General Purpose

Financial Report 2009

gateway cu

Contents

Directors' Report	2
Auditor's Independence Declaration	7
Income Statement	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Financial Statements	12
Directors' Declaration	49
Independent Audit Report	50

Directors' Report
For the year ended 30 June 2009

DIRECTORS
The names and details of the Credit Union's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Steven R Carritt	
Malcolm S Graham	
Jennifer M Wicks	
Allan J Beeston	(Retired from the Board 25 November 2008)
John B Flynn	
Catherine M Hallinan	
Kenneth J Pritchard	(Resigned 23 July 2008)
Graham B Raward	
Irene H van der Loos	

Name and qualifications	Experience and special responsibilities
Steven R Carritt Chairman Non-executive Director	Board Member since July 1992 Chairman since January 2005 Member of Members' Equity Protection Committee Member of Nominations & Remuneration Committee (since February 2009)
Qualifications BA (Accounting)	General Manager ALM, Group Treasury Commonwealth Bank of Australia 34 years Bank experience
Malcolm S Graham Deputy Chairman (part year) Non-executive Director	Board Member since July 1992 Deputy Chairman from March 1994 to January 1998 and March 2008 to February 2009 Chairman from February 1998 to December 2004
Qualifications MA (Management), F Fin, FAMI	Convenor of Risk & Audit Committee from February 2009 Member of Nominations & Remuneration Committee National Manager, Mortgage Funds ING Australia Ltd 36 years Bank and Finance experience
Jennifer M Wicks Deputy Chair (part year) Non-executive Director	Board Member since February 2008 Deputy Chair since February 2009
Qualifications BA, GMQ, GAICD	Member of Risk & Audit Committee Member of Members' Equity Protection Committee Management Consultant Over 20 years Bank experience

Name and qualifications	Experience and special responsibilities
Allan J Beeston Non-executive Director	Board Member since February 1984 (Retired from the Board 25 November 2008) Deputy Chairman from October 1990 to February 1994 Chairman from March 1994 to January 1998 Member of Audit Committee (until 25 November 2008) Retired 43 years Bank experience
John B Flynn Non-executive Director	Board Member since January 1989 Deputy Chairman from January 1998 to December 2002 Member of Risk & Audit Committee Finance Consultant 38 years Bank experience
Catherine M Hallinan Non-executive Director *Qualifications* BA (Hons), MBA, F Fin, GAICD	Board Member since 20 June 2006 Convenor of Nominations & Remuneration Committee (until February 2009) Convenor of Members' Equity Protection Committee Formerly General Manager, Investment Management & Life Zurich Financial Services Australia Limited 28 years Bank and Finance experience
Kenneth J Pritchard Non-executive Director *Qualifications* Graduate Diploma (Banking Management), F Fin, FINSIA, FAMI	Board Member since March 1994 (Resigned 23 July 2008) Member of Members' Equity Protection Committee (until 23 July 2008) Member of Audit Committee (until 23 July 2008) Management Consultant 37 years Bank experience
Graham B Raward Non-executive Director *Qualifications* B Comm, M Applied Finance	Board Member since 20 June 2006 Convenor of Audit Committee (until February 2009) Member of Risk & Audit Committee Executive Manager, Group Funding Commonwealth Bank of Australia 36 years Bank experience

Directors' Report
For the year ended 30 June 2009

Name and qualifications	Experience and special responsibilities
Irene H van der Loos Non-executive Director *Qualifications* Diploma, AICD	Board Member since February 2008 Convenor of Nominations & Remuneration Committee (since February 2009) General Manager Marketing NRMA Motoring & Services Director: Sydney Ports Corporation (2006-2012) 10 years Bank experience

COMPANY SECRETARY

Peter W G Gilmore *Qualifications* B Bus, CPA	Appointed Company Secretary November 2006 Head of Corporate Services, Gateway Credit Union Ltd 18 years post-qualification experience

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

		Board Meetings	Audit Committee Meetings	Nominations & Remuneration Committee Meetings	Risk & Compliance Committee Meetings	Members Equity Protection committee
Number of meetings held:						
Number of meetings attended:						
Steven R Carritt	A	12		3	1*	2
	B	14		3		2
Malcolm S Graham	A	13	1	1	3	
	B	14	1	3	3	
Jennifer M Wicks	A	14	2		2	2
	B	14	2		3	2
Allan J Beeston	A	5	2			
	B	6	2			
John B Flynn	A	13	1		3	
	B	14	1		3	
Catherine M Hallinan	A	12		2		2
	B	14		3		2
Kenneth J Pritchard	A	1				
	B	1				
Graham B Raward	A	13	4		1	
	B	14	4		1	
Irene H van der Loos	A	12		3		
	B	14		3		

A - Number of meetings attended
B - Number of meetings held during the time the Director held office during the year.

All Directors requested, and were granted, leave for meetings they were unable to attend.
*The Chairman is an ex-officio member of all committees.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the Directors recommend the declaration of a dividend.

Directors' Report

For the year ended 30 June 2009

CORPORATE INFORMATION

Gateway Credit Union is a public company limited by shares incorporated and domiciled in Australia.

The Credit Union employed 56 employees at 30 June 2009 (2008: 53 employees).

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of financial and associated services to Members in accordance with its constitution. There have been no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

The Credit Union's performance during the year was impacted by the unstable global financial environment. Profit from ordinary activities after income tax was $1.589 million (2008: $2.807 million). The shortfall in profit versus the prior year was largely caused by squeezed interest margins as a result of the Reserve Bank's unprecedented reductions in the benchmark cash rate totalling 4.25% between September 2008 and April 2009. Much of the Credit Union's funding comes from Term Deposits which reprice on maturity, whilst variable loan products reprice immediately.

During the year total loans outstanding reached $522.0 million (2008: $533.5 million), representing a decrease of $11.5 million over the previous financial year (2008: increase of $19.4 million). Total Member deposits reached $544.8 million, an increase of $42.8 million over the previous financial year (2008: $502.0 million).

Operating Results for the Year

The profit after tax of the Credit Union for the year ended 30 June 2009 was $1.589 million (2008: $2.807 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Credit Union during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events occurring after the balance date which may affect either the Credit Union's operations or results of those operations or the Credit Union's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors do not expect any significant changes in the operations or services of the Credit Union which will affect the results of the Credit Union in future years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Credit Union is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

SHARE OPTIONS

No option to acquire shares in the Credit Union has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

DIRECTORS' EMOLUMENTS

No benefits have been received or are due to be received by a Director, a firm of which the Director is a member, or an organisation in which a Director has a substantial financial interest, either during the financial year, or subsequently, under a contract for services rendered to the Credit Union.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, a premium was paid in respect of a contract insuring Directors and officers (including executive officers, secretary and employees) of the Credit Union against liability.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Credit Union under ASIC Class Order 98/0100. The Credit Union is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 7 of the report.

Signed in accordance with a resolution of the Directors.

Steven R Carritt
Chairman

Jennifer M Wicks
Deputy Chair

Sydney, 22 September 2009

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

In relation to our audit of the financial report of Gateway Credit Union Limited for the financial year ended 30 June 2009, 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

Sean Van Gorp
Partner
22 September 2009

Income Statement

For the year ended 30 June 2009

	Notes	2009 $'000	2008 $'000
Interest revenue	5(a)	**42,978**	45,152
Interest expense	5(a)	**(29,254)**	(29,747)
Net interest revenue		**13,724**	15,405
Non-interest revenue	5(b)	**1,340**	362
Total revenue		**15,064**	15,767
Accommodation expenses		**(961)**	(928)
Marketing expenses		**(969)**	(1,045)
IT expenses		**(1,086)**	(1,165)
Administration expenses		**(2,091)**	(2,064)
Employee benefits expenses	5(c)	**(5,834)**	(4,980)
Depreciation and amortisation expenses	5(d)	**(494)**	(438)
Other expenses	5(e)	**(1,564)**	(1,068)
Total expenses		**(12,999)**	(11,688)
Net profit before tax		**2,065**	4,079
Income tax expense	6	**(476)**	(1,272)
Net profit after tax attributable to members		**1,589**	2,807

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

Balance Sheet
As at 30 June 2009

	Notes	**2009 $'000**	2008 $'000
ASSETS			
Cash and cash equivalents	7	**10,141**	10,390
Held to maturity financial investments	10	**96,311**	60,850
Loans and advances	8	**522,013**	533,523
Current tax receivables		**476**	-
Other assets	9	**111**	156
Property, plant and equipment	11	**377**	419
Deferred tax assets	6	**675**	398
Intangible assets	12	**553**	785
TOTAL ASSETS		**630,657**	606,521
LIABILITIES			
Member deposits	13	**544,762**	501,952
Creditors and other liabilities	16	**3,065**	2,399
Interest-bearing loans and borrowings	15	**104**	21,000
Current tax liabilities		**-**	174
Provisions	14	**518**	377
TOTAL LIABILITIES		**548,449**	525,902
NET ASSETS		**82,208**	80,619
MEMBERS' EQUITY			
Retained earnings		**82,208**	80,619
TOTAL MEMBERS' EQUITY		**82,208**	80,619

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2009

	Notes	Retained earnings $'000	Credit losses reserve $'000	Total equity $'000
At 30 June 2007		75,860	1,952	77,812
Profit for the year		2,807	-	2,807
Total income and expense for the year		2,807	-	2,807
Transfer to retained earnings		1,952	(1,952)	-
At 30 June 2008		80,619	-	80,619
Profit for the year		**1,589**	**-**	**1,589**
Total income and expense for the year		**1,589**	**-**	**1,589**
At 30 June 2009		**82,208**	**-**	**82,208**

Cash Flow Statement

For the year ended 30 June 2009

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
Interest received		**43,730**	45,016
Bad debts recovered		**158**	52
Receipts from commissions, fees and other sources		**777**	309
Interest paid		**(30,818)**	(28,277)
Member loan repayments		**138,349**	104,799
Member loans disbursed		**(98,144)**	(125,203)
Payments to suppliers and employees		**(10,235)**	(10,967)
Income tax paid		**(1,404)**	(1,449)
Net cash flows from operating activities	18	**42,413**	(15,720)
Cash flows from investing activities			
Proceeds from redemption of investment securities		**214,043**	106,739
Payments for investment securities		**(250,146)**	(113,024)
Purchase of property, plant and equipment		**(154)**	(179)
Purchase of Intangible assets		**(77)**	(299)
Acquisition of Broadway Credit Union's loans & deposits, net of cash acquired	22	**11,882**	-
Net cash flows (used in) investing activities		**(24,452)**	(6,763)
Cash flows from financing activities			
Net Members' shares		**(24)**	(2)
Net Members' deposits		**2,710**	6,519
Proceeds from borrowings		**-**	21,000
Repayments of borrowings		**(21,000)**	-
Net cash flows from financing activities		**(18,314)**	27,517
Net increase in cash and cash equivalents		**(353)**	5,034
Cash and cash equivalents at beginning of year		**10,390**	5,356
Cash and cash equivalents at end of year	7	**10,037**	10,390

The above cash flow statement should be read in conjunction with the accompanying notes.

1 CORPORATE INFORMATION

The financial report of Gateway Credit Union (the Credit Union) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 22nd September 2009.

Gateway Credit Union is a public company limited by shares incorporated and domiciled in Australia. The address of the Credit Union's registered office is Level 11, 60 Castlereagh Street, Sydney, NSW.

The nature of the operations and principal activities of the Credit Union are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

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 Credit Union under ASIC Class Order 98/0100. The Credit Union is an entity to which the class order applies.

The balance sheet is prepared on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non current.

(b) Statement of compliance

Except for AASB 8 and AASB 2007-3 - Operating Segments which the Credit Union has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Credit Union for the annual reporting period ended 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Credit Union financial result	Application date for company*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Credit Union has no borrowings associated with qualifying assets and as such this amendment is unlikely to have any impact on the Credit Union's financial statements.	1 July 2009

AASB 101 (Revised), AASB 2007-8 and AASB2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Credit Union's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Credit Union has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Credit Union may enter into a business combination at some future date after this standard becomes effective. The impact of the standard would be determined by the nature of the combination entered into.	1 July 2009

AASB 2008-5 and AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project Further amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 1 July 2009	The Credit Union has not yet determined the extent of impact of the amendments, if any.	1 July 2009 1 July 2009
AASB 2008-8	Amendments to Australian Accountings Standards - Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The Credit Union has not yet determined the extent of the impact of the amendments, if any. The Credit Union presently does not have any hedged items.	1 July 2009

* designates the beginning of the applicable annual reporting period

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Functional and presentation currency

Both the functional and presentation currency of Gateway Credit Union is Australian dollars ($).

(d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short term bills and call deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings on the balance sheet.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Credit Union will not be able to collect the debt.

(f) Loans and advances to Members (Classified as loans and Receivables as per AASB 139)

Loans and advances to Members are measured at amortised cost.

(i) Basis of inclusion

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. However, the Credit Union does not currently charge origination fees.

Loans to Members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision for impairment.

(ii) Interest earned

Term Loans and Line of Credit – Interest is calculated on the basis of the daily closing balance outstanding and is charged in arrears to a Member's account on the last day of each month.

(iii) Loan fees

Fees for the recovery of costs incurred are allocated against the relevant expense.

(g) Loan impairment

The Credit Union assesses at each balance date whether there is any objective evidence that a loan and advance to a Member, or a group of loans and advances, is impaired. A loan and advance, or a group of loans and advances, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the loss event (or events) has an impact on the estimated future cash flows of the loans and advances or group of loans and advances that can be reliably estimated. Objective evidence of impairment may include indications that the borrower, or a group of borrowers is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Loan impairment (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'bad debts recovered'.

Bad debts are written off when identified. Identification may include: bankruptcy, clearout or unlikelihood of recovery. If a provision of 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 in the income statement.

(i) Specific provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans. The amount provided for impairment is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

(ii) Collective provision

A collective provision is made for groups of loans with similar credit risk characteristics. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is based upon estimated losses incurred within the portfolio, based upon objective evidence of impairment, the estimated probability of default and the expected loss given default having regard to the historical experience of the credit union.

(iii) General reserve for credit losses

The Board has determined that the collective and specific provisions against impaired loans as required under AASB 139 provide sufficient protection for Members against the prospect that some Members will experience loan repayment difficulties. As such, in 2008 the Board determined to transfer the balance of the general reserve for credit losses to retained earnings. The Board believes that the high level of capital retained by the Credit Union provides great strength against impaired losses and as such a nominal general provision is of no value. This is consistent with IFRS and industry practice.

(h) Restructured loans

Where possible, the Credit Union seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all the criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate.

(i) Bad debts written off

Bad debts are written off when identified by Management and the Board, when recovery of the debt is considered unlikely. Bad debts are written off as expenses in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Credit Union commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Credit Union has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(k) Derecognition of financial assets and financial liabilities

A financial asset is derecognised where :

- the rights to receive cash flows from the asset have expired; or
- the Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party unless under a 'pass-through' arrangement; and
- either (a) the Credit Union has transferred substantially all the risks and rewards of the asset, or (b) the Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Derecognition of financial assets and financial liabilities (continued)

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Credit Union's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Credit Union could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amount is recognised in profit or loss.

(l) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets at the following rates:

Plant and equipment - 15% - 33.3%
Leasehold property improvements - 12.5%

Assets that cost less than $300 are not capitalised, and are expensed in the month of purchase.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets

The intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software - 20% - 40%

The Credit Union's intangible assets only include the value of computer software.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Lease make good

A provision has been made for the present value of anticipated costs of future restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. An asset is created as a result of this provision which is included in leasehold improvements. This asset is amortised over the effective remaining life of each lease. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

(o) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Member deposits

(i) Basis for determination

Member Savings and Term Investments are quoted at the aggregate amount of moneys owing to depositors.

(ii) Interest payable

Interest on Savings and Term Deposits is calculated on the daily balance and posted to the accounts monthly, half-yearly, annually, or on maturity. Interest on Savings and Term Deposits is brought to account on an accrual basis in accordance with the interest rate, terms and conditions of each Savings and Term Deposit account as varied from time to time. The amount of the accrual is shown as part of Member Deposits.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year that are unpaid and arise when the Credit Union becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

(s) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(t) Provisions

Provisions are recognised when the Credit Union has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Credit Union expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(v) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Loan interest is calculated on the basis of the daily closing balance outstanding and is charged in arrears to a Member's account on the last day of each month.

Fees and commission income

The Credit Union earns fees and commissions from a diverse range of services it provides to its Members. Income is brought to account on an accrual basis once a right to receive consideration has been established.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Credit Union's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Credit Union's continuing profitability and each individual with the Credit Union is accountable for the risk exposures relating to his or her responsibilities. The Credit Union is exposed to market risk, credit risk, liquidity risk and operational risk.

The risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Credit Union's strategic planning process.

Core Components and Principles

During the year the Credit Union continued to develop its improvement program in relation to its Risk Management Framework.

The Credit Union's Risk Management Framework is embedded throughout the Credit Union's operations and governance process, and incorporates the following core components :

- a suite of policies, procedures and systems which together documents the Credit Union's Board-approved Risk Appetite Statement and risk management systems descriptions, establishes specific limits and other measures to restrict particular risk exposures, ensures that all categories of risk are actively monitored by the Board and managed by Executive Management, and provides for regular review of the Credit Union's risk tolerance;
- human resources practices designed to recruit, train and retain employees with required specialist skills;
- clearly documented delegations of responsibility and accountability of risk management throughout the organisation;
- internal control processes including structured Board and Executive Management reporting, a system of independent review (by Internal and External Audit) and constant Board oversight; and
- an operational philosophy that seeks to anticipate and minimise risks before they occur and that fully investigates, and learns from, any unexpected consequences that should arise.

Roles and Responsibilities

Board of Directors

The Board of Directors is responsible for the overall risk management framework and for approving the risk strategies and principles.

Risk and Compliance Committee

The Risk and Compliance Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Internal Audit

An independent internal auditor is engaged by the Board to review risk management and internal controls. The internal auditor provides reports to the Chair of the Audit Committee and has full access to staff and information when conducting its reviews.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Roles and Responsibilities

Chief Executive Officer

The Chief Executive Officer is responsible for the ongoing management of the Risk Management Framework including its periodic review and renewal subject to requisite Board direction and approvals.

Executive Management

The Executive Management team is responsible for implementing the Board-approved risk management strategy and for developing policies, procedures, processes and controls for identifying and managing risks in all areas of activity.

Asset and Liability Committee

The Asset and Liability Committee, chaired by the Chief Executive Officer, is responsible for overseeing the Treasury framework including the setting of deposit and loan rates in the context of monetary policy and market competition; the management of liquidity and development of new liquidity sources; approving the structure of the balance sheet; optimising the loan mix with the appropriate balance of risk and reward; monitoring the short and long-term capital position and managing the inherent interest rate risk.

Risk Measurement and Reporting

Monitoring and controlling risks is primarily performed based on limits established by the Board of the Credit Union. These limits reflect the business strategy and market environment of the Credit Union as well as the level of risk that the Credit Union is willing to accept.

Information is compiled, examined and processed in order to analyse, control and identify risks early. This information is presented and explained to the Management Committees, the Risk and Audit Committee and the Board of Directors. The reporting includes aggregate credit exposures, delinquency summary, loan security summary, loan type summary, liquidity ratios, VaR, sensitivity analysis and material changes. On a monthly basis detailed reporting takes place. Senior Management assesses the appropriateness of the allowance for impairment on a quarterly basis. The Board receives comprehensive risk reports once a month which are designed to provide all the necessary information to assess and conclude on the risks of the Credit Union.

Risk Mitigation

The Credit Union actively uses collateral to reduce its credit risks.

Excessive Risk Concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular geographical location.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Credit Union is only exposed to changes in interest rates.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a monthly basis.

VaR assumptions
The VaR that the Credit Union measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within twenty days horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Since VaR is an integral part of the Credit Union's interest rate risk management, VaR limits have been established and exposures are reviewed monthly against the limits by management.

The VaR during the year was as follows :

	2009 $000's	2008 $000's
30 June	279	540
Average	398	406
Highest	503	540
Lowest	278	219

The Credit Union's exposure to interest rate risk is minimal. The majority of the Credit Union's financial assets are variable rate loans. Interest rate risks are mitigated to a minimum level by the Credit Union's policy of funding the variable rate assets with variable rate debts, matching the rollover periods of the assets, as shown in the below table. The Credit Union's exposure to interest rate risk and the effective weighted interest rate for classes of financial assets and financial liabilities are set out below:

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

2009	Note	Weighted average interest rate %	Floating interest rate	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
			$000's	$000's	$000's	$000's	$000's	$000's
Financial Assets								
Cash and liquid assets		2.78	10,139	-	-	-	2	10,141
Held to maturity investments		3.55	-	96,311	-	-	-	96,311
Loans and advances		6.29	455,754	40,740	26,016	297	-	522,807
Total financial assets			465,893	137,051	26,016	297	2	629,259
Financial Liabilities Including Equity								
Members' deposits		3.73	191,996	337,535	15,153	-	77	544,761
Creditors and other liabilities		N/A	-	-	-	-	3,065	3,065
Borrowings		8.89	104	-	-	-	-	104
Provisions		N/A	-	-	-	-	518	518
Equity		N/A	-	-	-	-	82,208	82,208
Total Financial Liabilities and equity			192,100	337,535	15,153	-	85,868	630,656
Total Interest Rate Repricing Gap			273,793	-200,484	10,863	297	-85,866	-1,397
Cumulative Interest Rate Repricing Gap			273,793	73,309	84,172	84,469	-1,397	

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

2008	**Note**	**Weighted average interest rate %**	**Floating interest rate**	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
			$000's	$000's	$000's	$000's	$000's	$000's
Financial Assets								
Cash and liquid assets		7.12	10,388	-	-	-	2	10,390
Held to maturity investments		8.00	-	60,850	-	-	-	60,850
Loans and advances		7.08	363,792	95,249	75,261	-	-	534,302
								-
Total financial assets			374,180	156,099	75,261	-	2	605,542
Financial Liabilities Including Equity								
Members' deposits		6.21	174,337	322,604	4,912	-	99	501,952
Creditors and other liabilities		N/A	-	-	-	-	2,399	2,399
Borrowings		8.25	-	21,000	-	-	-	21,000
Provisions		N/A	-	-	-	-	377	377
Equity		N/A	-	-	-	-	80,619	80,619
Total Financial Liabilities and equity			174,337	343,604	4,912	-	83,494	606,347
Total Interest Rate Repricing Gap			199,843	-187,505	70,349	0	-83,492	-805
Cumulative Interest Rate Repricing Gap			199,843	12,338	82,687	82,687	-805	

(b) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet an obligation under a contract. It arises principally from the loans and receivables. Potential customers and new facilities of existing customers are subjected to the loan approval system of the Credit Union. Credit quality follows the Credit Union's policy which is reviewed regularly and amendments, where necessary, are implemented promptly.

Maximum exposure to credit risk

The Credit Union's maximum credit risk exposure equals the drawdown portion on the Balance Sheet and the undrawn portion of all committed facilities of loans and receivables, and is provided by the following table:

	2009	2008
	$000's	$000's
Bank balances	10,139	10,388
Held to maturity investments	96,311	60,850
Loans and advances	522,013	533,523
Unused Committed Loan Facilities	4,511	6,332
	632,974	611,093

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Collateral and other credit enhancements

Loans and advances, except unsecured lines of credit and personal loans, are backed by collateral. The amount and type of collateral required depends on the assessment of the credit risk of the Member. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows :

- for retail lending, mortgages over residential properties
- for commercial lending, charges over real estate properties

Management monitors the market value of collateral.

The terms and conditions of the collateral are specific to individual loan and security types.

It is the Credit Union's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Credit Union does not occupy repossessed properties for business use.

For bank balances and held to maturity investments, the balances are unsecured. The Credit Union has a policy only to invest with counterparties with investment grade ratings and to limit the exposures to them to maximum levels for each counterparty.

Concentrations of credit risk

The Credit Union monitors concentrations of credit risk by undertaking transactions with customers and counterparties primarily in New South Wales.

Concentrations of the Credit Union's credit risk by geographic areas are:

	2009	2008
	%	%
New South Wales	69.4	69.0
Victoria	15.7	15.9
Queensland	7.1	7.6
Western Australia	3.0	2.9
South Australia	2.2	2.2
Tasmania	0.8	0.7
Other	1.8	1.7
Total	**100.0**	**100.0**

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Credit Union will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has standby funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

The Credit Union maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Credit Union also has a committed line of credit that it can access to meet its liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Credit Union. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank certificates of deposits/bills available for immediate sale.

In the present economic environment, in order to minimise the risk of the liquidity ratio falling below 12% (as presently mandated by APRA), the Board has determined a target liquidity trading range of 15% - 19% and an internal minimum liquidity ratio of 13%. In the event that liquidity ratio falls below 13% or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and management.

The Liquidity ratio during year was as follows :

	2009	2008
	%	%
30 June	19.32	13.44
Average during the period	18.18	13.41
Highest	21.39	17.13
Lowest	13.34	11.63

Refer to Notes 13, 15 and 16 for maturity analysis of financial liabilities.

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Credit Union cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Credit Union is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment losses on loans and advances
The Credit Union reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Credit Union also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in geographic risk, hardship applications or delinquency trends.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets
The Credit Union assesses impairment of all assets at each reporting date by evaluating conditions specific to the Credit Union and to the particular asset that may lead to impairment. These include technology, economic and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Taxation
The Credit Union's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(i) Significant accounting judgements (continued)

Taxation (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future performance, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(ii) Significant accounting estimates and assumptions

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leasehold improvements). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

5 REVENUE AND EXPENSES

(a) Interest revenue and interest expense

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2009			
Loans and advances to Members	**534,242**	**37,503**	**7.02**
Investment securities	**74,396**	**4,284**	**5.76**
Deposits at call with other financial institutions	**25,237**	**1,191**	**4.72**
	633,875	**42,978**	**6.78**
Interest revenue 2008			
Loans and advances to Members	523,456	40,270	7.69
Investment securities	52,979	3,781	7.14
Deposits at call with other financial institutions	15,835	1,101	6.95
	592,270	45,152	7.09
Interest expense 2009			
Member deposits	**534,255**	**27,771**	**5.20**
Overdraft	**48**	**5**	**10.18**
Borrowing	**14,000**	**1,478**	**10.55**
	548,303	**29,254**	**5.34**
Interest expense 2008			
Member deposits	501,782	28,845	5.75
Overdraft	25	3	10.63
Borrowing	8,615	899	10.44
	510,422	29,747	5.84

	2009 $'000	2008 $'000
5 REVENUE AND EXPENSES (continued)		
(b) Non-interest revenue		
Fees and commissions	**570**	310
Bad debts recovered	**158**	52
Other income	**212**	-
Discount on acquired loans	**400**	-
	1,340	362
(c) Employee benefits expenses		
Wages and salaries	**4,746**	4,040
Workers' compensation costs	**26**	27
Defined contribution superannuation expense	**379**	298
Other employee benefit expense	**683**	615
Total employee benefits expense	**5,834**	4,980
(d) Depreciation and amortisation		
Depreciation of non-current assets		
Plant and equipment	**158**	182
Leasehold property improvements	**27**	23
Total depreciation of non-current assets	**185**	205
Amortisation of intangible assets		
Computer software	**309**	233
Total amortisation of intangible assets	**309**	**233**
Total depreciation and amortisation	**494**	438
(e) Other expenses		
Increase in impairment losses on loans and advances	**15**	140
Bad debts written off directly	**1,503**	868
Other expenses	**46**	60
Total other expenses	**1,564**	1,068
(f) Other expenses included in the income statement		
Minimum lease payments - operating lease	**866**	824
Loss on disposal of property, plant and equipment	**11**	1
Loss on disposal of intangible assets	**-**	3

	2009 $'000	2008 $'000
6 INCOME TAX		
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	**745**	1,290
Adjustments in respect of current income tax of previous years	**8**	74
Deferred income tax		
Relating to origination and reversal of temporary differences	**(277)**	(92)
Income tax expense reported in the income statement	**476**	1,272

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Credit Union's applicable income tax rate is as follows:

	2009 $'000	2008 $'000
Total accounting profit before income tax	**2,065**	4,079
At the Credit Union's statutory income tax rate of 30% (2008: 30%)	**620**	1,224
Adjustments in respect of current income tax of previous years	**8**	74
Adjustments in respect of deferred tax of previous years	**(148)**	(35)
Non-deductible expenses	**5**	9
Investment Allowance : general business tax break	**(9)**	-
Aggregate income tax expense	**476**	1,272

(c) Recognised deferred tax assets and liabilities

Deferred tax at 30 June relates to the following:

	2009 $'000	2008 $'000
BALANCE SHEET		
(i) Deferred tax liabilities		
Other assets	**-**	-
Gross deferred tax liabilities	**-**	-
(ii) Deferred income tax assets		
Loans and advances	**238**	234
Plant and equipment	**140**	34
Creditors and other liabilities	**142**	18
Employee entitlements	**155**	112
Gross deferred tax assets	**675**	398
Set-off of deferred tax assets/(liabilities)	**-**	-
Net deferred income tax assets	**675**	398

		2009 $'000	2008 $'000
6	**INCOME TAX (continued)**		
	INCOME STATEMENT		
	Deferred income tax charge		
	Loans and advances	**(4)**	(41)
	Plant and equipment	**(106)**	10
	Creditors and other liabilities	**(124)**	5
	Employee entitlements	**(43)**	(5)
	Other assets	**-**	(61)
	Deferred tax (income)/expense	**(277)**	(92)

(d) Unrecognised temporary differences

At 30 June 2009, there are no unrecognised temporary differences (2008: $nil).

(e) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	2009 $'000	2008 $'000
– franking account balance as at the end of the financial year at 30% (2008: 30%).	**23,715**	22,311
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	**476**	174
– franking debits that will arise from the receipt of income tax receivable as at the end of the financial year	**-**	-
	24,191	22,485

7 CASH AND CASH EQUIVALENTS

	2009 $'000	2008 $'000
Cash on hand	**2**	2
Cash at bank	**502**	192
Deposits at call with financial institutions	**9,637**	10,196
	10,141	10,390

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Credit Union, and earn interest at the respective short-term deposit rates.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:

	2009 $'000	2008 $'000
Cash on hand	**2**	2
Deposits at call with financial institutions	**9,637**	10,196
Cash at bank	**502**	192
Bank overdrafts (note 15)	**(104)**	-
	10,037	10,390

	2009 $'000	2008 $'000
8 LOANS AND ADVANCES		
Lines of credit	**85,103**	93,856
Term loans	**437,704**	440,446
Gross loans and advances	**522,807**	534,302
Allowance for impairment loss	**(794)**	(779)
Net loans and advances	**522,013**	533,523
Security dissection		
Secured by mortgage	**447,273**	450,365
Secured other	**15,300**	15,653
Unsecured	**60,234**	68,284
	522,807	534,302
Purpose dissection		
Residential loans	**442,078**	450,155
Personal loans	**75,534**	83,937
Commercial loans	**5,195**	210
	522,807	534,302
Maturity analysis - gross loans and advances		
Not later than three months	**5,201**	5,532
Later than three months but not later than one year	**17,982**	27,952
Later than one year but not later than five years	**74,907**	74,310
Later than five years	**424,717**	426,508
	522,807	534,302

(a) Allowance for impairment loss

An incremental allowance for impairment loss of $15,000 (2008: $140,000) has been recognised by the Credit Union in the 'other expenses' line item for the current year for specific debtors and debtors assessed on a collective basis, as described in note 2(g), for which such evidence exists.

Movements in the allowance for impairment loss were as follows:

	2009	2008
At 1 July	**779**	639
Charge for the year	**15**	140
At 30 June	**794**	779

At 30 June, the analysis of loans and advances is as follows:

	2009	2008
Neither past due nor impaired*	**457,845**	466,072
Less than 3 months		
Past due but not impaired**	**63,948**	67,197
Individually impaired	**-**	10
3 months - 1 year		
Past due but not impaired**	**667**	1,006
Individually impaired	**9**	17
1- 5 years		
Past due but not impaired**	**211**	-
Individually impaired	**127**	-
	522,807	**534,302**

	2009 $'000	2008 $'000

8 LOANS AND ADVANCES (continued)

(a) Allowance for impairment loss (continued)

* The credit quality of the financial assets that are neither past due nor impaired is considered of satisfactory standard. The credit quality of the portfolio is monitored on a continual basis through benchmarking delinquency, bankruptcy and write-off trends against historical and industry levels.

** Payment terms on these amounts have not been renegotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

	2009 $'000	2008 $'000
Restructured loans (Note 2h)	**10**	215

The estimation of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	2009 $'000	2008 $'000
Past due over 29 days but not impaired	**808**	3,238
Individually impaired	**13**	19

Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

(b) Concentration of loans

Individual loans which exceed 5% of Members' funds in aggregate amount to $nil (2008: $nil).

Details of classes of loans which represent, in aggregate, 5% or more of Members' funds are set out below. This information was extracted from the records of payroll deductions and residential postcodes.

	2009 $'000	2008 $'000
Industry Group		
Employees of Commonwealth Bank of Australia and Reserve Bank of Australia	**168,530**	195,308
Geographic Areas-Residence and/ or Employed Within:		
New South Wales	**362,727**	368,894
Victoria	**82,161**	84,637
Queensland	**36,995**	40,749
Western Australia	**15,888**	15,553
South Australia	**11,530**	11,463
Tasmania	**4,082**	3,938
Other	**9,424**	9,068
Total	**522,807**	534,302

	2009 $'000	2008 $'000
8 LOANS AND ADVANCES (continued)		

(c) Fair value

The *carrying amount* of loans and advances are as follows:

	2009 $'000	2008 $'000
Lines of credit	**85,103**	93,856
Term loans	**437,704**	440,446
	522,807	534,302

The *fair values* of loans and advances are as follows:

	2009 $'000	2008 $'000
Lines of credit	**85,171**	93,843
Term loans	**438,941**	439,686
	524,112	533,529

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk.

9 OTHER ASSETS

	2009 $'000	2008 $'000
Prepayments	**34**	73
Sundry debtors	**77**	83
	111	156

Sundry debtors are neither impaired nor past due. It is expected that these balances will be received when due.

10 HELD TO MATURITY FINANCIAL INVESTMENTS

	2009 $'000	2008 $'000
Term deposits	**96,311**	6,799
Bank Bills	**-**	14,880
Certificates of deposits	**-**	39,171
	96,311	60,850

Maturity analysis

	2009 $'000	2008 $'000
< 3 months	**56,140**	34,674
3 months - 6 months	**40,171**	26,176
Total	**96,311**	60,850

Due to the short-term nature, the carrying amount of the held-to-maturity financial investments approximate their fair value.

11 PROPERTY, PLANT AND EQUIPMENT

	2009 $'000	2008 $'000
Plant and equipment		
At cost	**1,173**	1,408
Accumulated depreciation	**(858)**	(1,078)
Net carrying amount	**315**	330
Leasehold property improvements		
At cost	**197**	197
Accumulated depreciation	**(135)**	(108)
Net carrying amount	**62**	89
Total property, plant and equipment		
At cost	**1,370**	1,408
Accumulated depreciation and impairment	**(993)**	(1,078)
Net carrying amount	**377**	419
Reconciliation of carrying amounts at the beginning and end of the period		
Plant and equipment		
Balance at the beginning of the year		
At cost	**1,408**	1,332
Accumulated depreciation	**(1,078)**	(966)
Net carrying amount	**330**	366
Additions	**154**	147
Disposals	**(11)**	(1)
Depreciation charge for the year	**(158)**	(182)
Balance at the end of the year - Net carrying amount	**315**	330
Leasehold property improvements		
Balance at the beginning of the year		
At cost	**197**	165
Accumulated depreciation	**(108)**	(85)
Net carrying amount	**89**	80
Additions	**-**	32
Depreciation charge for the year	**(27)**	(23)
Balance at the end of the year - Net carrying amount	**62**	89
Total Property, plant and equipment		
Balance at the beginning of the year		
At cost	**1,605**	1,497
Accumulated depreciation and impairment	**(1,186)**	(1,051)
Net carrying amount	**419**	446
Additions	**154**	179
Disposals	**(11)**	(1)
Depreciation charge for the year	**(185)**	(205)
Balance at the end of the year - Net carrying amount	**377**	419

		2009 $'000	2008 $'000
12	**INTANGIBLES AND GOODWILL**		
	Computer software		
	At Cost	**1,180**	1,134
	Accumulated amortisation	**(627)**	(349)
	Net carrying amount	**553**	**785**
	Reconciliation of carrying amount at beginning and end of the period		
	Computer software		
	Balance at the beginning of the year		
	At Cost	**1,134**	895
	Accumulated amortisation	**(349)**	(173)
	Net carrying amount	**785**	722
	Additions	**77**	299
	Disposal	**-**	(3)
	Amortisation	**(309)**	(233)
	Balance at the end of the year - Net carrying amount	**553**	785
13	**MEMBER DEPOSITS**		
	Call deposits	**191,996**	174,337
	Term deposits	**352,569**	327,516
	Fair value adjustment on acquired deposits	**120**	-
	Withdrawable shares	**77**	99
		544,762	501,952
(a)	**Undiscounted Maturity analysis of Member deposits**		
	At call	**192,073**	174,436
	< 3 months	**207,175**	152,809
	3 months - 6 months	**96,724**	114,087
	6 months - 1 year	**37,306**	63,113
	1 - 5 years	**16,591**	5,464
		549,869	509,909

(b) Concentration of Member deposits

No individual Member deposits represent 5% or more of the total liabilities of the Credit Union.

(c) Fair value

The carrying amount of Member deposits are as follows:

	2009 $'000	2008 $'000
Call deposits	**191,996**	174,337
Term deposits	**352,569**	327,516
Fair value adjustment on deposits acquired	**120**	-
Withdrawable shares	**77**	99
	544,762	501,952

	2009 $'000	2008 $'000
13 MEMBER DEPOSITS (continued)		
The fair values of Member deposits are as follows:		
Call deposits	**195,363**	177,690
Term deposits	**350,602**	323,411
Withdrawable shares	**77**	99
	546,042	501,200

Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value.

(d) Interest rate and liquidity risk

Information regarding the liquidity risk and effective interest rate risk of Member deposits is set out in note 3.

14 PROVISIONS

	2009 $'000	2008 $'000
Long service leave	**238**	156
Annual leave	**217**	190
Lease make-good	**63**	31
	518	377
Settlement term (years)		
Long service leave	**15**	15
Lease make-good	**1.3**	2.3

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Lease Make-good	*Long Service Leave*
At 1 July 2008	**31**	**156**
Arising during the year	**32**	**140**
Utilised	**-**	**-**
Unused amounts reversed	**-**	**(79)**
At 30 June 2009	**63**	**217**

In accordance with the lease agreement, the Credit Union must restore the leased premises in Sydney to its original condition at the end of the lease term. A provision of $32,000 was raised during the year ended 30 June 2009 (2008: $31,000) in respect of the Credit Union's obligation to remove leasehold improvements from these leased premises.

	2009 $'000	2008 $'000
15 INTEREST-BEARING LOANS AND BORROWINGS		
Bank overdrafts	**104**	-
Bank loans	**-**	21,000
	104	21,000

(a) Undiscounted Maturity analysis of interest bearing loans and borrowings

	2009 $'000	2008 $'000
At call	**104**	-
Less than 3 months	**-**	15,611
3 months - 6 months	**-**	6,251
	104	21,862

(b) Fair values

Due to the short-term nature of these borrowings, the carrying amount of the Credit Union's borrowings approximate their fair value.

(c) Terms and conditions

The bank overdraft facility is unsecured and may be drawn at any time. The committed facility is unsecured and may be drawn by giving 2 days' notice.

(d) Financing facilities available

At reporting date, the following financing facilities with the Commonwealth Bank of Australia had been negotiated and were available:

	2009 $'000	2008 $'000
Total facilities		
Bank overdraft	**1,100**	1,100
Committed facility	**50,000**	50,000
	51,100	51,100
Facilities used at reporting date		
Bank overdraft	**104**	-
Committed facility	**-**	-
	104	-
Facilities unused at reporting date		
Bank overdraft	**996**	1,100
Committed facility	**50,000**	50,000
	50,996	51,100

(e) Assets pledged as security

At the reporting date, there were no assets pledged as security for interest bearing liabilities.

(f) Interest rate risk

Information regarding the interest rate risk of the interest bearing loans and borrowings is set out in note 3.

(g) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

	2009 $'000	2008 $'000
16 CREDITORS AND OTHER LIABILITIES		
Creditors and accruals	**3,065**	2,399
	3,065	2,399
Undiscounted Maturity analysis of Creditors and accruals:		
Less than 3 months	**3,065**	2,399

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

The payables are non-trade, non-interest bearing and have an average term of 14 days.

17 Capital Management

The Credit Union is licensed as an Australian Deposit-Taking Institution (ADI) under the Banking Act and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel II capital framework. The Credit Union has complied with these requirements since their implementation from 1 January 2008.

The Basel II Standards include APS 110 Capital Adequacy which:

a) Imposes on the Board a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Credit Union is exposed from its activities; and

b) Obliges the Credit Union to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

There are three pillars to the Basel II capital framework -

Pillar 1 - involves specific capital charges for credit risk, operational risk, and the risk of financial market trading activities.

Pillar 2 - involves the Credit Union making an assessment of any additional capital necessary to cover other risks not included in Pillar 1.

Pillar 3 - involves increased reporting by the Credit Union to APRA.

The Credit Union's regulatory capital is analysed into two tiers -
Tier 1 capital, which includes general reserves and current year earnings.
Tier 2 capital, which includes upper tier 2 capital of the general reserve for credit losses.

Various limits are applied to elements of the capital base. APRA may require an ADI to hold more than 50% of its required prudential capital in the form of Tier 1 capital and there are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include deferred tax assets and intangible assets.

	2009 $'000	2008 $'000
17 Capital Management (continued)		
Regulatory capital		
Tier 1 capital	**78,305**	78,267
Tier 2 capital	**2,675**	1,952
Capital Base	**80,980**	80,219
Risk weighted assets	**294,747**	300,573
Capital adequacy ratios	**27.47%**	26.69%

During the period the Credit Union has complied with all externally imposed capital requirements.

18 CASH FLOW STATEMENT RECONCILIATION

Reconciliation of net profit after tax to net cash flows from operations

	2009 $'000	2008 $'000
Profit for the year	**1,589**	2,807
Adjustments for:		
Depreciation and amortisation	**494**	438
Bad debts written off	**1,503**	868
Net (profit)/loss on disposal of property, plant and equipment	**11**	1
Net (profit)/loss on disposal of intangible asset	**-**	3
Movement in provision for doubtful debts	**15**	140
Non-cash sundry Income	**(4)**	-
Fair value adjustment on acquired deposits	**(280)**	-
Discount on acquired loans	**(400)**	-
Changes in assets and liabilities		
(Increase)/Decrease in other assets	**45**	54
(Increase)/Decrease in deferred tax assets	**(277)**	(92)
(Increase)/Decrease in accrued interest on investments	**642**	(332)
(Decrease)/Increase in Loans and advances	**40,205**	(20,404)
(Decrease)/Increase in current tax liability	**(650)**	(86)
(Decrease)/Increase in provisions	**141**	17
(Decrease)/Increase in trade creditors and other liabilities	**(621)**	866
Net cash flows from operating activities	**42,413**	(15,720)

	2009 $'000	2008 $'000

19 COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating lease commitments – Credit Union as lessee

The Company has entered into commercial lease on its office premises at Level 11, 60 Castlereagh Street, Sydney. The lease has a life of 8 years expiring in October 2010 with an option to renew for 3 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2009 $'000	2008 $'000
Within one year	**892**	858
After one year but not more than five years	**-**	892
Total minimum lease payments	**892**	1,750

(ii) Capital expenditure commitments

	2009 $'000	2008 $'000
Contracted but not provided for and payable within one year	**-**	-

(iii) Outstanding loan commitments

	2009 $'000	2008 $'000
Member loans approved but not funded	**4,511**	6,332

There is no certainty that all unfunded loans will ultimately be funded.

(iv) Outstanding line of credit commitments

	2009 $'000	2008 $'000
Member line of credit facilities approved but not funded	**70,188**	94,340

The Credit Union retains the right, at any time, to reduce or withdraw an approved line of credit limit or facility.

(b) Contingencies

As at 30 June 2009, there are no significant contingent liabilities.

20 AUDITORS' REMUNERATION

The auditor of Gateway Credit Union is Ernst & Young

	2009 $	2008 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the entity	**156,215**	123,204
• other services in relation to the entity		
- tax compliance	**42,387**	2,860
- other regulatory compliance	**-**	28,325
- IT assurance related	**-**	72,877
	198,602	227,266

21 KEY MANAGEMENT PERSONNEL (KMP)

(a) Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise).

	2009 $	2008 $
Short-term	**1,224,578**	994,115
Termination benefits	**-**	-
	1,224,578	994,115

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

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

(b) Loans to Key Management Personnel

(i) The aggregate value of loans to key management personnel as at balance date amounted to:

	2009 $	2008 $
Personal loans - secured	**92,577**	103,687
Term Loans - secured	**1,779,295**	2,294,724
	1,871,872	2,398,411

(ii) During the year the aggregate value of loans disbursed to key management personnel amounted to:

	2009 $	2008 $
Personal loans - secured	**188,901**	248,086
Term Loans - secured	**130,010**	1,700,000
	318,911	1,948,086

	2009 $	2008 $
(iii) During the year the aggregate value of repayments received amounted to:	**365,006**	1,784,932
(iv) Interest and other revenue earned on Loans and revolving credit facilities to KMP	**104,601**	141,594

Secured loans are secured against residential property. All loans advanced to Key Management Personnel are to be settled in cash and are issued under the same terms and conditions as other Members.

	2009 $	2008 $

21 KEY MANAGEMENT PERSONNEL (KMP) (continued)

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

There are no loans that are impaired in relation to the loan balances with Directors or other KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management personnel (KMP). There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

(c) Other transactions and balances with Key Management Personnel and their related parties

	2009 $	2008 $
Total value term and savings deposits from KMP	**627,839**	608,716
Total interest paid on deposits to KMP	**15,944**	14,083

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

There are no benefits paid or payable to the close family members of the key management personnel.

22 DISCOUNT ON ACQUISITION

The 2009 balances include the Loans and advances and Member deposits acquired from Broadway Credit Union Limited (BCU) on 1 November 2008.

The income statement reflects all transactions from the date of acquisition. No adjustment has been made to the 2008 comparative figures in respect to this acquisition.

The fair value of the net assets acquired was compared to the consideration received by GCU. As the fair value of the net assets acquired was greater than the consideration received, the resulting discount on acquisition is taken to the income statement as a gain.

The acquisition of business had the following affect on the GCU's assets and liabilities at the acquisition date:

22 DISCOUNT ON ACQUISITION (continued)

	$'000
Cash	11,882
Loans and advances	30,214
Deposits	(41,691)
Payables	(3)
Member shares	(2)
Fair value of net identifiable assets and liabilities	400
Purchase Price	-
Discount on acquisition	400

The cash inflow on acquisition on acquisition is as follows:	
Net cash acquired	11,882
Cash received	(11,882)
	-

GCU received $11,882,000 in cash consideration for assuming the net liabilities on the BCU loan and deposit portfolio.

23 EVENTS AFTER BALANCE SHEET DATE

There have been no significant events occurring after the balance date which may affect either the Credit Union's operations or results of those operations or the Credit Union's state of affairs.

24 ECONOMIC DEPENDENCY

The term “economic dependency” means that a change in existing relationships could have an economic effect on the Credit Union. It does not mean that the Credit Union is economically supported by the listed organisations in any way, whether financially or by guarantee, other than by means of normal commercial arrangements.

The Credit Union has an economic dependency on the following:

(a) The Commonwealth Bank of Australia and the Reserve Bank of Australia (CBA and the RBA), together with their subsidiary and associated companies.
CBA are the bankers to the Credit Union. In addition CBA and the RBA provided facilities for Credit Union Members to transact business direct with the Credit Union.

(b) Data Action Pty Limited
This company provides and maintains the application software and internet banking utilised by the Credit Union.

(c) NST Worldwide Pty Limited
This company provides technical management and support for the office IT Infrastructure, office Help Desk and Member internet site (non-banking site only).

(d) Cuscal Limited
This company provides a range of transactional settlement support processes, particularly in relation to the Credit Union's Visa Dr Card offering.

Directors' Declaration

For the year ended 30 June 2009

In accordance with a resolution of the Directors of Gateway Credit Union, I state that:

In the opinion of the Directors:

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

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

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

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

On behalf of the Board

Steven R Carritt Chairman	Jennifer M Wicks Deputy Chair

Sydney, 22 September 2009

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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

Report on the Financial Report

We have audited the accompanying financial report of Gateway Credit Union Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Gateway Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the financial position of Gateway Credit Union Limited at 30 June 2009 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

Sean Van Gorp
Partner
Sydney
22 September 2009

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Website: www.gatewaycu.com.au ***Email:*** memberservices@gatewaycu.com.au
Phone: 1300 302 474 ***Fax:*** 02 9312 9799 ***Branch/Head Office:*** Level 11, 60 Castlereagh Street, Sydney NSW ***Postal Address:*** GPO Box 3176, Sydney NSW 2001
Gateway Credit Union Ltd ABN 47 087 650 093 AFSL 238293