EVOLUTION MOVING FORWARD

ANNUAL REPORT 2012

cua™

Highlights

Financial highlights

- Reportable net profit was $51.0 million
- Underlying net profit after tax increased by 4.1% to $48.1 million
- Total assets under management have increased to $9.4 billion
- Overall loan portfolio balance grew $286.2 million to over $8 billion
- Loans settled were down $356 million to $1.523 billion
- Deposits increased to $6.6 billion
- Capital adequacy increased to 14.71%
- Membership increased to a record 425,223

In challenging times CUA continues to grow.

Key initiatives and achievements during the 2012 financial year

- Finalists in four Australian Banking & Finance awards - Credit Union of the Year; Australian financial institution of the year non-big four banks; Best use of social media; Campaign of the year.
- CUA recognised as an Employer of Choice for Women for the seventh year running - public acknowledgement of its commitment to pursuing equality for women in the workplace.
- Launch of new CUA website and mobile banking app putting CUA into the forefront of banking technology.
- Successful trial of 'Community Care' program in which more than 75,000 community votes were recorded for the 96 school projects competing for $45,000 in prizes.
- Innovative use of social media involving Facebook and 'Pink Their Profiles' campaign which drew more than 90,000 'likes' to the web-site in support of the National Breast Cancer Foundation.
- CUA was awarded Building Society/Credit Union of the Year for the second year in a row by 'Your Mortgage' magazine. CUA also won Best Three Year Fixed Loan - Building Society/Credit Union.
- Re-entry into the mortgage broker market after an absence of several years.
- Delivery of successful 'We See You' marketing campaign including highest level of home loan applications in last four years and highest ever 'prompted awareness' score of 49%.
- CUA's ATM network was sold to Cuscal and will remain available to members as part of the rediATM national network of more than 3,800 ATMs - the second largest in Australia.
- Successful relocation of data centre and back-up facilities as part of risk management.
- CUA Health membership exceeded 25,000 for the first time.

CHAIRMAN'S REPORT

A.E. Beanland - Chairman

"In recent months we have enjoyed growth in excess of the industry average on the back of innovative product offerings"

Welcome to my third annual report as Chairman, one in which the year's result is particularly pleasing to me and to the Board as the strong performance was achieved in the face of difficult economic conditions and intense competition. In addition, CUA was simultaneously engaged in fundamental internal changes designed to competitively position the company for future growth. These changes impact both on the whole business, as seen in the new core banking system, and in the ways in which CUA services its customers, such as the new website, mobile banking application, re-entering of the broking channel and a new concept branch in Carindale, suburban Brisbane. This evolution in CUA has been elemental but necessary. Management and staff have coped with this evolution with dedication and commitment.

The year in review

CUA has continued to effectively manage the aftermath of the Global Financial Crisis from a strong and secure financial position. The performance for the year ended 30 June 2012 has also been strong with a consolidated reportable net profit after tax of $51.0 million. Consolidated underlying profit after tax was a record $48.1 million (up from $46.2 million for the previous year).

This was a very solid result for CUA, and one achieved in difficult economic conditions. While areas of the economy performed well others, particularly those which represent CUA's traditional market, were subdued. It is significant that the Reserve Bank of Australia reduced the cash rate during the year from 4.75 percent to 3.50 percent indicating a dramatic change from a mildly restrictive monetary policy to a material easing in an effort to kick-start consumer confidence and spending. As a result, the financial services marketplace became increasingly competitive over the year. Subdued consumer demand for credit and a marked swing to saving over spending meant that competition for customers - in both lending and saving - became fiercer. While this is good for consumers it has put real pressure on smaller lenders including CUA. That CUA hit its major financial targets for the year is a result in which the Board takes particular satisfaction.

Elaborating in more detail on the results, our deposits continue to be strong at $6.6 billion. Our loan portfolio balances grew by $286.2 million (3.66%) in 2011/12. By comparison, over the same period the growth of the financial services industry was 5.02%, largely driven by the Big 4 banks. CUA's growth lagged behind that of the overall market for the first half of 2011/12, however, in recent months we have enjoyed month-on-month growth in excess of the industry average. This improvement was largely due to innovative product offerings and the return to the Broker market from February 2012 onwards, all of which contributed to significantly increased issues and balance growth.

Our loan issues were down $356m (-18.9%) in the year to $1,523 million. The major driver of the year on year decrease in issues is the sharp drop in market lending growth which has almost halved from previous years. Indeed market lending growth is now at a 30 year historic low which presents challenges for all financial institutions.

Assets under management continued to increase to a record $9.4 billion, further consolidating our position of strength. CUA maintained its commitment to its members, our values, and our culture of responsible lending, with a high quality loan book and low levels of past due loans. A continued focus on prudent capital management and funding ensured that CUA continued to

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

Mutuality benefit

Unfortunately, the increased competition for consumer business has not weakened the hold that the Big 4 banks have on household deposits and lending, which continues to sit around 80% overall and 90% for new housing finance commitments. I have previously commented on CUA's ambition to compete effectively with the banks and the investment necessary to put reality into this ambition. The past year saw significant progress with this investment which will culminate next year with the roll-out of the new core banking system. CUA's journey is not one with a defined end point, but rather, one which will see us adapting to the rapidly changing external environment which is dominated by innovative technology, competitive pressures, regulatory imposts and the altering needs of customers. A static CUA is not in the interests of our members or customers.

Once again, I would emphasis that the Board and I remain strong supporters of the mutual or customer owned banking model. Mutuals provide a vital competitive check on the major banks and it is no accident that the sector serves approximately 4.5 million members nationally. Mutuals are, by definition, better able to place the interests of their customers first. Regardless of their claims the larger listed banks primarily exist to make ever larger profits for their shareholders. For them customer satisfaction exists as a necessary condition to achieving this result. With mutuals, customer satisfaction is akin to taking care of a family member - their interests are paramount.

This is why I believe the mutual sector has a strong future in Australia and much more so than its present competitive position indicates. I am particularly excited by the success of the Canadian model. Canada is very similar to Australia in many respects, importantly that five large banks dominate, and the culture and legal systems are also similar. However, mutuals are much more successful in Canada – taking about 20% of market share for lending and deposits versus some 6.7% in Australia.

The best Canadian credit unions are clearly ahead of Australia and can provide some important lessons for CUA. They have a real focus on growth and importantly also on gaining a younger customer profile. This focus extends to an objective and strategic pursuit of a particular segment of the community, rather than attempting to be 'all things to all people'.

CUA's customer focus will evolve along similar lines, and the Board and management are examining research which will enable us to plot a refined strategic direction for CUA. In an increasingly complex and competitive financial services marketplace CUA must be clear on what it stands for and how to best appeal to our desired customer segment. Therefore, we will continue to research and refine our strategic approach to ensure it accurately reflects the changing market and CUA's position. CUA has greatly improved its capabilities over the last three years, evolving into a cutting edge financial services institution. With a clear direction and sound governance I am confident CUA will fulfil its ambitions of taking the fight to the banks in a meaningful way.

Looking Forward

It would be remiss of me not to take this opportunity of publicly thanking my colleagues on the Board, the Executive, and all staff for their dedication and work during the past year. As I have mentioned, it was a difficult marketplace for financial services, and importantly one that shows every sign of being replicated in 2012/13. Signs of demand growth and an uptick in consumer confidence are still fragile, and at risk of international pressures and often irrational markets. This adds considerable additional pressure to the already large day-to-day load on the Board and management, but pressure that has brought out the best in both. There is no reason to think this will change.

I am excited by the marketing, service and product innovations which have vitally assisted CUA's results for the year. The investment that has enabled these innovations has been both expensive and necessary, and importantly sets CUA up for the future.

Your Board

Director experience and the necessity of renewal are issues taken seriously by the Board. The Board's preferred approach is to blend the need for continuity in Board membership with regular infusions of relevant skills and required experience. This latter aspect is particularly critical at this time in view of the highly complex regulatory environment evolving in Australia and worldwide as a result of the Basel III regulatory changes. If they are re-elected, the current preference is for directors to serve for a period of seven to nine years, as this provides CUA with the ongoing benefit of the director's skills and experience, whilst also providing for change to ensure the continuing relevance of directors to the rapidly changing financial services environment.

During the year my immediate predecessor as Board Chairman, Kevin Ross, stood down as a Director of CUA Ltd. However, Kevin agreed to continue his relationship with CUA as Chair of CUA Financial Planning. That Kevin agreed is an indication of his commitment to CUA and indeed to the mutual sector as a whole and a pointer to the selfless dedication he has always brought to carrying out his responsibilities.

In conclusion, we have come through another tough year in good shape and are well positioned to continue our evolution as Australia's largest customer-owned financial institution.

CEO'S REPORT

C.M. Whitehead - Chief Executive Officer

"That CUA was able to hit its challenging performance targets for the year was a remarkable outcome, reflecting our improving competitiveness and increasing innovation."

As CEO of Australia's largest customer-owned financial services institution I am proud to be leading our more than 900 staff towards the goal of becoming a compelling alternative to the mainstream banks. Whilst we remain in the midst of a lengthy period of investment and change, we can now see the light at the end of the tunnel in terms of the structure, capabilities and direction of the CUA of the future. This is not to say that there is not more change to come. However, we are in a position where we can see that our efforts have brought about a tangible evolution in the organisation and have, importantly, started to bring about their own successes.

Looking back over the last year I have trouble recalling a similar period where there was such an obvious disconnect between the main parts of the economy. I do not intend to go into the intricacies of the two-speed economy here but what I will say is that CUA's core business, the mortgage market and lending generally, was characterised by sluggish housing growth, flat credit demand and intense competition for business, particularly in the first half of the financial year. Difficult conditions indeed in which to be seeking to grow CUA's impact. While we hope for improved trading conditions in the next year the bald fact is that for the foreseeable future consumer confidence has effectively been hijacked by factors that lie outside our borders and beyond our control.

That CUA was able to hit its challenging performance targets for the year was a remarkable outcome, reflecting our improving competitiveness and increasing innovation brought about through investment in key areas over the last three years. Competitive product offerings, backed by innovative marketing campaigns, saw CUA finish the year on a high, with mortgage loan growth considerably over system. The great professionalism of our front-line staff was also a major contributor to this success and I wish to acknowledge and applaud their efforts. What was also particularly pleasing was that CUA's prompted brand awareness neared 50%, a necessary precondition to us significantly improving our appeal to the 20% of Australians intending to change banking institutions during the next year.

Evolution in how we operate

The efforts of our employees must be backed by the right processes and supported by the right technology. It is in these areas that CUA's evolution is most readily apparent.

Last year I reported on CUA's investment in a new core banking system. The successful progress of this project to date has had a major impact on our people and financial resources and, when it is on-line in early 2013, will fundamentally change how we operate. The benefits of the new system will be apparent to both staff and customers – from product development to product delivery and everything in-between.

The launch of a new website in October 2011 was a major achievement and now enables us to provide an online service which is comparable to our competitors. Coupled with our new mobile

banking app, CUA has ensured that we will not lose a customer nor fail to gain a new customer through being uncompetitive on technology. This is one of the fundamental battlegrounds of modern financial services and one in which we are determined to excel.

Often, of course, significant structural changes in the business are required in order to maximise efficiencies and reorientate our approach. There were a number of such internal changes in 2011/12 led by the sale of our ATM network. This had no impact on customers as the ATMs remained within the rediATM network but will bring financial advantages to CUA as ATM maintenance was a significant business expense. Additionally, several business units were also reduced as a reflection of the rapidly changing financial services marketplace and as part of our pursuit of operational efficiencies in order to address cost pressures in the business.

On a further positive note, we took a decision to re-enter the broker channel after an absence of several years. One in four homebuyers seeks out a home loan via a broker, and our re-entry into the network means we will be considerably expanding our reach. It will take some time for this avenue to start producing results but we are confident that CUA's competitiveness will rapidly achieve respect and business.

Of course, CUA has traditionally operated a strong branch network as this has been the preferred method of banking interaction of many of our customers. While digital avenues are becoming more important we recognise that face to face contact aided by the latest technology will be how we conduct business into the foreseeable future. We are using the development of new concept branches (Carindale in Brisbane and Perth) to explore innovative ideas to improve the in-branch experience and provide new services and easier access to information. We have been excited by the over-whelmingly positive reactions of most staff and customers.

Risk management is rightly taken very seriously at CUA. On the back of the disruption to our operations caused by last year's Brisbane floods, CUA has relocated its main data centre to new 'state of the art' facilities out of reach of major natural catastrophes. The back-up data centre is of similar high quality, meaning our customers can be confident CUA is as reliable as any major bank.

Similarly, we continually monitor our risk assessment processes associated with loan approvals. We have made important improvements here focussing on areas which adversely impact on customer experience or are onerous in terms of evidence requirements, but which do not substantially improve our risk position. We have focussed on identifying opportunities to improve our processes to shorten approval times.

International issues

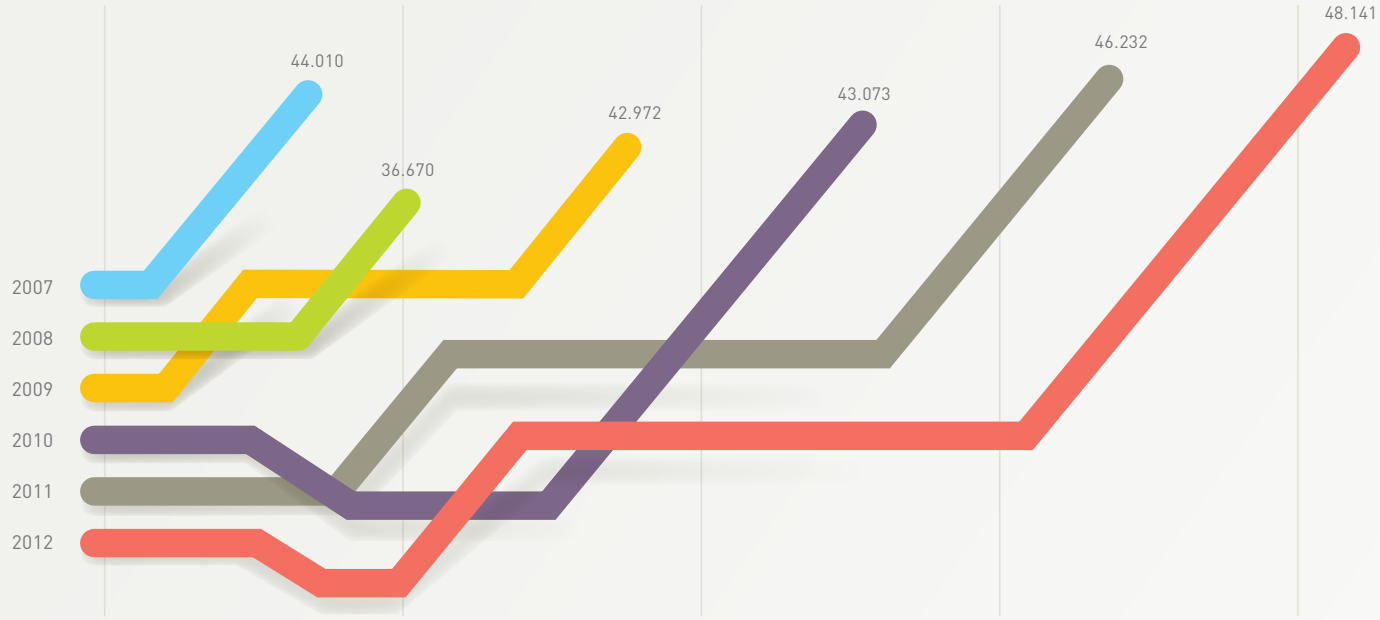
Apart from economic conditions which impinge on domestic consumer confidence and demand, regulatory changes remain major, and increasing, influences in Australian financial services, with international pressures inevitably flowing through to all Australian Authorised Deposit Taking Institutions (ADIs).

The face of changes in the areas of liquidity and capital coming from the so called Basel III reforms is now much easier to discern. CUA is currently working with the rest of the mutual sector in its engagement with the Australian Prudential Regulation Authority (APRA) over proposals to boost the quality of liquidity holdings and increase capital requirements. The mutual sector is anxious to avoid outcomes which provide additional advantages to the listed banks.

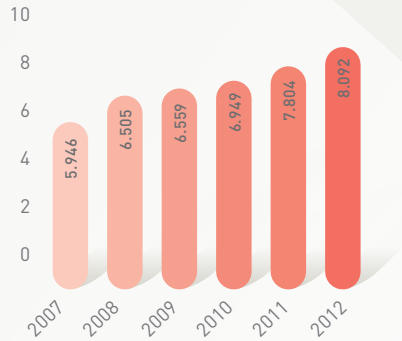
Looking forward

Last year I commented that we could look forward with optimism as our future was in our own hands. While having no pretensions to prophesy I consider that events during the year have borne this out. Our skills in product design, marketing and service delivery have enabled us to weather very trying domestic economic conditions and to achieve our targets. This ability to react quickly and achieve success demonstrates CUA's evolution is well advanced. However we still have much to do in the coming year, especially in completing the implementation of our new core banking system. This project significantly impacts on every employee of CUA and I would like to finish by recognising and thanking them for their commitment to CUA and their dedication to our customers.

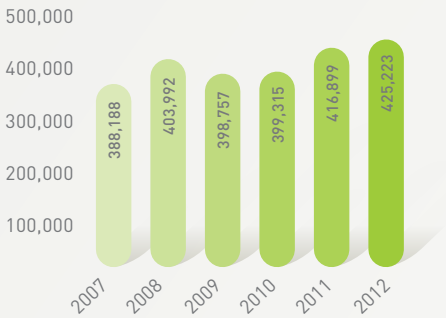
FINANCIALS



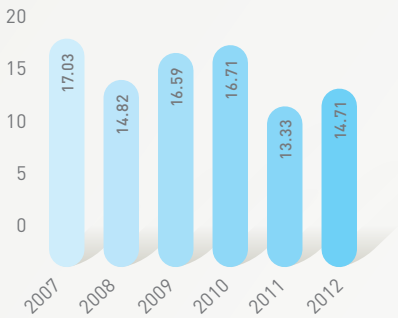
UNDERLYING NET PROFIT AFTER TAX (MILLION $)



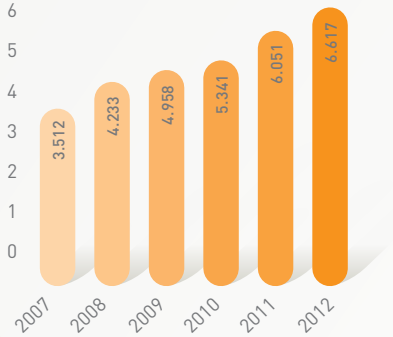
MEMBER LOANS UNDER MANAGEMENT (BILLION $)



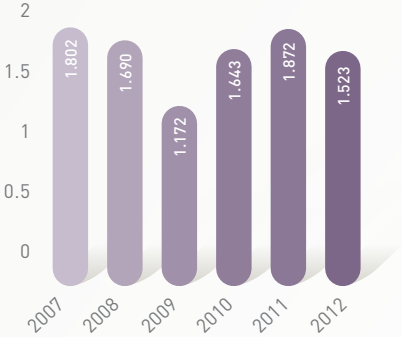
MEMBER NUMBER (MEMBERS)



CAPITAL ADEQUACY %



MEMBER DEPOSITS (BILLION $)



LOANS SETTLED (BILLION $)

Corporate Governance

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

Role of the Board

The Board's primary role is to protect and enhance long-term member value. To fulfil this role, the Board is responsible for providing strategic guidance to CUA and its related bodies corporate (the "CUA Group"); monitoring and providing effective oversight of CUA management; overseeing CUA's risk management systems; and acting as an interface between CUA and its members.

Responsibility for the operation and administration of CUA has been delegated by the Board to the Chief Executive Officer (CEO) and executive management team.

The Board has adopted a formal Board Charter setting out in further detail its role, responsibilities and structure within CUA's overarching corporate governance framework and operates in compliance with CPS 510 Governance and CPS 520 Fit and Proper.

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

Conflict of interest

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

Member participation

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

Ethics

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

Risk management

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

Remuneration policies for directors

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

Board committees

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

- Board Audit Committee
- Board Risk Committee (Formerly combined with Board Audit Committee to October 2011)
- Board Nucleus Committee
- Board Remuneration Committee
- Director Nominations' Committee
- Board Strategy Consultative Committee

Further details on the responsibilities and operation of CUA's current Board committees can be found on the CUA website at **www.cua.com.au**.

Our Board

A. E. BEANLAND

B. Sc., FAICD
Chairman & independent non-executive director

Mr Beanland joined the Board in September 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards. Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently a director of Colonial Foundation and served as the Chairman of Superpartners (2006-2012) and as a director of Spotless Group Limited (ASX Listed) (2008-2012). In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Board Strategy Consultative Committees and is a member of the Board Risk and Nucleus Committees.

N. I. AMPHERLAW

B.Com., ACA
Independent non-executive director

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

P. J. BEDBROOK

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

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

P. G. DOWLING

AM, BA (Acc), FCPA, FAICD
Independent non-executive director

Mr Dowling has been a credit union director for more than eight years and was previously a Partner of international accounting firm Ernst & Young. He is a Fellow of CPA Australia, The Institute of Chartered Accountants in Australia and The Australian Institute of Company Directors and was made a Member of the Order of Australia in 2007 for services to accounting, education and the arts. He is also a director of CPA Australia, Metro South Hospital and Health Services Board, Q-COMP, Lexon Insurance, Superior Coal, the Cooperative Research Centre for Infrastructure and Engineering Asset Management, among others and is the Queensland Honorary Consul for Botswana. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, the Queensland Department of Transport and Main Road's Audit and Risk Committee, the Queensland Water Commission's Audit and Risk Management Committee and the Queensland Crime and Misconduct Commission's Audit Committee.
Mr Dowling is a member of the Board Strategy Consultative Committee and a Director of CUA Health Ltd.

E. A. FOSTER

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

Ms Foster has been a credit union director for 21 years. She is a self-employed accountant who has extensive experience in finance, previously working for Telstra in senior management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. She served on the board of the Credit Union Foundation of Australia (CUFA) from 2003 to 2008. Ms Foster is Chair of the Board Audit Committee and the Credicorp Insurance Pty Ltd Board Audit & Risk Committee. She is also a member of the CUA Board Risk Committee and a director of Credicorp Insurance Pty Ltd.

C. FRANKS

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

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

C. M. GREER

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

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

C. M. WHITEHEAD

B.Sc (Hons), FAICD
Chief Executive Officer and Executive Director
(appointed Executive Director on 9 Sept 2011)

Mr Whitehead joined CUA in August 2009, bringing the benefit of over 25 years of experience in a broad range of organisations and roles. He commenced his career in the IT industry in the UK, mainly working with banks and building societies. After migrating to Australia in 1989, Mr Whitehead moved into General Management roles. In 1994 Mr Whitehead joined Advance Bank in Sydney as Chief Information Officer, moving to BankWest in Perth in the same role in 1998. His role in BankWest broadened to include payments business responsibility and responsibility for innovation strategies and the establishment of a number of new businesses. In 2001 Mr Whitehead was appointed as Chief Executive of Retail Banking and led a significant and successful business transformation program. In 2007 Mr Whitehead transferred to the Bank of Scotland as a Regional Director.

Mr Whitehead has served on a range of Boards as a director in the banking, financial planning, funds management and general insurance industries; as well as community and charitable organisations. Mr Whitehead is currently a director of Credit Union Australia Limited, a number of CUA subsidiaries and also of Cuscal Limited.

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

Mr K.B. Ross resigned from his position on the Board on 31 December 2011

Executive management

Chris Whitehead

FAICD
Chief Executive Officer

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Sue Coulter

General Manager, Business Transformation

Sue commenced with CUA in May 2010 and brought with her over 25 years' experience in financial services, across a broad range of senior management and executive roles in Australia and the UK. During this time Sue has been responsible for delivering major strategic transformational change programs for HBOS and BankWest and as a management consultant across other industry sectors. Sue has experience in both strategy development and delivery in areas such as new customer and channel propositions, systems replacement, back office processing, distribution optimisation and product development.

Consistent with the strategic objectives of CUA, Sue's major focus is to deliver the core banking system replacement project whilst also overseeing the remainder of the CUA project and change portfolio.

David Gee

Chief Information Officer

David joined CUA in September 2011. He is a highly experienced CIO with more than 28 years in the field and with an extensive global background. David has held a series of CIO roles at Eli Lilly USA, Japan, Asia Pacific, Australia and China over a 16 year period.

In his last CIO role at Eli Lilly USA, he was responsible for a US$12B organisation. David has also held senior positions at organisations such as NRMA Insurance, John Fairfax and Pioneer International.

David has successfully completed a number of large scale transformation programs both in Australia and globally. He also has significant experience in Strategy with his consulting work as Director IT at KPMG and at Ernst & Young.

Mr Gee is a past Global Advisory Board member for HP, Nokia and Oracle Siebel. David is currently on the Advisory Board for WebIP.

John George

Group General Manager, Service Operations

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

Royden Juriansz

FCPA, CISA
General Manager, Risk and Compliance

Royden has more than 30 years of international experience in the financial services industry, including retail banking operations. Recently he has focused on governance and risk issues and has been instrumental in rolling out fraud mitigation strategies and governance frameworks including risk management and compliance across the group.

His responsibilities include internal audit, compliance, operational risk, credit risk, fraud management, treasury risk, business continuity and crisis management.

Jason Murray

General Manager,
Products & Marketing

Jason has developed his financial services industry experience through a career working in Product, Marketing and Innovation roles in Retail and Corporate Banks in both Australia and the UK. After spending 7 years in the UK, where he built a legacy of launching innovative, award winning and customer focused products, he returned to Australia in 2010 to join CUA.

His current areas of responsibility include Products, Brand, Corporate Affairs, Customer Insights and Communications. Jason is passionate about positioning CUA as a genuine alternative to the major banks and believes leveraging and extending our customer centric approach is critical to achieving this objective.

Darrin Northey

Group General Manager, Distribution

Darrin joined CUA as an Executive in April 2010. With more than 20 years experience across an extensive range of roles in the banking and finance industry, Darrin has spent the past decade as a senior leader and executive in business and retail banking. Darrin's most recent experience, prior to CUA, was with Westpac as General Manager South Australia/Northern Territory and Head of Local Business Banking for Queensland.

Darrin has extensive experience leading distribution businesses, with a strong passion for customer service excellence and specialises in the transformation of sales and service delivery channels. Darrin's areas of responsibility at CUA include, a national branch and mobile lending network, CUA Financial Planning, CUA Direct customer contact centre. Darrin also has responsibility for CUA's various digital services and digital innovation, including www.cua.com.au, mobile banking, Web Banker and our various online services.

Darrin is a Director of CUA Financial Planning Pty Ltd.

Rod Saville

F Fin, MAICD
General Counsel and Company Secretary

Rod joined CUA in June 2011, bringing over 25 years' experience as a lawyer, including senior roles with a number of Australia's leading financial institutions. He led the NSW legal team of nab as State General Counsel for several years and has extensive experience in the areas of banking and finance, consumer credit, corporate transactions, secured and unsecured financing and legal and regulatory compliance.

Rod also has experience working with government, having worked for a number of years as a principal lawyer with the Federal Attorney-General's Department and the Australian Government Solicitor. Rod is a fellow of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and is admitted as a solicitor of the Supreme Court of New South Wales.

Tony Taylor

FCPA, F.Fin
Chief Financial Officer

Tony joined CUA in October 2011 drawing on more than 30 years regional experience in financial and management accounting, with the last 13 in CFO roles within the financial services industry.

Tony was previously CFO Retail Bankwest where he spent six years improving the financial management of the Retail Division, supporting the east coast expansion program and playing a leading role through the challenges of the GFC and post-Commonwealth Bank acquisition.

Prior to that, as CFO of the Papua New Guinea Banking Corporation, Tony lead the vendor due diligence team in its privatisation, and post-sale took over the role of CFO Bank South Pacific. A leading role in the post-sale transformation project saw Tony take responsibility for shared services, IT and marketing in addition to his CFO responsibilities.

Dawn Tsoubos

CAHRI, MAITD
General Manager, Human Resources

Dawn has more than 20 years experience in financial service change leadership and human resources (HR) management. Dawn joined CUA in October 2010 following a career largely based in Melbourne working with one of the major Financial Services Institutions but more recently leading the HR function at a leading Brisbane based Superannuation Company, where she supported the organisation through a significant business transformation.

Dawn's extensive experience includes consulting and developing HR and learning strategy, design and development, organisation design and change management. Following an initial focus on shaping CUA's HR function into one that supports and encourages high performance through elements such as training, recruitment and remuneration with the evolution of CUA's transformational journey, Dawn and her team have a heightened focus on supporting people through change, developing high performance leadership and embedding and sustaining some recently implemented key people initiatives such as Reward and Recognition, Performance Management, Competency Frameworks and Learning and Development

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

Andrew Hadley transitioned into a non-Executive role as from 2 July 2012

CREDIT UNION AUSTRALIA LIMITED

ABN 44 087 650 959
AFSL and Australian credit licence 238317

GPO Box 100, Brisbane, QLD 4001

P 133 282
www.cua.com.au

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FINANCIAL REPORT 2012

Credit Union Australia Limited
ABN 44 087 650 959

cua™

CREDIT UNION AUSTRALIA LTD

ABN 44 087 650 959

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

Table of Contents

Directors' report

The directors have pleasure in presenting their report together with the financial report of Credit Union Australia Ltd (CUA / Credit Union) and of the Group, being CUA and its controlled entities, for the year ended 30 June 2012 and the auditor's report thereon.

Directors

The directors of CUA at any time during or since the end of the financial year are:
A.E.Beanland
N.I.Ampherlaw
P.J.Bedbrook (from 3 July 2011)
P.G.Dowling
E.A.Foster
C.Franks
C.M.Greer
C.M.Whitehead (from 9 September 2011)
R.E.Powell (resigned 2 July 2011)
K.B.Ross (resigned 31 December 2011)

Details of Directors

A.E.Beanland
B. Sc., FAICD
Chairman and independent non-executive director

Mr Beanland joined the Board in September 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards. Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently a director of Colonial Foundation and served as the Chairman of Superpartners (2006-2012) and as a director of Spotless Group Limited (ASX Listed) (2008-2012). In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Board Strategy Consultative Committees and is a member of the Board Risk and Nucleus Committees.

N.I.Ampherlaw
B.Com., ACA
Independent non-executive director

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

Directors' report (continued)

P.J.Bedbrook
B.Sc., FSIA, GAICD.
Independent non-executive director

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

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

Mr Dowling has been a credit union director for more than eight years and was previously a Partner of international accounting firm Ernst & Young. He is a Fellow of CPA Australia, The Institute of Chartered Accountants in Australia and The Australian Institute of Company Directors and was made a Member of the Order of Australia in 2007 for services to accounting, education and the arts. He is also a director of CPA Australia, Metro South Hospital and Health Services Board, Q-COMP, Lexon Insurance, Superior Coal, the Cooperative Research Centre for Infrastructure and Engineering Asset Management, among others and is the Queensland Honorary Consul for Botswana. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, the Queensland Department of Transport and Main Road's Audit and Risk Committee, the Queensland Water Commission's Audit and Risk Management Committee and the Queensland Crime and Misconduct Commission's Audit Committee. Mr Dowling is a member of the Board Strategy Consultative Committee and a Director of CUA Health.

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

Ms Foster has been a credit union director for 21 years. She is a self-employed accountant who has extensive experience in finance, previously working for Telstra in senior management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. She served on the board of the Credit Union Foundation of Australia (CUFA) from 2003 to 2008. Ms Foster is Chair of the Board Audit Committee and the Credicorp Insurance Pty Ltd Board Audit & Risk Committee. She is also a member of the CUA Board Risk Committee and a director of Credicorp Insurance Pty Ltd.

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

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

Directors' report (continued)

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

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

C.M.Whitehead
B.Sc (Hons), FAICD
Chief Executive Officer and Executive Director (appointed Executive Director on 9 September 2011)

Mr Whitehead joined CUA in August 2009, bringing the benefit of over 25 years of experience in a broad range of organisations and roles. He commenced his career in the IT industry in the UK and quickly progressed from technical and project management roles into sales, marketing and product management, mainly working with banks and building societies. After migrating to Australia in 1989, Mr Whitehead moved into General Management roles, including establishing a new Australian subsidiary for an international IT services provider. In 1994 Mr Whitehead joined Advance Bank in Sydney as Chief Information Officer, moving to BankWest in Perth in the same role in 1998. His role in BankWest broadened to include payments business responsibility and responsibility for innovation strategies and the establishment of a number of new businesses. In 2001 Mr Whitehead was appointed as Chief Executive of Retail Banking and led a significant and successful business transformation program. In 2007 Mr Whitehead transferred to the Bank of Scotland as a Regional Director, based in Glasgow with responsibility for a network of over 150 branches and over 2,000 staff.

Mr Whitehead has served on a range of Boards as a director in the banking, financial planning, funds management and general insurance industries; as well as community and charitable organisations. Mr Whitehead is currently a director of Credit Union Australia Limited, a number of CUA subsidiaries and also of Cuscal Limited.

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

Mr Powell was appointed a director on 1 January 2006 following the merger with ANCU where he was the Chairman. Mr Powell has been a credit union director for 35 years. He is a licensed estate agent and auctioneer. During his tenure with CUA, he was a director on a number of Board Committees and CUA Subsidiaries and served as Chairman of Credit Union Australia Ltd (2006-2008, Credicorp Insurance Pty Ltd and CUA Health Limited.

K.B.Ross
B.Econ., Dip. Pub. Admin., Dip F.S (Credit Union Directorship), J.P. (Qual.), FAMI, MAICD
Independent non-executive director (resigned 31 December 2011)

Mr Ross is an experienced non-executive director who has served on successful boards in health, aged care, welfare and financial services sectors. He has had extensive executive experience in a number of diverse roles in lending and insurance, hospital management, compensation, health care and corporate services. Mr Ross resigned as a CUA director on 31 December 2011 but remains as Chair of one of CUA's subsidiaries, CUA Financial Planning Pty Ltd.

Directors' report (continued)

Company Secretaries

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

L.P.Swenson
R.P.M.Saville

L.P.Swenson
B.Com/LL.B (Hons), LLM, ACIS
Corporate Lawyer and Company Secretary

Ms Swenson jointly held the position of company secretary of Credit Union Australia Ltd, Credicorp Insurance Pty Ltd, CUA Health Limited and CUA Financial Planning Pty Ltd at the end of the financial year and is also a corporate lawyer for the CUA Group. She is a qualified solicitor and chartered secretary with extensive experience in corporate governance and the areas of commercial, corporate and construction law.

R.P.M.Saville
B.A. LL.B (Hons), F Fin, MAICD
General Counsel and Company Secretary

Mr Saville joined CUA in June 2011, bringing over 25 years' experience as a lawyer, including senior roles with a number of Australia's leading financial institutions. He led the NSW legal team of NAB as State General Counsel for several years and has extensive experience in the areas of banking and finance, consumer credit, corporate transactions, secured and unsecured financing and legal and regulatory compliance.

Mr Saville also has experience working with government, having worked for a number of years as a principal lawyer with the Federal Attorney-General's Department and the Australian Government Solicitor. Rod is a fellow of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and is admitted as a solicitor of the Supreme Court of New South Wales.

Directors' report (continued)

Directors' meetings

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

A = Number of meetings eligible to attend.
B = Number of meetings attended.

	Board Meetings		Board Audit and Risk Committee[1]		Board Remuneration Committee		Board Nucleus Committee		Board Strategy Consultative Committee		Director Nominations' Committee		Board Audit Committee[2]		Board Risk Committee[2]	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A.E.Beanland	10	10	-	-	8	8	2	2	11	11	-	-	-	-	3	3
N I.Ampherlaw	10	9	2	1	-	-	2	2	11	11	2	2	3	3	3	3
P.J.Bedbrook	10	10	-	-	7	7	-	-	-	-	-	-	-	-	3	2
P.G.Dowling	10	9	-	-	-	-	-	-	11	11	-	-	-	-	-	-
E.A.Foster	10	9	2	2	-	-	-	-	-	-	-	-	3	3	3	3
C.Franks	10	10	2	2	-	-	-	-	-	-	-	-	-	-	-	-
C.M.Greer	10	10	2	2	8	7	2	2	-	-	-	-	3	3	-	-
C.M.Whitehead	8	7	-	-	-	-	-	-	11	9	-	-	-	-	-	-
R.E.Powell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
K.B.Ross	5	5	-	-	-	-	-	-	-	-	2	2	-	-	-	-

Directors' benefits

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

Indemnification of directors and officers

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

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

Directors' report (continued)

Financial performance disclosures

Principal activities

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

Operating results

The Group reported a net profit after income tax for the financial year ended 30 June 2012 of $51.0m (2011: $54.3m.

The Group recorded positive growth in loan and advances at 3.7% year on year, to $8.1bn from $7.8bn, which has helped contribute to the improvement in net interest income revenue over the year.

CUA continued to increase its household deposit growth in a competitive environment for deposit market share, growing 9.4% year on year to $6.6bn.

CUA Health contributed strongly to the group result, reporting a net profit after tax of $6.4m, mainly through strong customer growth, resulting in strong contribution income growth.

As CUA continues its focus of investing for the future, the full year impact of the personnel growth experienced in financial year 2011 has increased year on year operating costs for financial year 2012.

Dividends

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

Review of operations

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

Significant changes in the state of affairs

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

Events after the statement of financial position date

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

Directors' report (continued)

Likely developments

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

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

in the financial years subsequent to this financial year.

Rounding

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

Auditors independence

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

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

A E Beanland
Chairman

E A Foster
Director

Brisbane
23 August 2012

ERNST & YOUNG

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Brisbane QLD 4000 Australia
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Auditor's Independence Declaration to the Directors of Credit Union Australia Ltd

In relation to our audit of the financial report of Credit Union Australia Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P M Luskie

Paula McLuskie
Partner
22 August 2012

Statement of financial performance

For the year ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Revenue					
Interest revenue	2	**582,979**	553,804	**580,507**	552,059
Interest expense	2	**(395,248)**	(380,807)	**(396,277)**	(382,272)
Net interest revenue	2	**187,731**	172,997	**184,230**	169,787
Fee and commission revenue	2	**37,521**	37,239	**37,588**	35,495
Net gain on derivatives at fair value through profit and loss	2	**2,615**	8,642	**2,615**	8,642
Contribution income - CUA Health Ltd	2	**83,752**	73,132	**-**	-
Other income	2	**13,480**	28,738	**14,969**	30,649
Net operating income		**325,099**	320,748	**239,402**	244,573
Expenses					
Impairment on loans and advances	2	**1,820**	3,083	**1,783**	3,096
Personnel	2	**83,404**	71,774	**78,140**	67,362
Occupancy	2	**20,089**	21,980	**20,140**	21,980
Depreciation of property, plant and equipment	2	**7,836**	8,655	**7,797**	8,624
Amortisation of intangible assets	2	**1,746**	1,510	**1,706**	1,489
Benefits paid - CUA Health Ltd	2	**69,543**	62,066	**-**	-
Information technology	2	**10,032**	12,196	**9,404**	11,625
Other expenses	2	**61,949**	65,475	**58,932**	62,977
Total operating expenses		**256,419**	246,739	**177,902**	177,153
Profit/(loss) before income tax expense		**68,680**	74,009	**61,500**	67,420
Income tax expense	3	**(17,684)**	(19,628)	**(16,967)**	(18,616)
Net profit/(loss) after tax		**50,996**	54,381	**44,533**	48,804
Profit for the period is attributable to:					
Non-controlling interest		**-**	-	**-**	-
Owners of the parent		**50,996**	54,381	**44,533**	48,804
		50,996	54,381	**44,533**	48,804

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

Statement of comprehensive income

For the year ended 30 June 2012

	Note	Consolidated		Parent	
		2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Net profit after tax		**50,996**	54,381	**44,533**	48,804
Other comprehensive Income					
Net fair value (loss) / gain on available for sale financial assets		**135**	(46)	**135**	(46)
Net (loss) / gain on cash flow hedges taken to equity		**(18,139)**	2,697	**(18,139)**	2,697
Income tax on other comprehensive income	3	**5,401**	(796)	**5,401**	(796)
Other comprehensive income after tax		**(12,603)**	1,855	**(12,603)**	1,855
Total comprehensive Income		**38,393**	56,236	**31,930**	50,659
Total comprehensive income for the period is attributable to:					
Non-controlling interest		**-**	-	**-**	-
Owners of the parent		**38,393**	56,236	**31,930**	50,659
		38,393	56,236	**31,930**	50,659

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

Statement of financial position

As at 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Assets					
Cash and cash equivalents	6	**206,658**	79,911	**206,041**	80,092
Financial assets - available for sale	7	**295,207**	532,835	**290,172**	532,835
Financial assets - held to maturity	8	**757,037**	530,832	**706,430**	540,138
Loans and advances	10	**8,092,351**	7,803,633	**8,092,395**	7,803,628
Other receivables	12	**13,774**	13,425	**7,821**	7,503
Investments in controlled entities	13	**-**	-	**800**	800
Property, plant and equipment	14	**47,871**	35,983	**47,782**	35,807
Deferred tax assets	15	**19,858**	15,311	**19,784**	15,314
Intangible assets	16	**3,663**	2,166	**3,566**	2,107
Other assets	17	**1,693**	1,665	**1,693**	1,644
Total assets		**9,438,112**	9,015,761	**9,376,484**	9,019,868
Liabilities					
Derivative financial instruments	9	**23,314**	7,991	**23,314**	7,991
Deposits	18	**6,617,375**	6,051,146	**6,636,404**	6,124,136
Borrowings	19	**2,048,761**	2,255,675	**2,044,317**	2,251,667
Other payables	20	**37,998**	28,967	**17,300**	13,269
Deferred tax liability	21	**1,587**	1,801	**1,587**	1,801
Income tax payable	22	**3,657**	3,212	**3,730**	3,160
Provisions	23	**11,747**	11,689	**11,747**	11,689
Total liabilities		**8,744,439**	8,360,481	**8,738,399**	8,413,713
Net assets		**693,673**	655,280	**638,085**	606,155
Member funds					
Reserves	24	**10,061**	21,284	**10,061**	21,284
Retained earnings	25	**683,612**	633,996	**628,024**	584,871
Total member funds		**693,673**	655,280	**638,085**	606,155

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

Statement of changes in equity

For the year ended 30 June 2012

Consolidated

($'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Non-Controlling Interests	Total Members Funds
Balance at 1 July 2010	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	579,748	-	591,523
Profit for the year after tax	-	-	-	-	-	-	-	54,381	-	54,381
Other comprehensive income after tax										
Net fair value gains on available for sale financial assets	-	-	-	(32)	-	-	(32)	-	-	(32)
Net gain on cash flow hedges taken to Income Statement	-	-	-	-	6,003	-	6,003	-	-	6,003
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(4,116)	-	(4,116)	-	-	(4,116)
Total comprehensive income for the period	-	-	-	(32)	1,887	-	1,855	54,381	-	56,236
Plenty Merger	-	325	-	-	-	7,196	7,521	-	-	7,521
Transactions with members in their capacity as members										
Movements in preference share reserve	133	-	-	-	-	-	133	(133)	-	-
Balance at 30 June 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	633,996	-	655,280
Balance at 1 July 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	633,996	-	655,280
Profit for the year after tax	-	-	-	-	-	-	-	50,996	-	50,996
Other comprehensive income after tax										
Net fair value loss on available for sale financial assets	-	-	-	94	-	-	94	-	-	94
Net gain on cash flow hedges taken to Income Statement	-	-	-	-	-	-	-	-	-	-
Net (loss) on cash flow hedges taken to equity					(12,697)		(12,697)			(12,697)
Total comprehensive income for the period	-	-	-	94	(12,697)	-	(12,603)	50,996	-	38,393
Plenty Merger	-	-	-	-	-	-	-	-	-	-
Transactions with members in their capacity as members										
Movements in Credit loss reserve	-	1,257	-	-	-	-	1,257	(1,257)	-	-
Movements in preference share reserve	123	-	-	-	-	-	123	(123)	-	-
Balance at 30 June 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	683,612	-	693,673

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

Statement of changes in equity (continued)

For the year ended 30 June 2012

Parent

($'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Total Members Funds
Balance at 1 July 2010	2,043	7,669	2,086	(12)	(2,405)	2,394	11,775	536,200	547,975
Profit for the year after tax	-	-	-	-	-	-	-	48,804	48,804
Other comprehensive income after tax									
Net fair value gains on available for sale financial assets	-	-	-	(32)	-	-	(32)	-	(32)
Net gain on cash flow hedges taken to Income Statement	-	-	-	-	6,003	-	6,003	-	6,003
Net (loss) on cash flow hedges taken to equity					(4,116)	-	(4,116)		(4,116)
Total comprehensive income for the period	-	-	-	(32)	1,887	-	1,855	48,804	50,659
Plenty Merger	-	325	-	-	-	7,196	7,521	-	7,521
Transactions with members in their capacity as members									
Movements in preference share reserve	133	-	-	-	-	-	133	(133)	-
Balance at 30 June 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	584,871	606,155
Balance at 1 July 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	584,871	606,155
Profit for the year after tax	-	-	-	-	-	-	-	44,533	44,533
Other comprehensive income after tax									
Net fair value gains on available for sale financial assets	-	-	-	94	-	-	94	-	94
Net gain on cash flow hedges taken to Income Statement									
Net (loss) on cash flow hedges taken to equity	-	-	-	-	(12,697)	-	(12,697)	-	(12,697)
Total comprehensive income for the period	-	-	-	94	(12,697)	-	(12,603)	44,533	31,930
Plenty Merger	-	-	-	-	-	-	-	-	-
Transactions with members in their capacity as members									
Movements in Credit loss reserve	-	1,257	-	-	-	-	1,257	(1,257)	-
Movements in preference share reserve	123	-	-	-	-	-	123	(123)	-
Balance at 30 June 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	628,024	638,085

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

Statement of cash flows

For the year ended 30 June 2012

	Note	Consolidated 2012 $'000 Inflows (Outflows)	Consolidated 2011 $'000 Inflows (Outflows)	Parent 2012 $'000 Inflows (Outflows)	Parent 2011 $'000 Inflows (Outflows)
Cash Flows from Operating Activities					
Interest received		**586,908**	555,438	**584,077**	554,023
Interest and other borrowing costs paid		**(395,248)**	(380,807)	**(396,277)**	(382,271)
Other non-interest income received		**131,747**	140,276	**48,050**	60,812
Net increase in members' loans		**(290,538)**	(857,619)	**(290,550)**	(857,647)
Payments to suppliers and employees		**(235,798)**	(231,637)	**(162,430)**	(160,871)
Income tax paid		**(17,631)**	(25,726)	**(16,710)**	(24,500)
Net cash provided by/(used in) operating activities	28	**(220,560)**	(800,075)	**(233,840)**	(810,454)
Cash Flows from Investing Activities					
Sale of investments		**7,842**	38,291	**73,180**	43,540
Proceeds from sale of property, plant and equipment		**5,798**	162	**5,798**	162
Dividends received		**3,007**	3,830	**4,507**	5,330
Payments for plant, equipment and software		**(28,655)**	(15,496)	**(28,614)**	(15,291)
Net cash (used in)/provided by investing activities		**(12,008)**	26,787	**54,871**	33,741
Cash Flows from Financing Activities					
(Repayments to)/Proceeds from borrowings		**(206,913)**	103,872	**(207,350)**	107,359
Net increase in members' deposits		**566,228**	709,991	**512,268**	710,183
Net cash provided by financing activities		**359,315**	813,863	**304,918**	817,542
NET INCREASE/(DECREASE) IN CASH		**126,747**	40,575	**125,949**	40,829
Cash at the beginning of the year		**79,911**	39,336	**80,092**	39,263
Cash at the end of the year	6	**206,658**	79,911	**206,041**	80,092

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

Notes to the financial statements

For the year ended 30 June 2012

1. Statement of significant accounting policies

Corporate information

The financial report of Credit Union Australia Ltd (the Company) and the Group for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 23 August 2012.

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

Basis of preparation

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

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

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

Statement of compliance

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Statement of compliance (continued)

The following standards and interpretations would have been applied for the first time for entities with years ending 30 June 2012. The following standards did not result in any significant changes to the accounting policies:

Reference	Application date of standard*	Application date for Group*
AASB 124 (Revised)	1 January 2011	1 July 2011
AASB 2009-12	1 January 2011	1 July 2011
AASB 2010-4	1 January 2011	1 July 2011
AASB 2010-5	1 January 2011	1 July 2011
AASB 2010-6	1 July 2011	1 July 2011
AASB 2011-5**	1 July 2011	1 July 2011
AASB 1054	1 July 2011	1 July 2011
AASB 1048	1 July 2011	1 July 2011

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Statement of compliance (continued)

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2012 are outlined in the table below. The following standards have been identified as those which may impact the group in the period. Management is in the process of assessing the impact of those standards:

Reference	Title	Nature of change to accounting policy	Application date of standard*	Application date for Group*
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale.	1 Jan 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets.	1 January 2013***	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations that applies to all entities.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	This standard establishes a single source of guidance for determining the fair value of assets and liabilities.	1 January 2013	1 July 2013

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Statement of compliance (continued)

Reference	Title	Nature of change to accounting policy	Application date of standard*	Application date for Group*
AASB 119	Employee Benefits	This standard revises the accounting for defined benefit plans.	1 January 2013	1 July 2013
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs).	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures requirements.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle.	1 January 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014	1 July 2015
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – reduced disclosure requirements	Makes amendment to the application of the revised disclosures to Tier 2 entities.	1 July 2013	1 July 2015

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Statement of compliance (continued)

The following standards and interpretations which are not applicable to the group have been issued by the AASB but are not yet effective for the period ending 30 June 2012:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2011-3**	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	1 July 2012	1 July 2012
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013	1 July 2013
AASB 2012-4	Amendments to Australian Accounting Standards – Government Loans	1 January 2013	1 July 2013

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** Only applicable to not-for-profit/public sector entities

*** AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

**** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Significant accounting judgments and estimates

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

Impairment losses on loans and advances

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

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

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

Fair value of financial instruments

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

Insurance claims payable

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

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

Deferred tax assets

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies

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

(a) Basis of consolidation

The parent entity financial statements comprise the financial statements of Credit Union Australia Ltd and the Harvey Securitisation Trusts. As the Company remains exposed to the residual risk of the Special Purpose Entities (SPE's), which is mitigated by the Group's interest rate risk policy, the SPE's underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union's statement of financial performance and statement of financial position.

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

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

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

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

(b) Income tax

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(c) Financial assets and liabilities

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

Cash and cash equivalents

Receivables from other financial institutions are cash on hand and any call amounts due from Banks, Building Societies and other Credit Unions and exclude term deposits with other Authorised Deposit Taking Institutions (ADI's). They are brought to account at the gross value of the outstanding balance. Interest is brought to account using the effective interest rate method.

Financial assets – available for sale

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

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

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

Financial assets – held to maturity

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

Derivatives held for trading

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

Hedge accounting

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

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

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

Loans and advances

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

Deposits and borrowings

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

(d) Investments in controlled entities

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

(e) Revenue and expenses

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

Interest revenue and expense

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

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

Fee and commission revenue

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

(f) Impairment – Loans and advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any specific loan or group of loans is impaired. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Specific provisions for impairment losses are measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the statement of financial performance.

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

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

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

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

(g) Securitisation

As part of its operational activities, the Company securitises loan assets, generally through the sale of these assets to SPE's which issue securities to investors. As the Company remains exposed to the residual risk of the SPE's, which is mitigated by the Group's interest rate risk policy, the SPE's

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union's statement of financial performance and statement of financial position. On consolidation for the Group all assets, liabilities, revenues and expenses have been recognised.

(h) Property, plant and equipment

Property

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

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

Plant and equipment

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

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

Depreciation

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

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

Asset category	2012	2011
Buildings	40 years	40 years
Motor vehicles	5 years	5 years
Computer hardware	4 - 7 years	4 years
Office furniture and equipment	5 years	5 years
Leasehold improvements	5 years	5 years
ATMs	n/a	5 years

All existing computer hardware is amortised over 4 years. All computer hardware associated with the new core banking system will be depreciated over 7 years.

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

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

Revaluations of land and buildings

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

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

(i) Intangible assets – computer software

The only intangible assets of the Group relate to costs in respect of computer software. These costs are capitalised as intangible assets and amortised on a straight line basis over the estimated finite useful life of 4 years. The software associated with the new core banking system will be amortised over a 7 year period.

(j) Capital work in progress

Research costs are expensed as incurred. Development expenditures on an individual projects are recognised in capital work in progress when the Group can demonstrate:

- The technical feasibility of completing the capital project so that it will be available for use or sale
- Its intention to complete and its ability to use the capital project
- How the capital project will generate future economic benefits
- The availability of resources to complete the capital project
- The ability to measure reliably the expenditure during the development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(k) Leases

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

(l) Provisions

Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than 1 year and greater than 1 year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

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

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

Make good provision

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

(m) Insurance accounting policies

Health Fund

Contribution income

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

Benefits paid and claims liabilities

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Insurance accounting policies (continued)

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

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

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

Insurance Company

Unearned premium

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

Claims liability

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

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowance for claims handling costs on the business generated from Credicorp Insurance Pty Ltd at 30 June 2012 is 35.00% of the claims liability (2011: 8.00%). No allowance is held against business generated elsewhere as this is considered immaterial.

Insurance risk assumptions

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Insurance accounting policies (continued)

Insurance risk assumptions (continued)

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

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

The overall risk margin is determined after consideration of the uncertainty of the outstanding claims estimate with the objective of achieving at least 75% probability of adequacy (2011: 75%). The risk margin applied at 30 June 2012 is 20% (2011: 20%) which equates to $140,099 (2011: $94,351).

Financial assumptions used to determine outstanding claims provision

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

(n) Equity reserves

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

Redeemable preference share reserve
Under the Corporations Act 2001, redeemable preference shares (member shares) may only be redeemed out of the Credit Unions' profit or through the new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained earnings to the redeemed preference share reserve. The value of member shares for existing members is disclosed as a liability in Note 18.

Available for sale reserve
Comprises changes in fair value of available for sale investments.

Asset revaluation reserve
Represents gain on revaluation of property owned by the Group.

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

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Notes to the financial statements (continued)

For the year ended 30 June 2012

1. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(p) Comparative figures

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

(q) Business combinations

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

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

Refer to note 38 for further details.

Notes to the financial statements (continued)

For the year ended 30 June 2012

2. Profit before income tax expense

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Parent 2012 $'000	Parent 2011 $'000
Revenue					
Interest revenue		**582,979**	553,804	**580,507**	552,059
Interest expense		**(395,248)**	(380,807)	**(396,277)**	(382,272)
Net interest revenue		**187,731**	172,997	**184,230**	169,787
Fee and commission revenue		**37,521**	37,239	**37,588**	35,495
Net gain on derivatives at fair value through profit and loss	9	**2,615**	8,642	**2,615**	8,642
Contribution income - CUA Health Ltd		**83,752**	73,132	**-**	-
Other income:					
Dividends revenue		**3,007**	3,830	**4,507**	5,330
Bad debts recovered		**533**	348	**533**	348
Rental income		**736**	562	**1,244**	974
ATM income		**2,436**	14,795	**2,435**	14,795
Other		**6,768**	9,203	**6,250**	9,202
Total other income		**13,480**	28,738	**14,969**	30,649
Net operating income		**325,099**	320,748	**239,402**	244,573
Expenses					
Impairment on loans and advances		**1,820**	3,083	**1,783**	3,096
Personnel		**76,578**	65,842	**71,314**	61,430
Superannuation		**6,826**	5,932	**6,826**	5,932
Total Personnel		**83,404**	71,774	**78,140**	67,362
Occupancy		**20,089**	21,980	**20,140**	21,980
Depreciation of building		**40**	29	**40**	29
Depreciation of plant and equipment		**7,796**	8,626	**7,757**	8,595
Total Depreciation		**7,836**	8,655	**7,797**	8,624
Amortisation of intangible assets		**1,746**	1,510	**1,706**	1,489
Benefits paid - CUA Health Ltd		**69,543**	62,066	**-**	-
Information technology		**10,032**	12,196	**9,404**	11,625
Other expenses					
Fee and commission expense		**20,547**	21,005	**19,116**	19,978
General administrative expenses		**41,402**	44,470	**39,816**	42,999
Total other expenses		**61,949**	65,475	**58,932**	62,977
Total operating expenses		**256,419**	246,739	**177,902**	177,153

Notes to the financial statements (continued)

For the year ended 30 June 2012

3. Income tax

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Prima facie tax payable on profit @ 30% (2011 @ 30%)	**20,604**	22,203	**18,449**	20,226
Adjust for tax effect of:				
Other non-allowable expenses	**72**	64	**70**	60
Non-deductible depreciation and amortisation	**12**	9	**12**	9
Non-assessable income from tax exempt subsidiary - CUA Health Ltd	**(1,930)**	(1,628)	**-**	-
Fully franked dividends received	**(902)**	(1,149)	**(1,352)**	(1,599)
(Over)/under provision in prior year	**(172)**	129	**(212)**	(80)
	17,684	19,628	**16,967**	18,616
The components of tax expense comprise:				
Current tax	**16,964**	18,051	**16,251**	17,042
Deferred tax	**720**	1,577	**716**	1,574
	17,684	19,628	**16,967**	18,616
Franking Account				
Balance of franking account at year end, adjusted for franking credits and debits arising from payment of income tax or receipt of dividends at the reporting date based on a tax rate of 30% (2011: 30%)	**167,141**	149,230	**162,937**	145,327

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

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Net gain/(loss) on financial investments - available for sale	**41**	(14)	**41**	(14)
Net gain/(loss) on cash flow hedges	**(5,442)**	810	**(5,442)**	810
	(5,401)	796	**(5,401)**	796

Notes to the financial statements (continued)

For the year ended 30 June 2012

4. Remuneration of auditors

	Consolidated		Parent	
	2012	2011	**2012**	2011
	$	$	**$**	$
Remuneration of the auditor for:				
Audit of consolidated financial report	**327,609**	284,876	**270,753**	228,569
Taxation Services	**127,337**	124,666	**127,337**	124,666
Trusts including securitisation	**73,566**	77,147	**-**	-
Regulatory	**143,343**	111,629	**87,106**	44,181
Other	**104,716**	52,444	**71,122**	45,730
	776,571	650,762	**556,318**	443,146

5. Key management personnel

(a) CUA Directors and named key management personnel

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

Directors	Key Management Personnel
A E Beanland	**A D Hadley**
C Franks	**C M Whitehead**
C M Greer	**D A Northey**
E A Foster	**D L Tsoubos**
N I Ampherlaw	**J F George**
P G Dowling	**R N Juriansz**
P J Bedbrook	**A Taylor (appointed October 2011)**
C M Whitehead (Executive Director (appointed 9 September 2011) and CEO)	**D J Gee (appointed September 2011)**
R E Powell (resigned 3 July 2011)	**R P M Saville**
K B Ross (resigned 31 December 2011)	**S Coulter**
	B Los (resigned September 2011)
	P Fraser (Acting until October 2011)

Notes to the financial statements (continued)

For the year ended 30 June 2012

5. Key management personnel (continued)

(b) Compensation of CUA Directors and named key management personnel

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

	Directors		KMP	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
The aggregate compensation of named key management persons during the year comprising amount paid or payable or provided for was as follows:				
I. short term employee benefits	**747**	700	**3,096**	2,839
II. post employment benefits – superannuation	**44**	46	**162**	127
III. other long term benefits	**-**	-	**229**	414
IV. termination benefits	**170**	-	**540**	29
	961	746	**4,027**	3,409

Notes to the financial statements (continued)

For the year ended 30 June 2012

5. Key management personnel (continued)

(c) Loans to CUA Directors and named key management personnel

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

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

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

	Parent	
	2012 $'000	2011 $'000
Aggregate of loans to CUA Directors and named KMP as at balance date amounted to:	**6,441**	6,270
The total value of revolving credit facilities to CUA Directors and named KMP as at balance date amounted to:	**889**	1,348
Less amounts drawn down	**600**	561
Net balance available	**289**	787
During the year the aggregate value of loans disbursed to CUA Directors and named KMP amounted to:		
Revolving credit	**(459)**	30
Term loans	**-**	500
Interest and other revenue earned on loans and revolving credit facilities to CUA Directors and named KMP	**303**	375
Total value of savings and term deposits from CUA Directors and named KMP as at balance date	**1,759**	1,784
Total interest paid on deposits to CUA Directors and named KMP	**51**	57

Notes to the financial statements (continued)

For the year ended 30 June 2012

5. Key management personnel (continued)

(d) Other transactions with CUA Directors

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

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

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

This note should be read in conjunction with notes 33 and 35 of the financial statements.

6. Cash and cash equivalents

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Cash on hand	**5,611**	40,000	**5,611**	40,000
Deposits on call due from Authorised Deposit Institutions	**201,047**	39,911	**200,430**	40,092
	206,658	79,911	**206,041**	80,092

7. Financial assets – available for sale

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Deposits with Authorised Deposit Institutions	**281,182**	518,810	**276,147**	518,810
Shares in unlisted entities - carried at cost	**14,025**	14,025	**14,025**	14,025
	295,207	532,835	**290,172**	532,835

8. Financial assets – held to maturity

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Loans to subsidiary	**-**	-	**994**	920
Residential Mortgage Backed Securities	**-**	-	**40,109**	40,135
Deposits with Authorised Deposit Institutions	**757,037**	530,832	**665,327**	499,083
	757,037	530,832	**706,430**	540,138

Notes to the financial statements (continued)

For the year ended 30 June 2012

9. Derivative financial instruments

Interest rate swap contracts

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

	Assets 2012 $'000	**Liabilities 2012 $'000**	**Notional Amount 2012 $'000**	Assets 2011 $'000	Liabilities 2011 $'000	Notional Amount 2011 $'000
Derivatives at fair value through the income statement						
Interest rate swaps	**-**	**-**	**-**	-	-	-
Derivatives used as cash flow hedges						
Interest rate swaps	**-**	**23,314**	**1,465,000**	-	7,991	1,000,000
	-	**23,314**	**1,465,000**	-	7,991	1,000,000

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

Swaps

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

9. Derivative financial instruments (continued)

Cash flow hedges

The Group is exposed to variability in the future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. Below is a schedule indicating as at 30 June 2012, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

2012	**Within 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3-4 years $'000**	**4-5 years $'000**
Cash inflows	**-**	**-**	**-**	**-**	**-**
Cash outflows	**56,158**	**26,587**	**4,364**	**-**	**-**
Net cash flows	**(56,158)**	**(26,587)**	**(4,364)**	**-**	**-**

2011	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000
Cash inflows	-	-	-	-	-
Cash outflows	50,084	29,964	8,312	-	-
Net cash flows	(50,084)	(29,964)	(8,312)	-	-

The net gain/(loss) on derivatives through the Statement of financial performance during the year was as follows:

	2012 $'000	2011 $'000
Net gain/(loss) on derivatives at fair value through income statement	**1,021**	2,837
Net gain/(loss) on derivatives reclassified through income statement	**1,640**	5,688
Net gain/(loss) on ineffective hedges	**(46)**	117
	2,615	8,642
Tax effect	**(785)**	(2,593)
Net gain/(loss) on derivatives	**1,830**	6,049

10. Loans and advances

	Note	**Consolidated**		**Parent**	
		2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Overdrafts		**76,907**	85,171	**76,907**	85,171
Term loans		**8,020,898**	7,726,409	**8,020,885**	7,726,385
Gross loans and advances		**8,097,805**	7,811,580	**8,097,792**	7,811,556
Provision for impairment	11	**(5,454)**	(7,947)	**(5,397)**	(7,928)
Net Loans and Advances		**8,092,351**	7,803,633	**8,092,395**	7,803,628

Notes to the financial statements (continued)

For the year ended 30 June 2012

11. Impairment of loans and advances

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Provision for impairment				
Individual provision				
Opening balance	**4,419**	5,057	**4,400**	5,015
Bad and doubtful expense	**2,112**	2,395	**2,075**	2,408
Bad debts written off	**(4,315)**	(3,033)	**(4,316)**	(3,023)
Closing balance	**2,216**	4,419	**2,159**	4,400
Collective provision				
Opening balance	**3,528**	2,840	**3,528**	2,840
Bad and doubtful expense	**-**	688	**-**	688
Transfer to individual provision	**(290)**		**(290)**	
Closing balance	**3,238**	3,528	**3,238**	3,528
Total Provision for impairment	**5,454**	**7,947**	**5,397**	**7,928**

12. Other receivables

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Accrued income	**183**	208	**183**	208
Sundry debtors	**12,402**	11,885	**7,638**	7,295
Securitisation Trusts collection amounts	**1,189**	1,332	**-**	-
	13,774	13,425	**7,821**	7,503

Notes to the financial statements (continued)

For the year ended 30 June 2012

13. Investments in controlled entities

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Shares in subsidiary	**-**	-	**800**	800

This note should be read in conjunction with notes 33 and 34 of the financial statements.

14. Property, plant and equipment

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Land and buildings - at fair value	**8,201**	6,115	**8,201**	6,115
Depreciation	**(40)**	(29)	**(40)**	(29)
Additions	**-**	2,115	**-**	2,115
Land and buildings - at fair value	**8,161**	8,201	**8,161**	8,201
Plant and equipment – at cost	**47,653**	64,037	**47,483**	63,843
Accumulated depreciation	**(30,571)**	(41,096)	**(30,489)**	(40,999)
Total plant and equipment	**17,082**	22,941	**16,994**	22,844
Total capital work in progress	**22,628**	4,841	**22,627**	4,762
Total property, plant and equipment	**47,871**	35,983	**47,782**	35,807

Plant and equipment

The disposals during the year relate to the sale of the ATM network in September 2011.

Capital work in progress

The value of the capital work in progress relates mainly to the development of the CUA's new core banking system. Amounts are carried as work in progress until assets are commissioned in line with our account policy detailed in Note 1 (j). When these assets are commissioned they will be categorised between property, plant and equipment and intangible assets as appropriate.

Revaluation of freehold land and buildings and freehold buildings

The fair values of freehold land and freehold buildings have been determined based on independent valuations. The effective date of the last independent valuation was 30 June 2012. It was concluded that no impairment had occurred and that the current carrying value is appropriate at 30 June 2012.

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Notes to the financial statements (continued)

For the year ended 30 June 2012

14. Property, plant and equipment (continued)

Reconciliation of carrying amounts

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Land – carrying amount at beginning of financial year	**6,649**	5,239	**6,649**	5,239
Additions	**-**	1,410	**-**	1,410
Land – carrying amount at end of financial year	**6,649**	6,649	**6,649**	6,649
Building – carrying amount at beginning of financial year	**1,552**	876	**1,552**	876
Depreciation expense	**(40)**	(29)	**(40)**	(29)
Additions	**-**	705	**-**	705
Building – carrying amount at end of financial year	**1,512**	1,552	**1,512**	1,552
Total net carrying amount of land and buildings	**8,161**	8,201	**8,161**	8,201
Plant and equipment	**22,941**	24,612	**22,844**	24,509
Depreciation expense	**(7,796)**	(8,626)	**(7,757)**	(8,595)
Additions	**7,523**	7,321	**7,482**	7,275
Disposals	**(5,586)**	(366)	**(5,575)**	(345)
Total Plant and equipment	**17,082**	22,941	**16,994**	22,844

15. Deferred tax assets

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Deferred tax assets comprise temporary differences attributable to:				
- doubtful debts	**4,815**	5,574	**4,815**	5,574
- available for sale reserve	**-**	19	**-**	19
- employee benefits	**3,516**	3,137	**3,516**	3,137
- provisions	**1,005**	954	**1,013**	961
- property, plant and equipment	**2,397**	2,667	**2,396**	2,663
- interest rate swaps	**7,617**	2,960	**7,617**	2,960
- other	**508**	-	**427**	-
	19,858	15,311	**19,784**	15,314

Notes to the financial statements (continued)

For the year ended 30 June 2012

16. Intangible assets

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Computer Software at cost	**10,169**	6,926	**10,011**	6,846
Accumulated amortisation	**(6,506)**	(4,760)	**(6,445)**	(4,739)
	3,663	2,166	**3,566**	2,107
Reconciliation of carrying amounts				
Computer Software	**2,166**	2,127	**2,107**	2,127
Additions	**3,345**	1,598	**3,267**	1,518
Disposals	**(102)**	(49)	**(102)**	(49)
Amortisation expense	**(1,746)**	(1,510)	**(1,706)**	(1,489)
Net carrying amount	**3,663**	2,166	**3,566**	2,107

17. Other assets

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Prepayments	**1,693**	1,665	**1,693**	1,644

18. Deposits

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Members' shares	**3,587**	3,518	**3,587**	3,518
Members' call deposits	**2,963,686**	2,796,156	**2,972,546**	2,800,858
Members' term deposits	**3,596,966**	3,194,533	**3,606,978**	3,262,365
Interest payable	**53,136**	56,939	**53,293**	57,395
	6,617,375	6,051,146	**6,636,404**	6,124,136

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

19. Borrowings

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Securitisation Trust borrowings	**1,637,618**	1,999,544	**1,633,174**	1,995,536
Term borrowings	**411,143**	256,131	**411,143**	256,131
	2,048,761	2,255,675	**2,044,317**	2,251,667

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

20. Other payables

	Consolidated		Parent	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Insurance claims payable	**5,788**	4,659	**-**	-
Unearned premiums	**8,323**	7,920	**-**	-
Trade creditors and accruals	**23,887**	16,388	**17,300**	13,269
	37,998	28,967	**17,300**	13,269

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

21. Deferred tax liability

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Deferred tax liability comprise temporary differences attributable to:				
- timing differences related to PP&E	**743**	752	**743**	752
- available for sale mark-to-market	**18**	-	**18**	-
- securitisation setup costs	**826**	1,049	**826**	1,049
	1,587	1,801	**1,587**	1,801

22. Income tax payable

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Current income tax payable	**3,657**	3,212	**3,730**	3,160

Notes to the financial statements (continued)

For the year ended 30 June 2012

23. Provisions

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Employee benefits	**8,522**	8,675	**8,522**	8,675
Make good provision				
Opening balance	**3,014**	2,444	**3,014**	2,444
Increase in provision	**220**	570	**220**	570
Make good expense	**(9)**	-	**(9)**	-
Net carrying amount	**3,225**	3,014	**3,225**	3,014
Total provisions	**11,747**	11,689	**11,747**	11,689

24. Reserves

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Credit loss reserve	**9,251**	7,994	**9,251**	7,994
Redeemable preference share reserve	**2,299**	2,176	**2,299**	2,176
Available for sale reserve	**50**	(44)	**50**	(44)
Asset revaluation reserve	**2,086**	2,086	**2,086**	2,086
Cash flow hedge reserve	**(13,215)**	(518)	**(13,215)**	(518)
Business combination reserve	**9,590**	9,590	**9,590**	9,590
Closing balance	**10,061**	21,284	**10,061**	21,284

25. Retained earnings

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Opening balance	**633,996**	579,748	**584,871**	536,200
Net profit after tax	**50,996**	54,381	**44,533**	48,804
Transfer to credit loss reserve	**(1,257)**	-	**(1,257)**	-
Transfer to redeemable preference share reserve	**(123)**	(133)	**(123)**	(133)
Closing balance	**683,612**	633,996	**628,024**	584,871

Notes to the financial statements (continued)

For the year ended 30 June 2012

26. Maturity analysis of assets and liabilities

Consolidated Group - 2012

	Less than 12 months	Over 12 months	Total
Assets	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**206,658**	**-**	**206,658**
Financials assets – available for sale	**295,207**	**-**	**295,207**
Financial assets - held to maturity	**558,291**	**198,746**	**757,037**
Loans and advances	**5,461,721**	**2,630,630**	**8,092,351**
Other receivables	**13,774**	**-**	**13,774**
Property, plant and equipment	**-**	**47,871**	**47,871**
Deferred tax assets	**-**	**19,858**	**19,858**
Intangible assets	**-**	**3,663**	**3,663**
Other assets	**1,693**	**-**	**1,693**
Total Assets	**6,537,344**	**2,900,768**	**9,438,112**
Liabilities			
Derivative financial instruments	**7,374**	**15,940**	**23,314**
Deposits	**6,297,325**	**320,050**	**6,617,375**
Borrowings	**1,691,389**	**357,372**	**2,048,761**
Other payables	**37,998**	**-**	**37,998**
Deferred tax liability	**-**	**1,587**	**1,587**
Income tax payable	**3,657**	**-**	**3,657**
Provisions	**7,510**	**4,237**	**11,747**
Total Liabilities	**8,045,253**	**699,186**	**8,744,439**

Consolidated Group - 2011

	Less than 12 months	Over 12 months	Total
Assets	$'000	$'000	$'000
Cash and cash equivalents	79,911	-	79,911
Financials assets – available for sale	532,835	-	532,835
Financial assets - held to maturity	530,832	-	530,832
Loans and advances	5,301,738	2,501,895	7,803,633
Other receivables	13,425	-	13,425
Property, plant and equipment	-	35,983	35,983
Deferred tax assets	-	15,311	15,311
Intangible assets	-	2,166	2,166
Other assets	1,665	-	1,665
Total Assets	6,460,406	2,555,355	9,015,761
Liabilities			
Bank overdraft	-	-	-
Derivative financial instruments	1,748	6,243	7,991
Deposits	5,917,983	133,163	6,051,146
Borrowings	1,709,790	545,885	2,255,675
Other payables	28,967	-	28,967
Deferred tax liability	-	1,801	1,801
Income tax payable	3,212	-	3,212
Provisions	3,865	7,824	11,689
Total Liabilities	7,665,565	694,916	8,360,481

Notes to the financial statements (continued)

For the year ended 30 June 2012

26. Maturity analysis of assets and liabilities (continued)

Parent - 2012

	Less than 12 months	Over 12 months	Total
Assets	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**206,041**	**-**	**206,041**
Financials assets – available for sale	**290,172**	**-**	**290,172**
Financial assets - held to maturity	**466,736**	**239,694**	**706,430**
Loans and advances	**5,461,765**	**2,630,630**	**8,092,395**
Other receivables	**7,821**	**-**	**7,821**
Investments in controlled entities	**-**	**800**	**800**
Property, plant and equipment	**-**	**47,782**	**47,782**
Deferred tax assets	**-**	**19,784**	**19,784**
Intangible assets	**-**	**3,566**	**3,566**
Other assets	**1,693**	**-**	**1,693**
Total Assets	**6,434,228**	**2,942,256**	**9,376,484**
Liabilities			
Derivative financial instruments	**7,374**	**15,940**	**23,314**
Deposits	**6,316,354**	**320,050**	**6,636,404**
Borrowings	**1,686,945**	**357,372**	**2,044,317**
Other payables	**17,300**	**-**	**17,300**
Deferred tax liability	**-**	**1,587**	**1,587**
Income tax payable	**3,730**	**-**	**3,730**
Provisions	**7,510**	**4,237**	**11,747**
Total Liabilities	**8,039,213**	**699,186**	**8,738,399**

Parent - 2011

	Less than 12 months	Over 12 months	Total
Assets	$'000	$'000	$'000
Cash and cash equivalents	80,092	-	80,092
Financials assets – available for sale	532,835	-	532,835
Financial assets - held to maturity	499,082	41,056	540,138
Loans and advances	5,301,734	2,501,894	7,803,628
Other receivables	7,503	-	7,503
Investments in controlled entities	-	800	800
Property, plant and equipment	-	35,807	35,807
Deferred tax assets	-	15,314	15,314
Intangible assets	-	2,107	2,107
Other assets	1,644	-	1,644
Total Assets	6,422,890	2,596,978	9,019,868
Liabilities			
Bank overdraft	-	-	-
Derivative financial instruments	1,748	6,243	7,991
Deposits	5,990,973	133,163	6,124,136
Borrowings	1,705,783	545,884	2,251,667
Other payables	13,269	-	13,269
Deferred tax liability	-	1,801	1,801
Income tax payable	3,160	-	3,160
Provisions	3,865	7,824	11,689
Total Liabilities	7,718,798	694,915	8,413,713

Notes to the financial statements (continued)

For the year ended 30 June 2012

27. Commitments

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
(a) Lease expenditure commitments not provided for:				
Operating leases (non-cancellable)				
- not later than 1 year	**14,062**	17,612	**14,062**	17,612
- later than 1 and not later than 5 years	**31,686**	29,991	**31,686**	29,991
- later than 5 years	**15,737**	25,467	**15,737**	25,467
	61,485	73,070	**61,485**	73,070
(b) Outstanding Loan Commitments not provided for:				
Loan and credit facilities approved but not funded or drawn at the end of the financial year:				
- Loans approved but not funded at call	**189,045**	138,367	**189,045**	138,367
- Undrawn overdrafts and credit facilities at call	**241,577**	250,287	**241,577**	250,287

28. Statement of cash flows reconciliation

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Net profit/(loss) after income tax	**50,996**	54,381	**44,533**	48,804
Non-cash flows in profit after income tax:				
Depreciation and amortisation	**9,582**	10,165	**9,503**	10,113
Impairment of loans and advances	**1,820**	3,083	**1,783**	3,096
Derivative financial instruments	**(2,615)**	(8,642)	**(2,615)**	(8,642)
Other	**2,105**	(3,830)	**595**	(5,330)
Changes in assets and liabilities				
(Increase)/Decrease in Other receivables	**3,345**	4,998	**2,985**	553
Increase/(Decrease) in Other payables	**9,031**	(847)	**4,031**	258
(Increase)/Decrease in Loans and advances	**(290,538)**	(857,619)	**(290,550)**	(857,647)
(Increase)/Decrease in Prepayments	**(28)**	(340)	**(49)**	(338)
Increase/(Decrease) in Income taxes payable	**445**	(4,684)	**570**	(4,611)
(Increase)/Decrease in Deferred tax asset	**(4,547)**	2,784	**(4,470)**	2,737
Increase/(Decrease) in Provisions	**58**	845	**58**	921
Increase/(Decrease) in Deferred tax liability	**(214)**	(369)	**(214)**	(368)
Net cash provided by operating activities	**(220,560)**	(800,075)	**(233,840)**	(810,454)

Notes to the financial statements (continued)

For the year ended 30 June 2012

28. Statement of cash flows reconciliation (continued)

Cash flows presented on a net basis

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

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

29. Superannuation commitments

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

30. Events after the statement of financial position date

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

31. Standby borrowing facilities

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

	Consolidated		Parent	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Standby and overdraft arrangements:				
(i) Overdraft				
Approved limit	**10,000**	10,000	**10,000**	10,000
Amount utilised	**-**	-	**-**	-
(ii) Wholesale Funding				
a) Cuscal Ltd				
Approved limit	**75,000**	75,000	**75,000**	75,000
Amount utilised	**50,000**	75,000	**50,000**	75,000
b) Questor Financial Services Ltd				
Approved limit	**40,000**	40,000	**40,000**	40,000
Amount utilised	**40,000**	40,000	**40,000**	40,000
(ii) Waratah Finance Pty Ltd				
Approved limit	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Amount utilised	**534,733**	657,820	**534,733**	657,820
(iii) Rerserve Bank Australia (2012 Trust internal securitisation)				
Approved limit	**246,003**	-	**246,003**	-
Amount utilised	**-**	-	**-**	-

Notes to the financial statements (continued)

For the year ended 30 June 2012

31. Standby borrowing facilities (continued)

Cuscal Limited undertake settlement services on behalf of CUA and provide some of the standby and overdraft arrangements detailed above. Security for these banking facilities is supported by way of a fixed and floating charge over the assets and undertakings of CUA. The value of calls made under this charge during the financial year was nil (2011 - nil).

32. Contingent assets and liabilities

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

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

Cuscal Limited undertake settlement services on behalf of CUA and provide some of the standby and overdraft arrangements detailed above. Security for these banking facilities is supported by way of a fixed and floating charge over the assets and undertakings of CUA. The value of calls made under this charge during the financial year was nil (2011 - nil).

There were no contingent assets during the financial year.

33. Particulars in relation to controlled entities

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

Investments in controlled entities

	Equity interest %		Investment $	
Name of entity	**2012**	2011	**2012**	2011
CUA Health Ltd	**100%**	100%		
Credicorp Finance Pty Ltd	**100%**	100%	**800,000**	800,000
Credicorp Insurance Pty Ltd	**100%**	100%		
CUA Financial Planning Pty Ltd	**100%**	100%		
			800,000	800,000

All entities are incorporated in Australia.

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

CUA as the ultimate parent company to Credicorp Insurance Pty Ltd has indicated to APRA that it would provide additional capital, if required.

This note should be read in conjunction with notes 13 and 35 of the financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2012

34. Economic dependency

CUA has significant service contracts with the following suppliers:

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

(b) First Data International Ltd
This company operates the electronic switching network used to link member transactions on ATMs, VISA cards and Redicards to CUA's computer system.

35. Related parties

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

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

Parent entity:	Year	Sales to related parties	Purchases from related parties	Other transactions
		$	$	$
Dividend paid to CUA by Credicorp Finance Pty Ltd	**2012**	**-**	**-**	**1,500,000**
	2011	-	-	1,500,000
Dividend paid to Credicorp Finance Pty Ltd by Credicorp Insurance Pty Ltd, CUA Financial Planning Pty Ltd and CUA Travel Pty Ltd	**2012**	**-**	**-**	**2,100,000**
	2011	-	-	2,129,000
Rental paid to CUA by CUA Financial Planning Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd	**2012**	**-**	**-**	**373,404**
	2011	-	-	412,260
Management charges paid to CUA by CUA Health Ltd, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd	**2012**	**-**	**-**	**5,524,511**
	2011	-	-	4,919,025
Interest paid on investments held with CUA on behalf of CUA Financial Planning Pty Ltd, CUA Health Ltd, Credicorp Insurance Pty Ltd and Credicorp Finance Pty Ltd	**2012**	**-**	**1,196,271**	**-**
	2011	-	1,716,709	-
Interest received by CUA relating to interest charged on loans held with Credicorp Finance Pty Ltd	**2012**	**41,257**	**-**	**-**
	2011	108,435	-	-
Commission received by CUA from Credicorp Insurance Pty Ltd and CUA Health Ltd	**2012**	**1,430,778**	-	-
	2011	1,450,372	-	-

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management

Risk management policy objectives

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

Market risk and hedging policy

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Market risk and hedging policy (continued)

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

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

Credit Union	**2012**			2011		
	Average	**Max**	**Min**	Average	Max	Min
VaR%	1.10%	1.28%	0.96%	1.70%	2.44%	1.38%

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

Consolidated

Repricing period at 30 June 2012	**Floating rate**	**Fixed interest rate maturing**			**Non interest sensitive**	**Total**	**Effective interest rate**
		Within 1 Year	**1 to 5 Years**	**Over 5 Years**			
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**%**
Assets							
Cash and cash equivalents	**201,047**	**-**	**-**	**-**	**5,611**	**206,658**	**3.76%**
Financial assets - available for sale	**-**	**281,183**	**-**	**-**	**14,024**	**295,207**	**4.00%**
Financial assets - held to maturity	**-**	**558,291**	**198,746**	**-**	**-**	**757,037**	**4.72%**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**4,547,971**	**919,204**	**2,630,630**	**-**	**-**	**8,097,805**	**6.77%**
Total Assets	**4,749,018**	**1,758,678**	**2,829,376**	**-**	**19,635**	**9,356,707**	
Liabilities							
Derivative financial instruments	**23,314**	**-**	**-**	**-**	**-**	**23,314**	**-**
Deposits	**2,963,750**	**3,333,575**	**316,463**	**-**	**3,587**	**6,617,375**	**5.03%**
Commitments	**286,115**	**-**	**-**	**-**	**61,485**	**347,600**	**-**
Borrowings	**1,052,666**	**678,840**	**317,255**	**-**	**-**	**2,048,761**	**6.08%**
Total Liabilities	**4,325,845**	**4,012,415**	**633,718**	**-**	**65,072**	**9,037,050**	

* The longest maturity on floating rate products is 30 years

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Market risk and hedging policy (continued)

Consolidated (continued)

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Market risk and hedging policy (continued)

Parent

Repricing period at 30 June 2012	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets							
Cash and cash equivalents	200,430	-	-	-	5,611	206,041	3.76%
Financial assets - available for sale	-	276,147	-	-	14,025	290,172	4.00%
Financial assets - held to maturity	-	466,735	238,855	-	840	706,430	4.86%
Loans and advances	4,547,960	919,202	2,630,630	-	-	8,097,792	6.77%
Total Assets	4,748,390	1,662,084	2,869,485	-	20,476	9,300,435	
Liabilities							
Derivative financial instruments	23,314	-	-	-	-	23,314	-
Deposits	2,972,610	3,343,744	316,463	-	3,587	6,636,404	4.21%
Commitments	286,115	-	-	-	61,485	347,600	-
Borrowings	1,008,113	678,840	357,364	-	-	2,044,317	6.08%
Total Liabilities	4,290,152	4,022,584	673,827		65,072	9,051,635	

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Market risk and hedging policy (continued)

Parent (continued)

Repricing period at 30 June 2011	Floating rate	Fixed interest rate maturing			Non interest sensitive	Total	Effective interest rate
		Within 1 Year	1 to 5 Years	Over 5 Years			
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets							
Cash and cash equivalents	40,092	-	-	-	40,000	80,092	1.44%
Financial assets - available for sale	-	518,810	-	-	14,025	532,835	4.98%
Financial assets - held to maturity	-	499,083	40,135	-	920	540,138	5.76%
Loans and advances	4,272,318	1,037,344	2,501,688	206	-	7,811,556	8.23%
Total Assets	**4,312,410**	**2,055,237**	**2,541,823**	**206**	**54,945**	**8,964,621**	
Liabilities							
Derivative financial instruments	7,991	-	-	-	-	7,991	-
Deposits	2,800,974	3,189,999	129,645	-	3,518	6,124,136	4.64%
Commitments	388,654	-	-	-	74,580	463,234	-
Borrowings	1,063,191	642,592	545,884	-	-	2,251,667	7.02%
Total Liabilities	**4,260,810**	**3,832,591**	**675,529**	**-**	**78,098**	**8,847,028**	

Credit Risk

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

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2012:

Class of Asset	*$'000 balance Past due but not impaired*			
	Less than 28 days	28-90 days	More than 90 days	Total
Past due amount held at amortised cost	**296,306**	**38,246**	**6,500**	**341,053**
TOTAL	**296,306**	**38,246**	**6,500**	**341,053**

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Credit risk – counterparty concentration

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

To facilitate the requirements of participation in CUFSS (refer note 32), CUA has deposits and investments with Cuscal Ltd of $325,725,369 (2011: $570,393,698).

Credit risk – loan portfolio

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

	Consolidated	
	2012	2011
Loan to Value Ratio	**$'000**	$'000
LVR 0% - 60%	**1,983,155**	1,920,508
LVR 60.01% - 80%	**3,900,134**	3,781,953
LVR 80.01% - 90%	**1,038,523**	950,153
LVR 90.01% - 100%	**586,513**	566,241
LVR > 100%	**23,345**	23,586
	7,531,670	7,242,441

During the year, CUA took possession of properties with a carrying value of $1.69 million (2011: $1.93 million).

Credit Risk – geographical analysis

The risk of losses from loans granted is primarily reduced by the nature and quality of the security taken. That is, the security for all loans is fully insured. This is initially achieved on the financing of a loan, by proof of insurance being required before funding occurs. The borrower is then required to maintain this insurance, however to enable full coverage to be maintained at all times, an independent mortgagee coverage has also been taken out by the parent entity CUA. The maximum exposure is no different to the carrying values of the loans. CUA is of the opinion that there is no undue concentration of risk by way of geographical area or account holder groupings. Specific risk reports are prepared and distributed in order to ensure that the business has access to necessary and comprehensive information. The table below shows the geographical split of gross loans and advances of the Group.

State	**2012**		2011	
	Housing Loans $'000	**Other Loans $'000**	Housing Loans $'000	Other Loans $'000
New South Wales	**2,093,034**	**164,182**	2,038,577	164,853
Victoria	**1,542,288**	**112,303**	1,461,599	115,073
Queensland	**3,438,422**	**252,944**	3,315,201	252,173
South Australia	**22,886**	**1,584**	17,939	1,361
Western Australia	**292,062**	**24,771**	265,913	24,071
Tasmania	**11,020**	**860**	12,393	935
Northern Territory	**17,142**	**1,336**	14,102	1,121
ACT	**76,124**	**5,795**	64,520	5,604
Other	**38,692**	**2,360**	52,197	3,948
TOTAL	**7,531,670**	**566,135**	7,242,441	569,139

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Liquidity risk

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

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

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

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

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Consolidated Group - 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Derivative financial instruments	5,768	11,482	38,908	30,951	-	-	87,109
Members' shares	-	-	-	-	-	3,587	3,587
Members' call deposits	2,963,686	-	-	-	-	-	2,963,686
Members' term deposits	596,738	809,584	1,927,317	316,463	-	-	3,650,102
Borrowings	1,192,163	306,623	192,603	357,372	-	-	2,048,761
Total Financial Liabilities	**4,758,355**	**1,127,689**	**2,158,828**	**704,786**	**-**	**3,587**	**8,753,245**

Consolidated Group - 2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Derivative financial instruments	4,364	8,873	36,847	38,275	-	-	88,359
Members' shares	-	-	-	-	-	3,518	3,518
Members' call deposits	2,796,156	-	-	-	-	-	2,796,156
Members' term deposits	590,868	914,142	1,616,817	129,645	-	-	3,251,472
Borrowings	1,198,603	262,973	288,350	505,748	-	-	2,255,674
Total Financial Liabilities	**4,589,991**	**1,185,988**	**1,942,014**	**673,668**	**-**	**3,518**	**8,395,179**

Notes to the financial statements (continued)

For the year ended 30 June 2012

36. Risk management (continued)

Liquidity risk (continued)

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Parent - 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Derivative financial instruments	5,768	11,482	38,908	30,951	-	-	87,109
Members' shares	-	-	-	-	-	3,587	3,587
Members' call deposits	2,972,546	-	-	-	-	-	2,972,546
Members' term deposits	599,222	815,752	1,928,834	316,463	-	-	3,660,271
Borrowings	1,187,719	306,623	192,603	357,372	-	-	2,044,317
Total Financial Liabilities	**4,765,255**	**1,133,857**	**2,160,345**	**704,786**	**-**	**3,587**	**8,767,830**

Parent - 2011	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Derivative financial instruments	4,364	8,873	36,847	38,275	-	-	88,359
Members' shares	-	-	-	-	-	3,518	3,518
Members' call deposits	2,800,859	-	-	-	-		2,800,859
Members' term deposits	644,455	925,680	1,619,979	129,645	-	-	3,319,759
Borrowings	1,154,461	262,973	288,350	545,883	-	-	2,251,667
Total Financial Liabilities	**4,604,139**	**1,197,526**	**1,945,176**	**713,803**	**-**	**3,518**	**8,464,162**

Insurance risk

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

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

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

The Group manages the risk by monitoring the prepayment rate on the loans and taking the rate into account when adapting appropriate hedging strategies.

Notes to the financial statements (continued)

For the year ended 30 June 2012

37. Capital management

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

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

	Consolidated Group	
	As at June 2012	As at June 2011
Risk weighted capital ratios		
Tier 1	**14.66%**	13.30%
Tier 2	**0.05%**	0.11%
Total capital ratio	**14.71%**	13.41%
	$'000	$'000
Qualifying capital		
Tier 1	**595,824**	573,059
Tier 2	**1,984**	4,433
Total qualifying capital	**597,809**	577,492
Total risk weighted assets	**4,064,463**	4,308,946

Notes to the financial statements (continued)

For the year ended 30 June 2012

38. Business combination

Merger with Plenty Credit Co-Operative Limited

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

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

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2012

39. Fair value of financial instruments

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

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

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

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

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

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

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

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2012.

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

Deposits: The net fair value for deposits was calculated by utilising discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2012.

The net fair value of non-interest bearing, call and variable rate deposits repriced within twelve months is the carrying value as at 30 June 2012.

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

Fair value: The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the financial statements (continued)

For the year ended 30 June 2012

39. Fair value of financial instruments (continued)

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

	Total carrying amount as per the Statement of Financial Position		Aggregate fair value	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	**206,658**	79,911	**206,658**	79,911
Financial assets - available for sale	**295,207**	532,835	**295,207**	532,835
Financial assets - held to maturity	**757,037**	530,832	**757,037**	530,832
Derivative financial instruments	**-**	-	**-**	-
Loans and advances	**8,092,351**	7,803,633	**7,932,883**	7,507,112
Total Financial Assets	**9,351,253**	8,947,211	**9,191,785**	8,650,690
Financial Liabilities				
Bank overdraft	**-**	-	**-**	-
Derivative financial instruments	**23,314**	7,991	**23,314**	7,991
Deposits	**6,617,375**	6,051,146	**6,598,586**	6,083,863
Borrowings	**2,048,761**	2,255,675	**2,048,761**	2,255,675
Total Financial Liabilities	**8,689,450**	8,314,812	**8,670,661**	8,347,529

	Fair Value				Carrying Amount
2012	**Level 1**	**Level 2**	**Level 3**	**Total**	
Financial Assets					
Financial Assets - available for sale	**281,182**	**14,025**	**-**	**295,207**	**295,207**
Financial Assets - held to maturity	**757,037**	**-**	**-**	**757,037**	**757,037**
Total Financial Assets	**1,038,219**	**14,025**	**-**	**1,052,244**	**1,052,244**

	Fair Value				Carrying Amount
2011	**Level 1**	**Level 2**	**Level 3**	**Total**	
Financial Assets					
Financial Assets - available for sale	518,810	14,025	-	532,835	532,835
Financial Assets - held to maturity	530,832	-	-	530,832	530,832
Total Financial Assets	1,049,642	14,025	-	1,063,667	1,063,667

Notes to the financial statements (continued)

For the year ended 30 June 2012

39. Fair value of financial instruments (continued)

	Fair Value				Carrying Amount
2012	**Level 1**	**Level 2**	**Level 3**	**Total**	
Financial Liabilities					
Derivative financial instruments	-	**23,314**	-	**23,314**	**23,314**
Total Financial Liabilities	**-**	**23,314**	**-**	**23,314**	**23,314**

	Fair Value				Carrying Amount
2011	**Level 1**	**Level 2**	**Level 3**	**Total**	
Financial Liabilities					
Derivative financial instruments	-	7,991	-	7,991	7,991
Total Financial Liabilities	-	7,991	-	7,991	7,991

40. Company details

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

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

Directors' Declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the Credit Union and of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

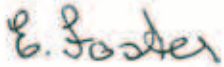
(ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and

(iii) the financial statements and notes to the financial statements are prepared in compliance with international financial reporting standards as made by the International Accounting Standards Board.

(b) there are reasonable grounds to believe that the Credit Union and the Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

A. E. Beanland
Chairman



E. A. Foster
Director

Brisbane
23 August 2012

ERNST & YOUNG

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

Report on the financial report

We have audited the accompanying financial report of Credit Union Australia Ltd (the 'company'), which comprises the statements of financial position as at 30 June 2012, the statements of financial performance, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Credit Union Australia Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Credit Union Australia Ltd and the consolidated entity's financial positions as at 30 June 2012 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
23 August 2012

CREDIT UNION AUSTRALIA LIMITED

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