on revenue recognition.

Bad debts

Loans and advances are written off when identified as bad debts. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as an expense in the income statement.

Provision for impairment

Individually assessed loans

The Credit Union assesses on a case by case basis whether there is any objective evidence that a loan is impaired. This procedure is applied to all mortgage secured or commercial loans.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying value. Any loss is charged to the income statement and the carrying amount of the loan on the balance sheet is reduced through the use of an impairment account.

Collectively assessed loans

The Credit Union assesses homogeneous groups of loans that are not considered to be individually significant, where there is objective evidence of impairment. The loans are grouped according to their risk characteristics and an assessment of impairment is based on historical loss experience and current available information.

The Australian Prudential Regulation Authority ('APRA') requires Authorised Deposit-taking Institutions to maintain a General Reserve for Credit Losses for regulatory purposes as a reserve account in Equity. The Credit Union maintains such a reserve at 0.35% of risk weighted assets. Movements in the reserve are adjusted against Retained Earnings.

g) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax assets (see accounting policy Note 1 (n)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy Note 1 (g) (i)).

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

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

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's loans receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of the consolidated entity's other assets is the greater of their fair value less costs to sell and value in use. In 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii) Reversal of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

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

Notes to the Financial Statements

for the year ended 30 June 2009

1. Statement of Significant Accounting Policies (continued)

h) Property, plant and equipment

Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer accounting policy Note 1 (g)).

Land and buildings

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

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

Leased assets

Leases of plant and equipment under which the Credit Union or its controlled entities assume substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. The Credit Union and its controlled entities are not currently engaged in any finance leases.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

Depreciation

With the exception of freehold land and investment properties, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The residual value, useful lives and depreciation methods are reassessed annually. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of assets are as follows:

Depreciation	2009	2008
Buildings	2.5%	2.5%
Leasehold improvements	15%	15%
Office furniture and fittings	15%	15%
Office equipment	15%	15%
Computer hardware	33%	33%
Computer software	40%	40%
Motor vehicles	20%	20%

i) Payables due to other financial institutions

Payables due to other financial institutions include short term and wholesale borrowings and deposits. They are brought to account at fair value plus directly attributable transaction costs at inception. They are subsequently stated at amortised cost. Interest and yield related fees are taken to the income statement using the effective interest method when incurred.

j) Members' deposits

Members' deposits include term deposits, savings accounts, cheque and other demand deposits. They are brought to account at fair value plus directly attributable transaction costs at inception. They are subsequently stated at amortised cost. Interest and yield related fees are taken to the income statement based on the effective interest method when incurred.

k) Bonds, notes and debentures

Bonds, notes and debentures include subordinated capital notes. They are brought to account at fair value plus directly attributable transaction costs at inception. They are subsequently stated at amortised cost. Interest and yield related fees are taken to the income statement based on the effective interest method when incurred.

l) Employee benefits

(i) Long service leave benefits

The consolidated entity's net obligation in respect of long service leave benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Superannuation

The consolidated entity contributes to employer sponsored accumulated superannuation funds. The consolidated entity has no legal or constructive obligation to fund any shortfall in the fund's assets to meet payments due to employees. Employer contributions are based on various percentages of employees' gross salaries.

Notes to the Financial Statements

for the year ended 30 June 2009

m) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends.

Tax consolidation

The Credit Union and its wholly owned Australian subsidiaries (as set out in Note 32) have formed a tax-consolidated group with effect from 12 December 2003 and are therefore taxed as a single entity from that date. The tax consolidated group also includes Let's Talk Home Loans Group Pty. Ltd. and Austral Financial Planning Pty. Ltd. which became wholly-owned subsidiaries during the year ended 30 June 2009. The Credit Union is the head entity in the tax-consolidated group.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) the other entity in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below).

The Credit Union recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with the other members of the tax consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payable (receivable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

o) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.

Notes to the Financial Statements

for the year ended 30 June 2009

1. Statement of Significant Accounting Policies (continued)

- Amended AASB 127 *Consolidated and Separate Financial* requires accounting for changes in ownership interests by the consolidated entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the consolidated entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the consolidated entity's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3* and *AASB 127* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the standard on the consolidated entity's financial report.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and *AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the standard on the consolidated entity's financial report.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the standard on the consolidated entity's financial report.
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* affects various AASBs following amendments to AASB 7 requiring enhanced disclosures about fair value measurements and liquidity risk. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the standard on the consolidated entity's financial report.

p) Goods and Services Tax (GST)

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

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

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

q) Member share capital

Members' Redeemable Preference Share capital is classified as a liability and is reported under the classification Members' Deposits (Note 22). Each member holds one redeemable preference share.

The Redeemed Preference Share Capital Account (Note 26) represents the amount of redeemable preference shares redeemed by the Credit Union since 1st July 1999 (the date that the *Corporations Act 2001* applied to the Credit Union). Under the *Corporations Act 2001*, redeemable preference shares (members' $2 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. Since the value of the shares redeemed has been paid to the members in accordance with the terms and conditions of the share issue, the account balance represents the amount of profits appropriated to the account for the period stated above.

r) Business combinations

The assets and liabilities of the transferring entity on the balance sheet are recognised at their fair value at the date of merger. The expenses incurred that are directly attributable to the merger are expensed as incurred.

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

2. Interest Income

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Interest on loans		189,101	196,176	189,101	196,184
Interest on investments		23,462	21,351	23,462	21,351
Total		**212,563**	**217,527**	**212,563**	**217,535**

3. Interest Expense

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Interest on members deposits		96,019	86,670	96,023	86,972
Interest on payables due to other financial institutions and subordinated debt		59,618	70,376	59,618	70,376
Total		**155,637**	**157,046**	**155,641**	**157,348**

4. Other Income

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Dividends		2,414	616	2,414	616
Service charges and recoveries		9,192	6,912	9,192	6,913
Property rental income		23	1	23	1
Insurance commissions		5,438	5,097	5,438	5,097
Other commissions		4,737	4,574	4,547	4,391
Management Fees: Savings & Loans Members Superannuation Fund		390	420	390	420
Profit on sale of shares		-	499	-	499
(Loss)/profit on sale of non-current assets		(323)	(40)	(323)	(24)
Bad debts recovered		209	150	209	150
Mutual Aid income		5,747	5,308	5,747	5,308
Other		834	963	834	772
Total		**28,661**	**24,500**	**28,471**	**24,143**

5. Other Expenses

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Depreciation of property, plant and equipment	17	4,662	4,103	4,662	4,087
Personnel expenses	6	38,093	34,819	38,093	34,489
Operating lease rental expense		4,417	3,492	4,417	3,478
Property related expenses excluding rental expense		1,823	1,613	1,823	1,613
Computer system related expenses		5,549	5,020	5,549	5,010
Marketing expenses		4,358	4,783	4,358	4,717
Marketing expenses (Branding)		-	695	-	695
Distribution expenses		5,960	6,310	5,960	6,310
Superannuation administration expenses		39	36	39	36
Cheque expenses		210	197	210	197
Visa card expenses		2,311	2,333	2,311	2,333
Hedge ineffectiveness		4,804	-	4,804	-
Other		5,095	5,566	4,990	5,509
Total		**77,321**	**68,967**	**77,216**	**68,474**

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

6. Personnel Expenses

Salaries and associated personnel expenses	33,311	31,528	33,311	31,253
Contributions to defined contribution plans	2,245	2,227	2,245	2,211
Termination benefits	3,038	291	3,038	203
Increase/(decrease) in liability for employee entitlements	(501)	773	(501)	822
Total	**38,093**	**34,819**	**38,093**	**34,489**

The number of employees of the consolidated entity, on a full time equivalent basis, as at 30 June 2009 was 489 (2008: 534).

7. Auditors' Remuneration

Audit services
Auditors' remuneration comprises fees charged by the auditors of the consolidated entity (KPMG) in respect of:

• Audit of financial report	108	105	108	105
• Other regulatory audit services	25	21	25	21
Total audit services	**133**	**126**	**133**	**126**

Other services

• Taxation services	139	32	139	32
• Other services	49	139	49	139
Total other services	**188**	**171**	**188**	**171**
Total	**321**	**297**	**321**	**297**

8. Income Tax Expense

Recognised in the income statement

Current tax expense				
Current year	4,758	4,813	4,731	4,765
Adjustments for prior year	(1,184)	(955)	(1,184)	(955)
	3,574	3,858	3,547	3,810
Deferred tax expense				
Origination and reversal of temporary differences	(2,431)	(343)	(2,431)	(343)
	(2,431)	(343)	(2,431)	(343)
Total income tax expense in income statement	**1,143**	**3,515**	**1,116**	**3,467**

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

8. Income Tax Expense (continued)

Reconciliation between tax expense and pre-tax net profit				
Profit before tax	6,720	14,408	6,631	14,250
Income tax using domestic corporation tax rate of 30% (2008: 30%)	2,016	4,322	1,989	4,275
Increase in income tax expense due to:				
• Entertainment	26	46	26	46
• Legal fees	91	31	91	31
• Franking credit	310	71	310	71
• Sundry items	1	(1)	1	(2)
Decrease in income tax expense due to:				
• Investment allowance	(117)	-	(117)	-
• Franking credit	(1,035)	(236)	(1,035)	(236)
	1,292	4,233	1,265	4,185
Under/(over) provided in prior years	(149)	(718)	(149)	(718)
Income tax expense on pre-tax net profit	**1,143**	**3,515**	**1,116**	**3,467**
Income tax recognised directly in equity				
• Non-investment properties	63	(510)	63	(510)
• Cash flow hedge reserve	20,477	(3,330)	20,477	(3,330)
• Available-for-sale financial assets	(256)	419	(256)	419
Total	**20,284**	**(3,421)**	**20,284**	**(3,421)**

9. Current Tax

Income tax payable/(receivable)	(189)	(638)	(216)	(695)
Total	**(189)**	**(638)**	**(216)**	**(695)**

The current tax for the consolidated entity represents the amount of income taxes receivable in respect of current and prior periods.

In accordance with tax consolidation legislation, the Credit Union as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the member in the tax-consolidated group.

Notes to the Financial Statements
for the year ended 30 June 2009

10. Business Combination

Acquisition of Austral Credit Union Limited.

On 1 November 2008, Savings & Loans Credit Union (S.A.) Limited acquired 100% of Austral Credit Union Limited as a result of a voluntary total transfer of all its business to Savings & Loans under the *Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth)*. The transfer was approved by APRA under s11 of that Act. The acquisition was a total transfer of business between two mutually-owned ADIs. As such, there was no purchase consideration.

At the date of acquisition, Austral Credit Union Limited was authorised to conduct banking business in Australia under the *Banking Act 1959 (Cth).*

The fair value of the identifiable assets and liabilities of Austral Credit Union Limited as at the date of acquisition were:

	Credit Union 2009 $'000
Recognised on Acquisition	
Cash on hand	1,618
Other receivables	453
Deferred tax asset	1,300
Other investments - Available for sale	649
Receivables due from other financial institutions	34,000
Property, plant and equipment	1,104
Loans and advances	116,987
Total Assets	**156,111**
Payables due to other financial institutions	1,318
Other payables	862
Members' deposits	134,945
Provision for interest payable	1,028
Employee benefits	693
Provision for income tax	(57)
Provision - Other	2,043
Total Liabilities	**140,832**
Fair value of identifiable net assets	**15,279**

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

11. Cash and Cash Equivalents

Cash on hand and at bank		15,902	9,056	15,902	9,056
Deposits at call		32,000	21,000	32,000	21,000
Central banking*		8,649	-	8,649	-
Total		**56,551**	**30,056**	**56,551**	**30,056**

*The amount represents the net receivable to the Credit Union from the central banking operations conducted by Credit Union Services Corporation (Australia) Limited.

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

12. Receivables Due from Other Financial Institutions – Available for Sale

Receivables due from other financial institutions		109,847	281,927	109,847	281,927
Total		**109,847**	**281,927**	**109,847**	**281,927**

13. Accrued Income

Interest from investments		2,435	2,892	2,435	2,892
Total		**2,435**	**2,892**	**2,435**	**2,892**

14. Investment Securities – Available for Sale

Certificates of deposit		135,531	24,675	135,531	24,675
Medium term notes		122,000	25,000	122,000	25,000
Total		**257,531**	**49,675**	**257,531**	**49,675**

15. Loans and Advances

Loans and advances					
Overdrafts (excluding lines of credit)		13,122	8,683	13,122	8,683
Credit card outstandings		56,967	55,377	56,967	55,377
Term loans (including lines of credit)		2,731,792	2,563,271	2,731,792	2,563,271
Unamortised directly attributable fees and expenses		(4,273)	(2,468)	(4,273)	(2,468)
Gross loans and advances		**2,797,608**	**2,624,863**	**2,797,608**	**2,624,863**
Collective provision for impairment	16	(2,596)	(2,021)	(2,596)	(2,021)
Individually assessed provision for impairment	16	(380)	-	(380)	-
Total provisions		**(2,976)**	**(2,021)**	**(2,976)**	**(2,021)**
Net loans and advances		**2,794,632**	**2,622,842**	**2,794,632**	**2,622,842**

a) Loans by purpose

Residential loans		2,412,207	2,272,409	2,412,207	2,272,409
Personal loans		350,210	321,769	350,210	321,769
Commercial loans		32,215	28,664	32,215	28,664
Total loans		**2,794,632**	**2,622,842**	**2,794,632**	**2,622,842**

b) Loans by security

Secured by mortgage		2,432,643	2,290,847	2,432,643	2,290,847
Secured other		847	2,224	847	2,224
Unsecured		361,142	329,771	361,142	329,771
Total loans		**2,794,632**	**2,622,842**	**2,794,632**	**2,622,842**

c) Loans by interest rate type

Fixed interest loans		1,358,591	1,819,185	1,358,591	1,819,185
Variable interest loans		1,436,041	803,657	1,436,041	803,657
Total loans		**2,794,632**	**2,622,842**	**2,794,632**	**2,622,842**

Notes to the Financial Statements
for the year ended 30 June 2009

15. Loans and Advances (continued)

d) Loans by geographical location

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
New South Wales		70,665	57,022	70,665	57,022
Victoria		200,976	88,938	200,976	88,938
Queensland		22,993	15,403	22,993	15,403
South Australia		2,352,310	2,335,783	2,352,310	2,335,783
Western Australia		16,603	8,981	16,603	8,981
Tasmania		2,840	1,206	2,840	1,206
Northern Territory		115,890	108,634	115,890	108,634
Australian Capital Territory		5,621	4,509	5,621	4,509
Others		6,734	2,366	6,734	2,366
Total loans		**2,794,632**	**2,622,842**	**2,794,632**	**2,622,842**

e) Total loans includes a number of loans which are outstanding greater than 90 days on which interest is being charged

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Balance at 30 June		**1,405**	**1,107**	**1,405**	**1,107**

f) Total loans includes visa, business and cheque overdrafts

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Balance at 30 June		**70,170**	**56,462**	**70,170**	**56,462**

g) Unused visa, business and cheque overdraft limits

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Balance at 30 June		**107,688**	**103,826**	**107,688**	**103,826**

h) Concentration of loans

There were no loans to members comprising major concentrations of more than 10% of total capital in the current or previous financial years.

16. Impairment of Loans and Advances

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Collective provisions for impairment					
Opening balance		2,021	1,798	2,021	1,798
Net charge to increase provision		(187)	223	(187)	223
Acquisition of Austral Credit Union		762	-	762	-
Bad debts written off against provision		-	-	-	-
Closing balance	**15**	**2,596**	**2,021**	**2,596**	**2,021**
Collective provision	15	2,596	2,021	2,596	2,021
Individually assessed provision	15	380	-	380	-
Total provisions		**2,976**	**2,021**	**2,976**	**2,021**
Net charge to the income statement for bad and doubtful debts comprises					
Collective provision for impairment		(187)	223	(187)	223
Bad debts written off directly		1,733	1,383	1,733	1,383
Total		**1,546**	**1,606**	**1,546**	**1,606**

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

16. Impairment of Loans and Advances (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Restructured loans				
Without provisions	900	-	900	-
With provisions	-	-	-	-
Total	**900**	**-**	**900**	**-**
Real estate acquired via security				
Without provisions	-	-	-	-
With provisions	-	-	-	-
Total	**-**	**-**	**-**	**-**
Revenue on real estate acquired	**-**	**-**	**-**	**-**
Past due loans > 90 days				
Without provisions	336	359	336	359
With provisions	2,157	1,528	2,157	1,528
Total	**2,493**	**1,887**	**2,493**	**1,887**

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required or the collection and recovery of all interest and principal is considered to be reasonably doubtful.

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements. The recoverable value of such assets forms part of the net value of loans and advances.

Notes to the Financial Statements

for the year ended 30 June 2009

17. Property, Plant and Equipment

		Consolidated					Credit Union				
		Land and buildings	Motor vehicles	Fixtures and fittings	Office machines and furniture	Total	Land and buildings	Motor vehicles	Fixtures and fittings	Office machines and furniture	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		At Fair value	At cost	At cost	At cost		At Fair value	At cost	At cost	At cost	
Balance at 1 July 2007		11,071	1,207	13,224	20,188	45,690	11,071	1,207	13,224	20,156	45,658
Additions		-	489	4,477	3,802	8,768	-	407	4,477	3,802	8,686
Disposals		-	(412)	(35)	(34)	(481)	-	(330)	(35)	(2)	(367)
Fair value adjustments		1,700	-	-	-	1,700	1,700	-	-	-	1,700
Balance at 30 June 2008		**12,771**	**1,284**	**17,666**	**23,956**	**55,677**	**12,771**	**1,284**	**17,666**	**23,956**	**55,677**
Balance at 1 July 2008		12,771	1,284	17,666	23,956	55,677	12,771	1,284	17,666	23,956	55,677
Additions		-	274	1,653	2,393	4,320	-	274	1,653	2,393	4,320
Acquisitions		590	68	460	1,345	2,463	590	68	460	1,345	2,463
Disposals		-	(429)	(4)	(1,150)	(1,583)	-	(429)	(4)	(1,150)	(1,583)
Fair value adjustments		(209)	-	-	-	(209)	(209)	-	-	-	(209)
Balance at 30 June 2009		**13,152**	**1,197**	**19,775**	**26,544**	**60,668**	**13,152**	**1,197**	**19,775**	**26,544**	**60,668**
Depreciation and Impairment Losses											
Balance at 1 July 2007		-	(352)	(10,358)	(15,434)	(26,144)	-	(352)	(10,358)	(15,418)	(26,128)
Depreciation charge for the year	5	-	(270)	(1,221)	(2,612)	(4,103)	-	(259)	(1,221)	(2,607)	(4,087)
Disposals		-	185	-	21	206	-	174	-	-	174
Transfers		-	-	-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-	-	-
Impairment Loss		-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2008		**-**	**(437)**	**(11,579)**	**(18,025)**	**(30,041)**	**-**	**(437)**	**(11,579)**	**(18,025)**	**(30,041)**
Balance at 1 July 2008		-	(437)	(11,579)	(18,025)	(30,041)	-	(437)	(11,579)	(18,025)	(30,041)
Depreciation charge for the year	5	-	(247)	(1,575)	(2,840)	(4,662)	-	(247)	(1,575)	(2,840)	(4,662)
Disposals		-	240	-	845	1,085	-	240	-	845	1,085
Acquisitions		-	(50)	(363)	(929)	(1,342)	-	(50)	(363)	(929)	(1,342)
Revaluation		-	-	-	-	-	-	-	-	-	-
Impairment Loss		-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2009		**-**	**(494)**	**(13,517)**	**(20,949)**	**(34,960)**	**-**	**(494)**	**(13,517)**	**(20,949)**	**(34,960)**
Carrying amounts											
At 1 July 2007		11,071	855	2,866	4,754	19,546	11,071	855	2,866	4,738	19,530
At 30 June 2008		**12,771**	**847**	**6,087**	**5,931**	**25,636**	**12,771**	**847**	**6,087**	**5,931**	**25,636**
At 1 July 2008		12,771	847	6,087	5,931	25,636	12,771	847	6,087	5,931	25,636
At 30 June 2009		**13,152**	**703**	**6,258**	**5,595**	**25,708**	**13,152**	**703**	**6,258**	**5,595**	**25,708**

The Credit Union's properties were independently valued as at 31 May 2009 by Ms T.A. Gornall, AAPI, Certified Practising Valuer B.Bus.Prop (Hons) of Colliers Jardine (S.A.) Pty Ltd in accordance with the Credit Union's policy of obtaining annual independent valuations. These independent valuations were performed on the basis of the fair value of the properties in their existing use.

If the land and buildings had been disposed of at balance date at the revalued amount, the capital gains tax liability would be $1,164,333.

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

18. Other Investments – Available for Sale

Deposits with banks					
Indemnity for bank guarantee		-	25	-	25
Controlled entities (at cost)					
Flinders Finance Pty Ltd		-	-	160	160
Let's Talk Home Loans Group Pty Ltd		-	-	-	-
Austral Financial Planning Pty Ltd		-	-	-	-
Shares in unlisted companies (at cost)					
Credit Union Services Corporation (Australia) Limited (CUSCAL)		5,060	4,410	5,060	4,410
Data Action Pty Ltd		1,492	1,492	1,492	1,492
Total		**6,552**	**5,927**	**6,712**	**6,087**

19. Other Receivables

Accounts receivable		3,573	3,508	3,573	3,335
Derivatives at fair value		(44,254)	24,002	(44,254)	24,002
Other		-	79	-	79
Total		**(40,681)**	**27,589**	**(40,681)**	**27,416**

20. Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
Loans and advances	2,428	1,771	(191)	(424)	2,237	1,347
Property, plant and equipment	95	61	(1,607)	(1,613)	(1,512)	(1,552)
Other receivables	-	-	(396)	(7,406)	(396)	(7,406)
Employee benefits	1,942	2,029	-	-	1,942	2,029
Other payables	1,996	1,852	-	-	1,996	1,852
Swap revaluation reserve	13,276	1,852	-	-	13,276	1,852
Total deferred tax assets/(liabilities)	**19,737**	**5,713**	**(2,194)**	**(9,443)**	**17,543**	**(3,730)**
Credit Union						
Loans and advances	2,428	1,771	(191)	(424)	2,237	1,347
Property, plant and equipment	95	61	(1,607)	(1,613)	(1,512)	(1,552)
Other receivables	-	-	(396)	(7,406)	(396)	(7,406)
Employee benefits	1,942	2,029	-	-	1,942	2,029
Other payables	1,996	1,852	-	-	1,996	1,852
Swap revaluation reserve	13,276	-	-	-	13,276	1,852
Total deferred tax assets/(liabilities)	**19,737**	**5,713**	**(2,194)**	**(9,443)**	**17,543**	**(3,730)**

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

21. Payables Due to Other Financial Institutions

	2009	2008	2009	2008
Wholesale funding	150,000	150,000	150,000	150,000
Securitised funding	698,644	748,399	698,644	748,399
Wholesale Deposits	27,000	109,000	27,000	109,000
Total	**875,644**	**1,007,399**	**875,644**	**1,007,399**

22. Members' Deposits

	2009	2008	2009	2008
Call deposits	999,497	813,828	999,782	813,940
Term deposits	1,169,237	1,019,179	1,169,237	1,019,179
Members redeemable preference shares	381	353	381	353
Total	**2,169,115**	**1,833,360**	**2,169,400**	**1,833,472**

a) Deposits by geographical locations

	2009	2008	2009	2008
Regional South Australia	148,337	130,730	148,337	130,730
Northern Territory	43,929	39,650	43,929	39,650
Victoria	133,753	10,140	133,753	10,140
Adelaide and suburban areas	1,825,419	1,645,572	1,825,704	1,645,684
New South Wales	8,459	7,268	8,459	7,268
Western Australia	9,218	-	9,218	-
Total	**2,169,115**	**1,833,360**	**2,169,400**	**1,833,472**

b) Concentration of deposits

There are no members' deposits comprising major concentrations of more than 10% of total liabilities.

23. Employee Benefits

	2009	2008	2009	2008
Liability for employee benefits, including on-costs	6,475	6,657	6,475	6,657
Total	**6,475**	**6,657**	**6,475**	**6,657**

24. Other Payables

	2009	2008	2009	2008
Unearned income – other	6,416	6,005	6,416	6,005
Accounts payable	20,938	15,243	20,941	15,189
Total	**27,354**	**21,248**	**27,357**	**21,194**

25. Bonds, Notes and Debentures

	2009	2008	2009	2008
Subordinated notes	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**

An issue of subordinated unsecured notes was made by private placement on 23 March 2005. A total of 100 notes were issued each with a face value of $100,000. The notes are for a term of ten years at a rate of 115 points above the 90 day BBSW for the first five years and 165 points above the 90 day BBSW for the second five years. The notes are redeemable after five years by the Credit Union.

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

26. Redeemed Preference Share Capital Account

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Opening balance		209	188	209	188
Transfer from retained profits		31	21	31	21
Acquisition of Austral Credit Union		72	-	72	-
Closing balance	**27**	**312**	**209**	**312**	**209**

The redeemed preference share capital account is used to redeem redeemable preference shares out of profit upon a member ceasing membership with the Credit Union.

27. Capital and Reserves

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Redeemed preference share capital account	**26**	**312**	**209**	**312**	**209**
Reserves					
Asset revaluation reserve		2,729	2,861	2,729	2,861
Cash flow hedge reserve		(27,616)	16,802	(27,616)	16,802
Available for sale investment revaluation reserve		722	123	722	123
General credit loss reserve		4,482	4,146	4,482	4,146
Total reserves		**(19,683)**	**23,931**	**(19,683)**	**23,931**
Retained profits		**161,090**	**140,648**	**160,989**	**140,634**
Total		**141,719**	**164,788**	**141,618**	**164,774**

Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of land and buildings in accordance with applicable Australian Accounting Standards.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Available for sale investment revaluation reserve

The available for sale investment revaluation reserve contains gains and losses arising from changes in the fair value of available for sale investments net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired.

General credit loss reserve

A general reserve for credit losses has been appropriated from retained profits to comply with APRA's prudential requirements. The reserve is calculated as 0.35% of the risk weighted assets of the consolidated entity.

Retained profits

Retained profits includes the transfer of the net reserves of Austral Credit Union of $14,780,702.

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

28. Operating Leases

Leases as the lessor

The consolidated entity did not have any leases where it was the lessor during the financial year (2008: $Nil).

Leases as the lessee

Future operating lease commitments for accommodation at the Credit Union's branches and rental of space for ATMs, for which no provision has been made in the financial statements, are as follows:

Not longer than one year	4,151	3,802	4,151	3,802
Longer than one and not longer than five years	8,705	9,445	8,705	9,445
Longer than five years	516	886	516	886
	13,372	**14,133**	**13,372**	**14,133**

The leases run for varying periods; usually less than five years and some have options of renewal.

During the financial year ended 30 June 2009, $4,416,712 was recognised as an expense in the income statement in respect of operating leases (2008: $3,478,288).

29. Financing Arrangements

The Credit Union has access to the following financing facilities with Credit Union Services Corporation (Australia) Limited (CUSCAL), Westpac Banking Corporation, Waratah Finance Pty Ltd, and National Australia Managers Ltd.

a) Overdraft facility

Approved limit	10,500	10,500	10,500	10,500
Unused credit at 30 June	10,500	10,500	10,500	10,500
Usage at 30 June	**-**	**-**	**-**	**-**

b) Wholesale funding facilities

Approved limit	165,000	200,000	165,000	200,000
Unused credit at 30 June	15,000	50,000	15,000	50,000
Funding at 30 June	**150,000**	**150,000**	**150,000**	**150,000**

c) Loan securitisation lines

Approved limit	750,000	750,000	750,000	750,000
Unused credit at 30 June	71,379	18,434	71,379	18,434
Utilised at 30 June	**678,621**	**731,566**	**678,621**	**731,566**

Conditions of the overdraft facility agreement are:

- The overdraft facility can be drawn without notice and is secured by a fixed charge over the Credit Union's assets

Conditions of the wholesale facility agreements are:

- Each drawdown can be priced for a fixed term or at a variable rate that is repriced every 90 days. The Credit Union has used both fixed and variable rate funding
- Repayments are required at the maturity of the agreed term
- Secured by a fixed charge over the Credit Union's assets
- CUSCAL uncommitted facility is subject to credit approval upon application ($50,000,000)

The securitisation lines enable the Credit Union to securitise loans with Westpac Banking Corporation, Waratah Finance Pty Ltd, and National Australia Managers Ltd up to the value of the approved limit.

Notes to the Financial Statements
for the year ended 30 June 2009

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

30. Capital and Other Commitments

a) Capital expenditure commitments

The consolidated entity has contractually committed capital expenditure (which has not been provided for) as at 30 June 2009 as follows:

	2009	2008	2009	2008
Contracted but not provided for and payable:				
Within one year	708	849	708	849
	708	**849**	**708**	**849**

b) Loans pending settlement

	2009	2008	2009	2008
Loans approved yet to be disbursed	42,090	30,239	42,090	30,239

c) Commitment to expenditure on banking system

The Credit Union signed a five year contract effective July 2004 with Data Action for the provision of computer bureau services and computer support. The Credit Union is currently renegotiating this contract. Based on the most recent financial information provided by Data Action, the committed bureau fees over the remainder of the contract period are likely to be:

	2009	2008	2009	2008
Not longer than one year	-	2,619	-	2,619
Longer than one and not longer than five years	-	199	-	199
Total	**-**	**2,818**	**-**	**2,818**

31. Contingencies

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

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

a) Guarantees

The Credit Union has issued guarantees as follows:

	2009	2008	2009	2008
Guarantees issued to members	2,057	2,802	2,057	2,802
	2,057	**2,802**	**2,057**	**2,802**

b) Credit Union Financial Support System (CUFSS)

With effect from 1 July 1999, the Credit Union is a party to CUFSS. CUFSS is a voluntary scheme that all Credit Unions who are affiliated with Credit Unions Services Corporation (Australia) Limited (CUSCAL) have agreed to participate in.

CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100.

As a member of CUFSS, the Credit Union:

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

Notes to the Financial Statements
for the year ended 30 June 2009

32. Consolidated Entity

Investment in controlled entities

Name	Class of Share	Ownership Interest 2009 %	2008 %
Parent entity			
Savings & Loans Credit Union (S.A.) Limited			
Controlled entities			
Flinders Finance Pty Ltd	Ordinary	100	100
Let's Talk Home Loans Group Pty Ltd	Ordinary	100	-
Austral Financial Planning Pty Ltd	Ordinary	100	-

All controlled entities were incorporated in Australia. Let's Talk Home Loans Group Pty Ltd and Austral Financial Planning Pty Ltd were wholly owned subsidiaries of Austral Credit Union and were acquired as a result of the merger with Austral Credit Union on 1 November 2008. In the financial statements of the Credit Union, investments in controlled entities are measured at cost and included with other investments. Refer Note 18.

33. Key Management Personnel Disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of the entity.

The following were key management personnel of the consolidated entity at any time during the reporting period, and unless otherwise indicated were Directors or Executives for the entire period:

Directors

Mr W.R. Cossey (Chairperson)

Mr K.M. Crawshaw

Ms J.G. Fraser

Ms K.A. Skipper

Ms L.C. Palk

Ms J. McMahon

Ms A.E. Heyworth

Mr S.M. Day

Executives

Mr G. Connor (Chief Executive Officer)

Mr A. Innes (Deputy Chief Executive Officer) (Ceased employment on 21 November 2008)

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

33. Key Management Personnel Disclosures (continued)

Transactions with Key Management Personnel

Key Management Personnel Compensation

The key management personnel compensation included in "personnel expenses" (see Note 6) are as follows:

	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
Short-term employee benefits	809	735	809	735
Contributions to defined contribution plans	263	293	263	293
Other long term benefits	-	-	-	-
Termination benefits	547	-	547	-
	1,619	**1,027**	**1,619**	**1,027**

Loans to Key Management Personnel

The following loan facilities were conducted by key management personnel at normal member rates during the year.

	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
Original loans advanced / maximum overdraft	1,169	2,645	1,169	2,645
Net repayments during the year	197	672	197	672
Interest charged during the year	41	187	41	187
Balance outstanding as at 30 June	**972**	**1,443**	**972**	**1,443**

The key management personnel who conducted the mortgage loan accounts with the Credit Union during the year were J.G. Fraser, W.R. Cossey, K.M. Crawshaw, G. Connor and A. Innes.

Deposit Balances of Key Management Personnel

The following deposit balances were held by key management personnel at normal member rates during the year.

	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
Deposit balances as at 30 June	508	256	508	256

The key management personnel of the Credit Union and their families conduct loans, savings and investments with the Credit Union at normal member rates and conditions.

Other Key Management Personnel Transactions with the Credit Union or its controlled entities

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Credit Union or the consolidated entity since the end of the previous financial year and there were no material contracts involving Key Management Personnel interests existing at year end.

As is required to be a member of the Credit Union, each Key Management Personnel holds one $2 share.

34. Related Party Disclosures

a) Controlled Entities

Controlled entity

Flinders Finance Pty Ltd

The aggregate amounts included in the profit before income tax expense that resulted from transactions between Flinders Finance Pty Ltd and the Credit Union were:

	Consolidated 2009	Consolidated 2008	Credit Union 2009	Credit Union 2008
Interest revenue received by the Credit Union	-	-	-	8,288
Other revenue received by the Credit Union	-	-	-	6,799
Management fee received by the Credit Union	-	-	-	-
Interest paid by the Credit Union	-	-	3,557	6,034
Commissions paid by the Credit Union	-	-	-	295,763

Notes to the Financial Statements
for the year ended 30 June 2009

34. Related Party Disclosures (continued)

The balance of the inter-company loan to Flinders Finance Pty Ltd as at 30 June 2009 was $Nil (2008: $Nil) and the balance payable to Flinders Finance Pty Ltd by the Credit Union as at 30 June 2009 in the inter-company account was $Nil (2008: $144,734). Flinders Finance Pty Ltd has funds on deposit with the Credit Union of $178,819 as at 30 June 2009 (2008: $112,163) for which it is paid a commercial interest rate. The inter-company account is settled on a monthly basis. The inter-company loan was for a term of ten years at a commercial variable interest rate.

		Consolidated		Credit Union	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000

Mutual Series 2008-1 Trust

The aggregate amounts included in the profit before income tax expense that resulted from transactions between Mutual Series 2008-1 Trust and the Credit Union were:

Interest revenue received by the Credit Union		-	-	-	-
Other revenue received by the Credit Union		-	-	-	-
Management fee received by the Credit Union		-	-	-	-
Interest paid by the Credit Union		-	-	-	-
Commissions paid by the Credit Union		-	-	-	-

Let's Talk Home Loans Group Pty Ltd

The aggregate amounts included in the profit before income tax expense that resulted from transactions between Let's Talk Home Loans Group Pty Ltd and the Credit Union were:

Interest revenue received by the Credit Union		-	-	-	-
Other revenue received by the Credit Union		-	-	12,513	-
Management fee received by the Credit Union		-	-	-	-
Interest paid by the Credit Union		-	-	53	-
Commissions paid by the Credit Union		-	-	-	-

Let's Talk Home Loans Group Pty Ltd has funds on deposit with the Credit Union of $106,533 as at 30 June 2009 (2008: $Nil) for which it is paid a commercial interest rate.

b) Savings & Loans Members Superannuation Fund

Until 8 October 2001 the Credit Union acted as Trustee and Manager of the Fund. From this date, Permanent Trustee Company Limited took over as Trustee, however the Credit Union has remained the administration manager. Remuneration as manager for the year ended 30 June 2009 was $390,000 (2008: $420,000). The fund is available to members of the Credit Union only.

The Fund has four sub-funds, one of which invests funds with the Credit Union. The deposits are capital guaranteed by the Credit Union. An earning rate (approved by the Trustee) is declared monthly for this fund. As at the 30 June 2009 the balance of the sub fund was $28,169,189 (2008: $27,342,052). Interest paid by the Credit Union to the sub fund was $1,894,583 (2008: $1,677,653).

c) Health Partners Limited

Health Partners Limited places short term deposits with the Credit Union at commercial rates of interest. As disclosed in the Directors report, two of the Credit Union's Directors (Kevin Crawshaw and Jan McMahon) are also Directors of Health Partners Limited. The total deposits placed with the Credit Union at 30 June 2009 were $1,951,219 (2008: $4,202,421).

d) Public Service Association of S.A. Inc

The Public Service Association of S.A. Inc holds subordinated notes and places short term deposits with the Credit Union at commercial rates of interest. One of the Credit Union's Directors (Jan McMahon) is the General Secretary of the Public Service Association. The total deposits placed with the Credit Union at 30 June 2009 were $15,374,914 (2008: $13,650,317).

e) API – The Australian Post-Tel Institute

API places fixed deposits with the Credit Union at commercial rates of interest. API is a related party to Director Anne Skipper. The Credit Union has an arms-length commercial alliance agreement with API to fund a personal lending product for API members. The total deposits placed with the Credit Union at 30 June 2009 were $Nil (2008: $270,000).

f) ECH Inc – Elderly Citizens' Homes

ECH Inc holds a fixed deposit with the Credit Union at commercial rates of interest. As disclosed in the Directors report, Director Bill Cossey is also a Director of ECH Inc. The total deposits placed with the Credit Union at 30 June 2009 were $1,076,657 (2008: $1,000,000).

Notes to the Financial Statements
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000

35. Notes to the Statements of Cash Flows

a) Reconciliation of cash

For the purpose of the statements of cash flows, cash includes at call and short term deposits with CUSCAL and banks. Cash also includes operating floats at head office and branches. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet and notes as follows:

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Cash and cash equivalents	11	56,551	30,056	56,551	30,056
Receivables due from other financial institutions	12	109,847	281,927	109,847	281,927
Investment securities – Available for sale	14	257,531	24,675	257,531	24,675
Total		**423,929**	**336,658**	**423,929**	**336,658**

b) Reconciliation of cash flows from operating activities

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Credit Union 2009 $'000	Credit Union 2008 $'000
Profit for the period		5,577	10,893	5,515	10,783
Adjustments for:					
• Depreciation	17	4,662	4,103	4,662	4,087
• Profit on sale of property, plant and equipment		323	40	323	24
• Dividend income		(2,414)	(616)	(2,414)	(616)
• Profit on sale of shares		-	(499)	-	(499)
• Income tax expense	8	1,143	3,515	1,116	3,467
Profit before changes in working capital and provisions		**9,291**	**17,436**	**9,202**	**17,246**
Increase/(decrease) in interest payable		(66)	5,342	(66)	5,341
(Increase)/decrease in interest receivable		(3,136)	(5,435)	(3,136)	(5,435)
Increase in provisions		1,546	1,607	1,546	1,607
(Increase)/decrease in interest received from investments		(23,919)	(19,754)	(23,919)	(19,754)
(Increase)/decrease in net loans		(177,478)	(413,982)	(177,478)	(413,982)
Increase/(decrease) in accrued expenses		(265)	(4,375)	(264)	(4,375)
Increase/(decrease) in other income receivable		1,395	2,022	1,395	2,022
		(192,632)	**(417,139)**	**(192,720)**	**(417,330)**
Income taxes paid		(2,023)	(8,406)	(2,023)	(8,406)
Net cash from operating activities		**(194,655)**	**(425,545)**	**(194,743)**	**(425,736)**

c) Cash flows presented on a net basis

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

i) Member deposits in and withdrawals from savings accounts;
ii) Member deposits, reinvestments and maturities in fixed deposit accounts;
iii) Deposits and resignations from share accounts;
iv) Payments for and redemptions of short term and long term investments; and
v) Premiums paid (as an insurance agent) and refunds of insurance policies.

Notes to the Financial Statements
for the year ended 30 June 2009

36. Financial Instruments and Risk Management

a) Financial risk management objectives

This note provides details of the consolidated entity's financial risk management objectives and policies and describes the methods used by management to control risk. In addition this note includes a discussion of the extent to which financial instruments are used, the associated risks and the business purpose served.

The consolidated entity has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

Exposure to credit, liquidity and market risks (market risk is also referred to as interest rate risk) arises in the normal course of the Credit Union's business.

b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated entity's risk management framework. The effectiveness of the risk management framework is managed by the Audit Committee.

The Board has a sub-committee called the Board Risk Management Committee and there are management committees as follows; the Executive Asset and Liability Committee, Management Credit Group and the Balance Sheet Risk Committee. The Committees operate under Board approved Terms of Reference and report regularly to the Board of Directors on their activities.

The consolidated entity's risk management policies are established to identify and analyse the risks it faces, to set risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed annually as a minimum (by the relevant Committee) to reflect changes in the financial market environment, market conditions, products and services offered.

The Board Risk Management Committee is responsible for monitoring compliance with the consolidated entity's market, liquidity and credit risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

c) Liquidity risk management

Liquidity is the extent of the consolidated entity's available qualifying assets to fund its on and off balance sheet obligations. Liquidity risk is the risk that the consolidated entity will encounter difficulties in meeting obligations arising from its financial liabilities.

The consolidated entity has a liquidity risk management policy, a liquidity crisis (contingency) plan and underlying processes to monitor and manage liquidity risk to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Board Risk Management Committee has the responsibility for the management and monitoring of liquidity risk. The liquidity risk management policy and liquidity crisis plan are reviewed and approved by the Board Risk Management Committee annually.

The key measure of the consolidated entity for managing liquidity risk is the ratio of high quality liquid assets (HQLA) to total liabilities as defined by the Australian Prudential Regulation Authority (APRA). The liquidity risk management policy requires a portion of the consolidated entity's assets to be held as high quality liquid assets and requires a minimum percentage of the consolidated entity's liabilities to be covered by HQLA.

APRA requires a minimum liquidity holding as part of its prudential supervision standards. The Credit Union currently operates within a Board approved minimum ratio of 12%. In cases where liquidity levels fall below this percentage on any given day, the liquidity risk management policy requires management to inform the Board of Directors and the CEO and for corrective action to be taken to restore the liquidity level above the Board minimum within five business days.

	Consolidated	
	2009	2008
	%	%
Liquidity Holdings at 30 June	15.81	14.90

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

The contractual undiscounted cash flows associated with financial liabilities were as follows:

	Carrying amount	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated Financial liabilities at 30 June 2009						
Payables due to other financial institutions	875,644	728,871	46,773	50,000	50,000	-
Member deposits	2,169,115	1,298,010	520,020	259,528	91,557	-
Creditors and other liabilities	27,354	27,354	-	-	-	-
Bonds, notes and debentures	10,000	-	-	10,000	-	-
Derivative financial instruments*	924,244	28,976	81,086	237,707	576,475	-
Total	**4,006,357**	**2,083,211**	**647,879**	**557,235**	**718,032**	**-**
Consolidated Financial liabilities at 30 June 2008						
Payables due to other financial institutions	1,007,399	536,984	414,415	56,000	-	-
Member deposits	1,833,360	1,022,652	524,839	266,667	19,202	-
Creditors and other liabilities	24,978	24,978	-	-	-	-
Bonds, notes and debentures	10,000	-	-	-	10,000	-
Derivative financial instruments*	1,380,217	11,017	50,530	350,385	968,285	-
Total	**4,255,954**	**1,595,631**	**989,784**	**673,052**	**997,487**	**-**

	Carrying amount	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000
Credit Union Financial liabilities at 30 June 2009						
Payables due to other financial institutions	875,644	728,871	46,773	50,000	50,000	-
Member deposits	2,169,400	1,298,295	520,020	259,528	91,557	-
Creditors and other liabilities	27,357	27,357	-	-	-	-
Bonds, notes and debentures	10,000	-	-	10,000	-	-
Derivative financial instruments*	924,244	28,976	81,086	237,707	576,475	-
Total	**4,006,645**	**2,083,499**	**647,879**	**557,235**	**718,032**	**-**
Credit Union Financial liabilities at 30 June 2008						
Payables due to other financial institutions	1,007,399	536,984	414,415	56,000	-	-
Member deposits	1,833,472	1,022,764	524,839	266,667	19,202	-
Creditors and other liabilities	24,924	24,924	-	-	-	-
Bonds, notes and debentures	10,000	-	-	-	10,000	-
Derivative financial instruments*	1,380,217	11,017	50,530	350,385	968,285	-
Total	**4,256,012**	**1,595,689**	**989,784**	**673,052**	**997,487**	**-**

*Interest rate swaps used for hedging purposes are shown at the notional principal amount. The cash flows associated with interest rate swaps are the periodic net interest settlements or the fair market value of the swap at the date a swap is cancelled. An amount of $4,803,843, which represents the ineffective portion of the loss on the cash flow hedges, was recognised in the profit and loss in 2009.

Included in payables due to other financial institutions is securitisation funding of $698,643,981 (2008: $731,566,019). Whilst the above tables reflect the contractual repricing of this funding, the contractual term of the funds is aligned to the associated securitised loans and reduces in line with repayments of these loans. The funding or part thereof therefore could extend to a period of 30 years but this can not be reliably estimated.

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

d) Credit risk management

Credit risk is the risk of financial loss that arises from the failure of a counterparty to a financial instrument to meet its contractual obligations.

The consolidated entity controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, groups of related counterparties and for geographical and industry concentrations. Exposures are monitored in relation to such limits by the Management Credit Group which reports to the Board Risk Management Committee.

For loans and advances, the consolidated entity evaluates the credit quality of counterparties through an assessment of a member's capacity to repay and the quality and level of security provided. The consolidated entity also requires counterparties to take credit insurance for higher risk loans.

The evaluation of credit risk associated with counterparties to derivative financial instruments is monitored separately as part of the Credit Union's hedge effectiveness testing and credit risk monitoring.

The carrying amount of the Credit Union and the consolidated entity's financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk does not take into account the value of any collateral or other security held, in the event that other entities/parties fail to perform their obligations under the financial instruments in question. The consolidated entity's maximum exposure to credit risk at the reporting date was:

		Consolidated	
		2009	2008
	Note	$'000	$'000
Exposure to Credit Risk at 30 June			
Available for sale financial assets	18	6,552	5,927
Available for sale investments	14	257,531	49,675
Financial assets at fair value	13,19	(38,246)	30,481
Loans and receivables**	15,12	2,904,479	2,904,769
Cash and cash equivalents	11	56,551	30,056
Total		**3,186,867**	**3,020,908**

**Includes securitised loan balances of $698,643,981 (2008: $731,566,019). For APRA purposes the credit risk has been passed to third parties under securitisation arrangements.

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

Further information regarding the credit quality of loans and advances to members:

	Loans and advances to members	
	2009	2008
	$'000	$'000
Consolidated Entity Exposure to Credit Risk at 30 June		
Neither past due nor impaired	**2,675,260**	**2,497,620**
Past due but not impaired		
• 0-30 days	83,375	95,815
• 30-60 days	8,173	3,872
• 60-90 days	2,312	884
• 90-180 days	1,101	622
• 180 days +	1,904	208
	96,865	**101,401**
Individually impaired		
Carrying amount	-	-
Allowance for impairment	-	-
	-	-
Collectively impaired		
Carrying amount	25,483	25,842
Allowance for impairment	(2,976)	(2,021)
	22,507	**23,821**
Total	**2,794,632**	**2,622,842**

Balance includes all non-mortgage loans which are greater than 1 day in arrears.

	Loans and advances to members	
	2009	2008
	$'000	$'000
Credit Union Exposure to Credit Risk at 30 June		
Neither past due nor impaired	**2,675,260**	**2,497,620**
Past due but not impaired		
• 0-30 days	83,375	95,815
• 30-60 days	8,173	3,872
• 60-90 days	2,312	884
• 90-180 days	1,101	622
• 180 days +	1,904	208
	96,865	**101,401**
Individually impaired		
Carrying amount	-	-
Allowance for impairment	-	-
	-	-
Collectively impaired		
Carrying amount	25,483	25,842
Allowance for impairment	(2,976)	(2,021)
	22,507	**23,821**
Total	**2,794,632**	**2,622,842**

Balance includes all non-mortgage loans which are greater than 1 day in arrears.

Notes to the Financial Statements
for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

The Credit Union holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Therefore, it is impracticable to estimate the fair value of collateral on an annual basis.

Credit risk concentrations

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. The consolidated entity minimises concentrations of credit risk by the setting and monitoring of concentration limits. Credit concentrations are reported to the Management Credit Group on a quarterly basis. Note 15 shows details of the loan and advance concentrations by geographic location.

e) Capital Adequacy

Capital management is a major function for any financial institution. The Credit Union maintains an actively managed capital base to cover risks inherent in the business.

The primary objective of the Credit Union's capital management is to ensure that the Credit Union complies with APRA imposed capital requirements and Board approved policy limits. The Credit Union prepares a Board approved Capital Management Plan that forecasts the Credit Union's capital needs for the following five-years and sets strategies as to how sufficient capital will be maintained during this timeframe.

The adequacy of the Credit Union's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by APRA.

During the financial year, the Credit Union has complied in full with all its externally and internally imposed capital requirements.

f) Market Risk

Market Risk is the risk that changes in financial markets prices such as interest rates, equity prices and foreign exchange rates will affect the value of a portfolio of financial instruments.

The Credit Union is not exposed to market risk arising from foreign exchange or commodity prices movements as it does not participate in these markets and has no significant exposure to equity price risk.

The Credit Union's operations expose it to interest rate risk therefore "Market risk" refers to the degree to which the Credit Union's market value of reserves is unduly exposed to adverse movements in market interest rates.

"Interest rate risk" arises from the potential for a change in interest rates to have an adverse effect on the net interest income of the Credit Union in both the current reporting period, and in future years. Interest rate risk typically arises from mismatches between the repricing dates of its interest bearing assets and liabilities.

Under the Board's direction, the Executive Asset & Liability Committee is responsible for the overall management of interest rate risk and is responsible for managing this exposure within the risk exposure limits set out in the Board's Market Risk Management policy as approved by the Board.

The Credit Union assesses its exposure to interest rate movements using a number of techniques. However, there are two principal methods used to measure interest rate risk. The first is an economic value measure referred to as sensitivity of reserves (or market value of equity) (SOR) and the second is an earnings measure referred to as earnings (annual net interest income) at risk.

The SOR is the primary method and measures the price sensitivity of assets and liabilities and the value of related cash flows to maturity. Actual and projected financial information is simulated by modelling upward and downward shocks of a 200 basis point parallel increase/decrease on the yield curve. Non-parallel shifts are also modelled and monitored.

The Board's Market Risk Management policy sets SOR limits above which the Credit Union is required to hedge exposures to interest rate risk through the use of on-balance sheet methods or through derivative financial instruments such as interest rate swaps.

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

The maturity distribution of monetary assets and liabilities is based on when they are due to reprice, not contractual terms. The consolidated entity's exposure to interest rate risk is as follows:

Consolidated at 30 June 2009	Balance Sheet Total	Floating Interest Rate	Fixed Interest Rate				Non interest bearing	Weighted Average Rate
			0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets								
Cash and liquid assets	56,551	-	32,000	-	-	-	24,551	1.61
Receivables due from other FI	109,847	-	69,847	-	40,000	-	-	4.35
Investment securities	257,531	-	241,531	15,000	1,000	-	-	4.13
Loans, advances and other receivables	2,794,632	1,436,041	85,620	248,008	986,913	38,050	-	6.88
Other Investments	6,552	-	-	-	-	-	6,552	-
Total monetary assets	**3,225,113**	**1,436,041**	**428,998**	**263,008**	**1,027,913**	**38,050**	**31,103**	**6.47**
Accrued receivables	2,435	-	-	-	-	-	2,435	-
Property, Plant and equipment	25,708	-	-	-	-	-	25,708	-
Other Assets	(22,949)	-	-	-	-	-	(22,949)	-
Total assets	**3,230,307**	**1,436,041**	**428,998**	**263,008**	**1,027,913**	**38,050**	**36,297**	**6.46**
Liabilities								
Payables due to other FI	875,644	-	875,644	-	-	-	-	4.14
Member deposits	2,169,115	999,497	818,153	259,528	91,556	-	381	3.36
Creditors and other liabilities	33,829	-	-	-	-	-	33,829	-
Bonds, notes and debentures	10,000	-	10,000	-	-	-	-	4.39
Total monetary liabilities	**3,088,588**	**999,497**	**1,703,797**	**259,528**	**91,556**	**-**	**34,210**	**3.55**
Interest rate swaps		924,245	(110,062)	(237,707)	(576,476)	-	-	

Interest rate swaps are shown at their notional principal amounts and result in the receipt of variable interest on the notional value of $924,244,526 and the payment of fixed interest in the repricing periods shown above. The effect of the interest rate swaps is not incorporated into the weighted average interest rate.

Included in payables due to other financial institutions is securitisation funding of $698,643,981 (2008: $731,566,019). This funding reduces in line with repayments of securitised loans. The funding therefore or part thereof could extend to a period of 30 years but this can not be reliably estimated.

Notes to the Financial Statements
for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

Consolidated at 30 June 2008	Balance Sheet Total	Floating Interest Rate	Fixed Interest Rate				Non interest bearing	Weighted Average Rate
			0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets								
Cash and liquid assets	30,056	-	21,000	-	-	-	9,056	4.96
Receivables due from other FI	281,927	-	281,927	-	-	-	-	7.77
Investment securities	49,675	-	39,675	10,000	-	-	-	8.38
Loans, advances and other receivables	2,622,842	803,657	70,862	294,138	1,413,165	41,020	-	8.34
Other Investments	5,927	-	-	-	-	-	5,927	-
Total monetary assets	**2,990,427**	**803,657**	**413,464**	**304,138**	**1,413,165**	**41,020**	**14,983**	**8.24**
Accrued receivables	2,892	-	-	-	-	-	2,892	-
Property, Plant and equipment	25,636	-	-	-	-	-	25,636	-
Other Assets	28,227	-	-	-	-	-	28,227	-
Total assets	**3,047,182**	**803,657**	**413,464**	**304,138**	**1,413,165**	**41,020**	**71,738**	**8.24**
Liabilities								
Payables due to other FI	1,007,399	-	951,399	56,000	-	-	-	8.36
Member deposits	1,833,360	813,828	733,310	266,667	19,202	-	353	5.95
Creditors and other liabilities	31,635	-	-	-	-	-	31,635	-
Bonds, notes and debentures	10,000	-	10,000	-	-	-	-	8.99
Total monetary liabilities	**2,882,394**	**813,828**	**1,694,709**	**322,667**	**19,202**	**-**	**31,988**	**6.75**
Interest rate swaps		1,380,217	(61,547)	(350,385)	(968,285)	-	-	

Interest rate swaps are shown at their notional principal amounts and result in the receipt of variable interest on the notional value of $1,380,217,353 and the payment of fixed interest in the repricing periods shown above. The effect of the interest rate swaps is not incorporated into the weighted average interest rate.

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

Market risk sensitivity analysis

The management of interest rate risk against gap limits is supplemented by monitoring the consolidated entity's net interest revenue and net financial assets or "market value of equity" (MVE) to standard interest rate scenarios. Standard interest rate scenarios considered on a monthly basis include 100 basis point parallel shifts in the yield curve. Sensitivity outcomes are assessed relative to 12 month forecast net interest revenue sensitivity, or the consolidated entity's current capital base, for market value of reserves sensitivity. At balance date a 1% increase or decrease in interest rates compared to actual rates would increase/(decrease) equity and annual net interest income by the following amounts prior to mitigation:

	2009	2008
	$'000	$'000
Market Value of Equity Sensitivity		
1% increase	436	972
1% decrease	(152)	(707)
Net Interest Revenue Sensitivity		
1% increase	3,797	3,527
1% decrease	(2,978)	(1,671)

Interest rate swap contracts

The consolidated entity uses interest rate swap contracts to manage interest rate exposure. Interest rate swap contracts enable the consolidated entity to exchange the difference between fixed and floating rate interest amounts on agreed notional principal amounts. This practice mitigates the risk of changing interest rates. The consolidated entity enters into interest rate swap contracts for the sole purpose of managing interest rate exposure and does not hold or issue interest rate swap instruments for trading purposes. These swaps are designated and assessed as cash flow hedges.

The following tables outline the notional principal amounts and remaining terms of interest rate swap contracts at reporting date:

Cash flow hedges Consolidated at 30 June	Weighted Average interest rate		Fair value		Notional principal amount	
	2009	2008	2009	2008	2009	2008
	%	%	$'000	$'000	$'000	$'000
Less than 1 year	6.85	6.07	(4,764)	2,956	260,000	303,000
1 to 2 years	6.66	6.63	(7,145)	3,662	165,000	220,000
2 to 5 years	8.33	6.74	(32,346)	17,384	499,245	857,217
			(44,255)	**24,002**	**924,245**	**1,380,217**

Notes to the Financial Statements
for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

Financial assets and liabilities by classification

The following table sets out the consolidated entity's classification of each class of financial assets and liabilities, and their fair values:

Consolidated at 30 June 2009	Available for sale	Loans and receivables	Other at amortised cost	Total carrying amount	Fair value
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	-	56,551	-	56,551	56,604
Receivables due from other financial institutions	-	109,847	-	109,847	111,344
Other receivables	6,552	-	-	6,552	6,552
Investment securities	257,531	-	-	257,531	258,528
Loans and advances to members	-	2,794,632	-	2,794,632	2,837,525
Other financial assets	-	5,194	-	5,194	5,194
Total financial assets	**264,083**	**2,966,224**	**-**	**3,230,307**	**3,275,747**
Financial liabilities					
Payables due to other financial institutions	-	-	875,644	875,644	877,464
Member deposits	-	-	2,169,115	2,169,115	2,143,813
Bonds, notes and debentures	-	-	10,000	10,000	10,010
Other financial liabilities	-	-	27,354	27,354	27,354
Total financial liabilities	**-**	**-**	**3,082,113**	**3,082,113**	**3,058,641**

Consolidated at 30 June 2008	Available for sale	Loans and receivables	Other at amortised cost	Total carrying amount	Fair value
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	-	30,056	-	30,056	30,182
Receivables due from other financial institutions	-	281,927	-	281,927	281,927
Other receivables	5,927	-	-	5,927	5,927
Investment securities	49,675	-	-	49,675	49,675
Loans and advances to members	-	2,622,842	-	2,622,842	2,603,738
Other financial assets	-	56,755	-	56,755	56,755
Total financial assets	**55,602**	**2,991,580**	**-**	**3,047,182**	**3,028,204**
Financial liabilities					
Payables due to other financial institutions	-	-	1,007,399	1,007,399	1,014,762
Member deposits	-	-	1,833,360	1,833,360	1,810,739
Bonds, notes and debentures	-	-	10,000	10,000	10,019
Other financial liabilities	-	-	24,978	24,978	34,978
Total financial liabilities	**-**	**-**	**2,875,737**	**2,875,737**	**2,860,498**

Notes to the Financial Statements

for the year ended 30 June 2009

36. Financial Instruments and Risk Management (continued)

Fair values of financial instruments

These amounts represent estimates of net fair value at a point in time. These estimates are subjective in nature and involve matters of judgement. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

While the estimated net fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the consolidated entity's financial instruments lack a readily available trading market.

The net fair value estimates were determined by the following major methods and assumptions:

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

Investment securities, receivables due from other financial institutions, other investments

As these categories of assets are classified as available for sale, they are already held on the Credit Union's balance sheet at fair value as described in Note 1(e)(ii).

Loans and advances

The carrying value of loans, advances and other receivables is net of collective provisions for impairment and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by using discounted cash flow models (i.e. the net present value of the portfolio future principal and interest rate cash flows), based on the maturity of the loans. The discount rates applied to each loan were based on the current wholesale yield curve depending on the date of repricing or maturity.

All other financial assets

The carrying values of all other financial assets have been deemed to be representative of net fair value. The assets will be held to maturity, or cannot be redeemed, or are not interest rate-sensitive.

Member deposits

The net fair value, which includes the value of non-interest bearing, call and variable rate deposits repricing within six months, is the carrying value as at 30 June. Discounted cash flow models based upon deposit type and its related maturity were used to calculate the net fair value of other term deposits and borrowings.

Payables due to other financial institutions

The net fair value of payables due to other financial institutions, which includes wholesale funding facilities and deposits, was calculated using discounted cash flow models based upon the interest rate and related interest rate repricing date.

Bonds, notes and debentures

The fair market value of subordinated notes was calculated using discounted cash flow models based upon the interest rate and related interest rate repricing date.

All other financial liabilities

The carrying value of all other financial liabilities has been deemed to be representative of net fair market value.

Interest rates used for determining fair value

The consolidated entity uses the bank bill yield curve as of 30 June 2009 to discount loans and borrowings. A yield curve constructed from the cash and bank bill swap rates is used to discount derivatives. The interest rates used are as follows:

	2009	2008
Derivatives	3.15% - 7.25%	7.61% - 7.43%
Loans and borrowings	3.15% - 7.25%	7.25% - 8.20%

37. Dividend Franking Account

The Credit Union has generated franking credits from the payment of income tax since the 1994/95 financial year. The total of franking credits adjusted for credits which will arise from the payment of income tax provided for in the financial statements is $61,630,405 (2008: $60,940,912).

However, the ability of the Credit Union to utilise these credits is restricted by the rules of the Credit Union, which do not permit the Credit Union to pay dividends.

The balance of the franking account, adjusted for franking credits the Credit Union is prevented from distributing, is $Nil (2008: $Nil).

Tax Consolidation legislation

On 12 December 2003, the Credit Union and its wholly-owned subsidiary adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits attributable to the parent entity (being the head entity in the tax consolidated group) disclosed at 30 June 2009 has been measured under the new legislation as those attributable to the tax-consolidated group.

Notes to the Financial Statements

for the year ended 30 June 2009

38. Economic Dependency

The Credit Union has an economic dependency on the following suppliers of services:

Credit Union Services Corporation (Australia) Limited

This company provides the Credit Union with rights to and the production of member cheques, Redicards and Visa cards, provides finance facilities and also central banking and money market services.

First Data Resources Australia Limited

This company operates the switching system that links ATM and EFTPOS transactions to the Credit Union system.

Data Action Pty Ltd

This company operates a computer bureau which operates the main Credit Union processing system.

39. Events Subsequent to Balance Date

On the 13 August 2009 the Credit Union entered into a Memorandum of Understanding with Australian Central Credit Union with an intention to form a new credit union via a merger using the Transfer of Business regulations. Australian Central Credit Union is similarly sized to Savings & Loans thus the merged Credit Union will have approximately $6b in on-balance sheet assets. The merger is expected to provide a strategic opportunity to offer improved member benefits via access to a broader range of products and services and a wider distribution network including more branches. The merger is dependent upon regulatory approval and members of both Credit Unions approving the creation of the merged entity. The merged entity is expected to be operational from 1 December 2009.

Other than as outlined above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration
for the year ended 30 June 2009

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

1. In the opinion of the Directors of Savings & Loans Credit Union (S.A.) Limited (the Credit Union):

a) the financial statements and notes set out on pages 15 to 48 are in accordance with the *Corporations Act 2001*, including:

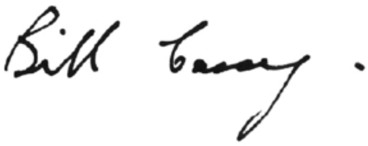
   (i) giving a true and fair view of the financial position of the Credit Union and the consolidated entity as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;

   (iii) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

b) there are reasonable grounds to believe that the Credit Union and the controlled entities identified in Note 32 will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



W. R. Cossey, Chairperson
Dated at Adelaide this 26th day of August 2009.

Independent audit report to members of Savings & Loans Credit Union (S.A.) Limited

Scope

The financial report and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying Notes 1 to 29 to the financial statements, and the directors' declaration for Savings & Loans Credit Union (S.A.) Limited (the 'Credit Union') and Savings & Loans Credit Union (S.A.) Limited and its controlled entities (the 'Consolidated Entity'), for the year ended 30 June 2009. The Consolidated Entity comprises both the Credit Union and the entities it controlled during that year.

The directors of the Credit Union are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Credit Union. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Credit Union's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion, the financial report of Savings & Loans Credit Union (S.A.) Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Credit Union's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

M Hinchliffe

M Hinchliffe, Partner
Dated at Adelaide this 26th day of August 2009

Registered Office

Savings & Loans Credit Union (S.A.) Ltd*

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Auditors

KPMG
151 Pirie Street
Adelaide SA 5000

Financial Institutions

Credit Union Services Corporation
1 Margaret Street
Sydney NSW 2000

National Australia Bank
22 King William Street
Adelaide SA 5000

Annual General Meeting

12.30pm, Friday 27 November 2009

Stamford Plaza Adelaide Hotel
150 North Terrace
Adelaide SA 5000

*referred to as S&L, Savings & Loans or the Credit Union

We value your opinion and welcome you to send any feedback to:

Savings & Loans Credit Union
Annual Report
Reply Paid 463, Adelaide SA 5001

Or
annualreport@savingsloans.com.au

Savings & Loans is committed to reducing its environmental impact by offering its members environmentally-friendly options to view its Annual Report and Social Impact Statement. Visit savingsloans.com.au/annualreport to receive the electronic versions of future reports.

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