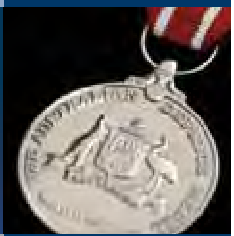
AUSTRALIAN DEFENCE
CREDIT UNION

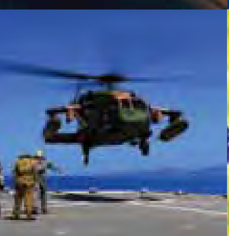
we understand you!

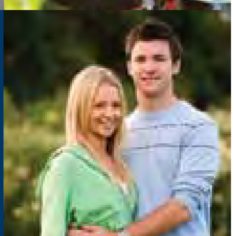
50th Anniversary

2009 Annual Report



ADCU 50th ANNIVERSARY 1959 2009





In 2009 Australian Defence Credit Union marks 50 years of providing financial services to the Defence community.

As a financial institution primarily devoted to serving Defence members, we understand their special needs and customise our products and services to improve their financial wellbeing.

We offer members a life-long financial relationship which they may continue long after they leave the Defence Force.

50 Years of serving the Defence Community

Contents

2009 Directors' Report

The Directors present their report on Australian Defence Credit Union Limited (the Credit Union) for the financial year ended 30 June 2009.

Corporate governance

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

Legislative and Regulatory Requirements

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

The Credit Union is primarily regulated as:

- an Authorised Deposit Taking Institution by the Australian Prudential Regulatory Authority (APRA) (via Australian Prudential Standards and the Banking Act 1959),
- an Australian Financial Services licence holder by the Australian Securities and Investment Commission (ASIC) (via the Financial Services Regulatory Act 2001 and the Corporations Act 2001),
- a credit provider to consumers, by the Department of Fair Trading, and
- a provider of designated services, by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

The Credit Union's policy on corporate governance, to meet these regulatory requirements and establish best practice, is formulated by the Board of Directors based on the requirements and key principles of the Prudential Standard APS 510 Governance and the ASX Principles, as they apply to the Credit Union.

Role of the Board

The Board is responsible for the overall corporate governance of the Credit Union including formulating its strategic direction, approving and monitoring the business plan, creating policies, assessing risk, ensuring compliance, establishing and monitoring the achievement of the Credit Union's goals.

The Board has delegated responsibility for the operation and administration of the Credit Union to the Chief Executive Officer (CEO) and the Executive Management team.

Composition of the Board

The names of the Directors and their qualifications are set out later in the Directors' Report.

The Constitution sets out the size and composition of the Board. The Board comprises seven independent non executive Directors. A Director must retire from office at the start of the third Annual General Meeting after the Director was last elected, and may stand for re-election should he or she re-nominate. The Board may appoint a new Director to fill a casual vacancy and the term of a Director so appointed will end at the start of the next Annual General Meeting.

Board processes

To assist in the planning and execution of its responsibilities, the Board has established a number of Board Committees. They are the Executive Committee, Renewal Committee, Audit Committee and Risk Committee. These committees have written charters and policies that are reviewed annually along with a range of plans. Through the committees, policies and plans, the Board has established a governance and risk management framework including a system of internal controls, business risk, compliance, financial and regulatory reporting. The significant outcomes of the committees' work are reviewed and endorsed by the full Board. The Board currently holds eleven scheduled meetings a year together with two strategic planning conferences, and approves via email or other correspondence 'out of session' items that require a more immediate response.

Typically a Board meeting would review the monthly and year to date financial results and key performance indicators, make decisions on resolutions and new policies, note progress on projects, discuss CEO and Executive Management's departmental reports and endorse Board Committee reports.

Executive Committee

The Executive Committee's role is to plan, manage and co-ordinate the agendas and timetables of the Board meetings and strategic planning activities. This committee comprises the Chairman of the Board, the Deputy Chairman and Chief Executive Officer.

Renewal Committee

The Renewal Committee's role is to maintain the Credit Union's Corporate Governance, Fit and Proper, Board Renewal, Performance Evaluation and Remuneration policies and initiate and conduct the procedures that flow from these policies. The committee comprises at least two Directors: the Chairman of the Renewal Committee is normally a senior Director and the Chairman of the Board is the other member, assisted by the Head of Human Resources.

Audit Committee

The Audit Committee has specific responsibilities relating to policy development, financial accounting and reporting processes, internal and external audit processes, risk management (in conjunction with the Risk Committee), and whistleblower monitoring. The Audit Committee has free and unfettered access to senior management, the Internal Auditor, the External Auditor and the heads of all risk management functions. The committee comprises three Directors, assisted by the Internal Audit Manager.

Risk Committee

The Risk Committee's role is to formulate the Credit Union's risk appetite and strategy, develop policies and plans to ensure the Credit Union's risk strategy is complied with, and to monitor compliance with those policies. The risk management areas overseen by the Committee include, but are not restricted to, market, liquidity, credit, strategic, funding and operational risk. The committee comprises three Directors assisted by the Head of Finance/Operational Risk, the Head of Credit and the Compliance Manager.

Strategic planning

The Board and Executive Management meet twice a year (December and May) to plan the strategic direction of the Credit Union by the establishment of goals and objectives. The progression of these goals and objectives are reviewed and monitored throughout the year to ensure the Credit Union remains on track to deliver the best possible financial offering to our members.

Ethical standards

All Directors, Managers and Staff are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Credit Union.

Conflicts of interest

The Directors and Executive Management must keep the Board informed of any interest that could potentially conflict with those of the Credit Union and declarations are made at the start of each Board and Board Committee meeting.

Code of conduct

The Directors are expected to abide by the Credit Union's Code of Conduct as set out in the Corporate Governance Policy.

Communications with members

Considerable information is available to members and potential members via the Credit Union's website www.adcu.com.au. Additionally, members receive a quarterly newsletter "Communiqué" advising of current activities and promotions, and our Member Contact Centre and all of our branches are there to assist with information and advice.

The Board encourages full participation of members at the Annual General Meeting to ensure a high level of accountability and identification with the Credit Union's strategic direction and performance. The members are requested to vote on Director appointments and aggregate remuneration of Directors as prescribed by the Constitution. Copies of the Constitution can be downloaded from the website, or are available to any member who so requests.

The Annual Report is distributed to all members who have elected to receive this document. The Board ensures that the Annual Report includes all relevant information about the operation of the Credit Union during the financial year, changes in the state of affairs and future developments, in addition to the other disclosures required by the Corporations Act 2001.

Directors (L to R): Michael Pike; Warren Thomas; John Wood (Chairman); Graham Weber; John Brooks; Clinton Thomas; Jane Spalding.

Office bearers

The names of Directors and Company Secretaries in office during the financial year were:

John Wood

Qualifications

- Fellow of Australian Institute of Company Directors
- Fellow of the Australasian Mutuals Institute
- Fellow Australian College of Defence and Strategic Studies

Experience & Responsibilities

- 36 years service and experience in Royal Navy and Royal Australian Navy
- Consultant to Defence Industry
- Member RAN Reserve
- Credit Union Director for 12 years and Chairman from 2001
- Chairman of Board and Chairman of Board Executive
- Member of the Renewal Committee

John Robert Brooks

Qualifications

- Bachelor of Arts
- Graduate of the Royal Air Force Staff College
- Fellow of the Australian College of Defence and Strategic Studies
- Member of the Australasian Mutuals Institute
- Member of the Australian Institute of Company Directors
- Graduate Diploma in Strategic Studies

Experience & Responsibilities

- 28 years with the Royal Australian Air Force (Logistics Branch)
- Owner of Brooks Newsagency, Orange, NSW.
- Credit Union Director for 8 years
- Chairman of the Audit Committee

Michael Morrison Pike

Qualifications

- Graduate RAN College and RAN Staff College
- Graduate Joint Services Staff College
- Fellow of the Australian Institute of Management
- Fellow Corporate Directors' Association
- Associate Fellow of the Australasian Mutuals Institute
- Member of the Australian Institute of Company Directors
- Graduate Diploma in Management
- Graduate Diploma in Strategic Studies
- Master of Management Economics (UNSW)
- Diploma CD

Experience & Responsibilities

- 28 years service with Royal Australian Navy (Supply Branch)
- Naval Reservist
- Consultant to Defence and Defence Industries (DEFCONSULT).
- Credit Union Director for 16 years
- Chairman of the Renewal Committee (since August 2008)
- Member of the Audit Committee

COL Jane Maree Spalding

Qualifications

- Bachelor of Social Science
- Master of Arts
- Master of Defence Studies
- Graduate of the Royal Military College of Science (United Kingdom)
- Graduate of the Australian Army Command and Staff College
- Graduateship of the City and Guilds of London Institute
- Member of the Australasian Mutuals Institute
- Member of the Australian Institute of Management
- Graduate member of the Australian Institute of Company Directors

Experience & Responsibilities

- 26 years in the Australian Regular Army
- Director, 3T Project Defence Force Recruiting
- Credit Union Director for 2 years
- Member of the Audit Committee

CDRE Clinton William Thomas CSC, AM, RAN

Qualifications

- Graduate RAN Staff College
- Member of the Australasian Mutuals Institute
- Member of the Risk Management Institute of Australasia
- Graduate Member of the Australian Institute of Company Directors
- Diploma Applied Science (UNSW)
- Diploma CD
- Graduate Diploma in Resource Management
- Master of Management (Operations and Logistics), MGSM

Experience & Responsibilities

- 33 years in the Royal Australian Navy
- Currently Director General Supply Chain – Joint Logistics Command
- Credit Union Director for 9 years
- Chairman of the Risk Committee

Warren Raymond Thomas

Qualifications

- Accountancy Certificate
- Associate Fellow of the Australasian Mutuals Institute
- Graduate Member of the Australian Institute of Company Directors

Experience & Responsibilities

- 37 years in Defence, including Army service in Vietnam and 20 years in financial management in various Navy and Army Commands
- President Cronulla RSL sub-branch
- Board member Cronulla RSL Memorial Club
- Credit Union Director for 13 years
- Deputy Chairman
- Member of the Executive and Risk Committees
- Past member of the Audit Committee (6 years as Chairman)

Graham Anthony Weber

Qualifications

- Member Australian Society of Certified Practicing Accountants (CPA)
- Bachelor of Commerce in Accounting
- Member of the Australasian Mutuals Institute

Experience & Responsibilities

- Five years in Accounting firms and advisory services
- Fifteen years in State and Commonwealth Agencies in Financial Management
- Currently Director General – Budgets and Treasury, Defence Materiel Organisation
- Credit Union Director since 12 November 2008
- Member of the Risk Committee

Robert John Willis

Qualifications

- Associate Fellow of the Australasian Mutuals Institute
- Fellow of the Australian Institute of Company Directors (Diploma)
- Bachelor of Surveying (UNSW)
- Master of Management Economics (UNSW)
- Fellow of the Australian College of Defence and Strategic Studies

Experience & Responsibilities

- 33 years in Royal Australian Navy – retired as a Commodore in January 2000
- 8 years experience in the Defence Industry sector
- Director, Foundation Daw Park
- Currently actively retired
- Credit Union Director for 17 years (retired August 2008)
- Chairman of the Renewal Committee (until August 2008)
- Member of the Risk Committee (until August 2008)
- Chairman 1996 – 2001
- Deputy Chairman 1992 – 1996

Ian Neville Doyle

Qualifications

- Fellow of the National Institute of Accountants
- Fellow of the Financial Services Institute of Australasia
- Graduate Management Qualification - AGSM
- Management Development Program -Mt. Eliza Australian Management College
- Member of the Australasian Mutuals Institute

Experience & Responsibilities

- Over thirty years experience in the Banking and Finance Industry
- Chief Executive Officer
- Company Secretary

Fiorella Spagnolo

Qualifications

- Bachelor of Commerce (Accountancy & Legal Studies)
- Member Australasian Society of Certified Practising Accountants (CPA)
- Fellow of the Australasian Mutuals Institute
- Member of the Risk Management Institution of Australasia

Experience & Responsibilities

- Over 14 years experience in various senior management roles within the credit union industry
- Founding Executive Officer of the Credit Union Financial Support System (CUFSS)
- Prudential Supervisor for the NSW Financial Institutions Commissions (now APRA)
- Head of Finance/Operational Risk
- Company Secretary

Board changes

As foreshadowed in last year's report, Robert John Willis retired from the Board on 28 August 2008 and was replaced by Graham Anthony Weber. In accordance with the Constitution, Mr Weber sought and received confirmation of his appointment by his election at the 2008 Annual General Meeting of the Credit Union.

Director benefits

Directors are required to make an annual declaration of any benefits or interests that may have occurred because of their association with the Credit Union. As at 30 June 2009, no Director has received or become entitled to receive any such benefit.

Indemnity of Directors and Officers

The Credit Union has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses contracts. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability and legal expense contracts, as such disclosure is prohibited under the insurance contract.

No insurance cover has been provided for the benefit of the Credit Union's auditors, BDO Kendalls.

Principal activities

The principal activities of the Credit Union during the year remain unchanged and were the raising of funds authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the application of those funds in providing financial accommodation to our members in the form of lending, savings, and insurance products.

As a Home Loan Provider under the Defence Home Ownership Assistance Scheme (DHOAS), Australian Defence Credit Union (ADCU) has experienced significant growth over 2008-2009. This has resulted in a major shift in the product mix of our loan portfolio. Mortgages, both DHOAS and non-DHOAS, now equate to 74% of total on and off balance loans, up from 50% as at 30 June 2008.

Meetings attended

	Board meetings		Board Committee Meetings							
			Executive		Audit		Risk		Renewal	
Directors	H	A	H	A	H	A	H	A	H	A
John Wood	11	10	11	9	-	-	-	-	5	5
John Brooks	11	11	-	-	7	7	-	-	-	-
Michael Pike	11	10	-	-	7	7	-	-	5	5
Jane Spalding	11	10	-	-	7	6	-	-	-	-
Clinton Thomas	11	9	-	-	-	-	7	7	-	-
Warren Thomas	11	9	11	10	-	-	7	6	-	-
Graham Weber	9	9	-	-	-	-	6	6	-	-
Robert Willis	2	1	-	-	-	-	1	0	1	1

H: Number of meetings held that the Director was eligible to attend
A: Number of meetings attended

Operating and financial review

Growth

ADCU earned a total net profit after tax of $2.25m. This compares to $1.5m as at 30 June 2008.

Total assets on and off balance sheet grew by $290m (or 77%) to $666.7m which is reflective of the growth in the Credit Union's loan portfolio.

Loan approvals grew significantly due primarily to ADCU's inclusion as a Home Loan Provider in DHOAS. The total on and off balance sheet loan portfolio increased by $267m, representing an increase of 91% on the previous year.

Member deposits grew to $436m, up from $300m on the previous year. Deposit growth was actively sought and relied upon by the Credit Union to fund the expansive growth in the lending portfolio.

Net interest income for the year was $18.3m, up $1.5m on the previous year. Despite the significant increase in the cost of funds throughout the year, the growth in the loan portfolio assisted the Credit Union to achieve this result.

Non-interest income increased by $1.6m, to $8.6m, primarily as a result of our increased focus on insurance products, enabling members to better utilise the Credit Union as their main financial institution.

Non-interest expenses increased by $2.1m with the majority of this increase used to support the growth phase experienced by the Credit Union.

Dividends

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

Products and services

In order to meet the diverse needs of our Defence members, we developed a suite of DHOAS mortgage products ranging from fixed and variable interest loans to construction loans. As well as the DHOAS loan products, we were pleased to introduce a fixed interest personal loan which has been extremely well received by members. A new travel insurance product rounded out our product offering for the year.

Branches

Members may have seen a change in our logo to a much more recognisable one. This new logo was rolled out in signage to our 9 regional branches at Garden Island, Moorebank, Enoggera, Lavarack, Robertson, HMAS Stirling, HMAS Cerberus, Duntroon and HMAS Albatross as well as to our branch at RAAF Base Wagga. We will be progressively upgrading our logo across the rest of our branch network in 2009-2010.

We also relocated our branches on HMAS Cairns and HMAS Stirling with a new and improved look. We invite members to visit us at these new locations.

Regulatory snapshot

There were 4 major regulatory actions that occurred and impacted the Credit Union's operations in this financial year.

1. Account Switching – an initiative that allows consumers to more easily switch their banking from one financial institution to another.
2. Government Guarantee on deposits over $1 million – in response to consumer concerns, the Government has now guaranteed the safety of large deposits for a consumer–paid premium.
3. ATM Direct Charging – an initiative that allows consumers utilising ATMs to be notified upfront of the charges that will be incurred immediately to their account if they proceed with the transaction.
4. AML Stage 2 – the introduction of further controls under the Anti Money Laundering and Counter Terrorism Financing (AML/CTF) Act.

Executive Management and staff have spent considerable time firmly embedding these new requirements into the business.

Events occurring after balance date

Since the end of the financial year, the Directors have not become aware of any matters or circumstances that may significantly affect the operations or state of affairs of the Credit Union.

Likely developments and results

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

- operations of the Credit Union;
- results of these operations; or
- state of affairs of the Credit Union;

in the financial years subsequent to this financial year.

Auditors' independence

The auditors have provided the declaration of independence to the Board prescribed by the Corporations Act 2001 as set out on page 10.

Board resolution

This report is signed in accordance with a formal resolution of the Board of Directors.

John Wood
Chairman
24 September 2009

Warren Thomas
Deputy Chairman

Chairman's thank you

In this, our 50th year of service to members of the Australian Defence Force and the wider Defence community, I would like to take this opportunity to thank all members for letting us work for you during what has been a turbulent and uncertain year for the finance industry following the events that sparked the Global Financial Crisis during 2008/09. With the ongoing positive support of our members, we will continue our commitment to work with management and staff to ensure the Australian Defence Credit Union remains the highly successful financial institution that it is. We will continue to meet our compliance obligations and adapt to commercial and regulatory changes as they arise to ensure our members remain well served.

I would also like to thank my fellow Directors, our staff and management team, who have delivered an excellent result in a year of unprecedented uncertainty and challenge. During a year of dramatically fluctuating conditions, they have continued to meet their commitments and responsibilities in a highly professional manner. They, along with the Defence communities in which they live and work, have always been and always will be, our highest priority.

John Wood
Chairman
24 September 2009

Declaration of independence by Neville Sinclair to the Directors of Australian Defence Credit Union Limited

As lead auditor of Australian Defence Credit Union Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of;

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and

(ii) any applicable code of professional conduct in relation to the audit.

Signed **Neville Sinclair**
Partner, BDO Kendalls

Dated this 24th day of September 2009

Directors' Declaration

The Directors of Australian Defence Credit Union Limited declare that:-

The financial statements comprising Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying notes and notes related thereto, are in accordance with the Corporations Act 2001, and:

(a) comply with Accounting Standards; and

(b) give a true and fair view of the financial position of the Credit Union as at 30 June 2009 and performance for the year ended on that date.

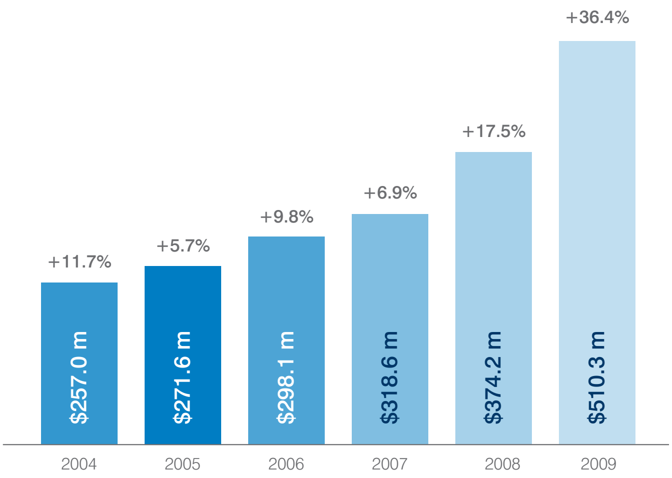
In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

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

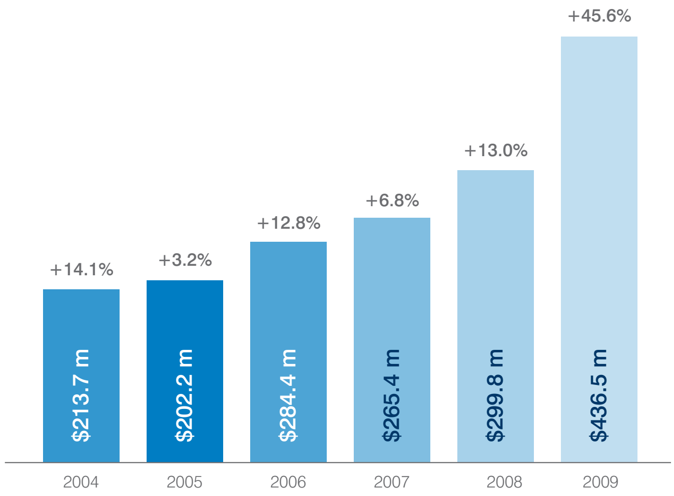
John Wood
Director

Dated this 24th day of September 2009

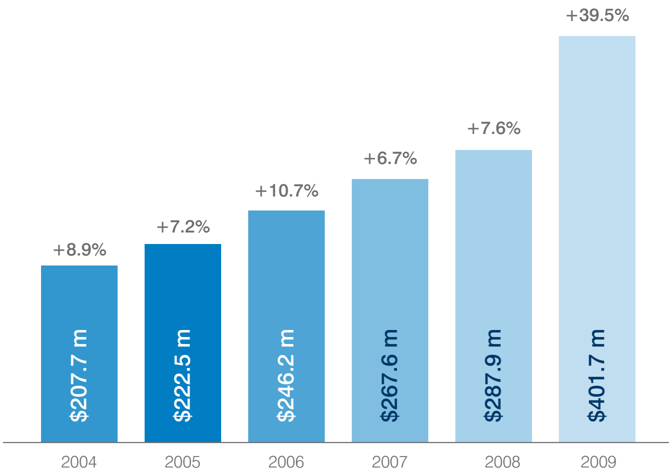
Key Performance Measures



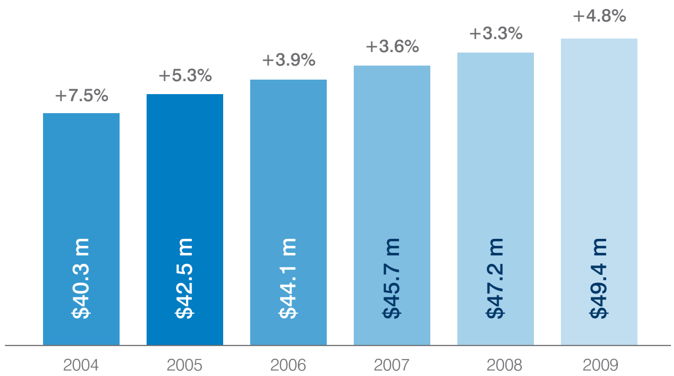
On Balance Sheet Assets



Deposits



Net On Balance Sheet Loans



Members Equity

2009 Chief Executive's Report

Ian Doyle, CEO

In a year of economic turmoil and upheaval in financial markets as a result of the Global Financial Crisis, Australian Defence Credit Union has responded by delivering another year of strong performance with a growing focus on meeting the demands of a changing environment, whilst holding paramount the commitment to meet the needs of our members.

Managing the Credit Union through this period of volatility and major change has required a significant operational focus from the Board and Management; however, we have continued to invest soundly and strategically to ensure sustainable growth in our business and earnings for the medium-to-long term.

This strong result was achieved through the hard work of our staff, who were required to adapt to the new challenges created by the Global Financial Crisis (the likes of which have not been seen previously). In addition the Credit Union developed a combination of well balanced strategies and a highly competitive and relevant product range, and continued our commitment to providing financial services throughout the lives of our members. All these initiatives are undertaken in the knowledge we continue to hold and value the trust that our members show in us.

ADCU strives to provide its members with competitive products and services that meet the unique needs of their lifestyle, rather than focus on growth for growth's sake. As a result of our 50 years of experience providing consumer banking products to personnel of the Navy, Army and Air Force and the broader Defence community, we understand their special needs, particularly those in remote locations, on operations or on deployment.

During our 50 years, we have attracted and retained members with our competitive rates on a diverse range of savings, loans and insurance products and superior member service. During the last year we saw volatility in the Reserve Bank of Australia Official Cash Rates which has not been seen for many years. With each interest rate change, we sought to provide our members with competitive interest rates for lending and deposit products whilst ensuring we continued to invest in building a better and more relevant organisation to meet the evolving needs of our members.

We are extremely proud of our mutual structure and the benefits it provides to our members. Our mutuality is a strength that differentiates us from the big banks and enables us to give back to our members – in the form of competitive interest rates, fairer fees, great products, services and our Relationship Reward.

More and more members are using the Credit Union as their main financial institution, utilising an increased number of products and benefits and enjoying a substantial loyalty reward. We expect this growth to continue and we will persistently review the benefits to ensure we offer a market competitive reward to loyal members.

Some important steps that we have taken in support of the above over the past twelve months include:

Defence Home Ownership Assistance Scheme (DHOAS)

As mentioned in last year's Annual Report, as part of a strategy to grow our business and earnings through the continued support of Defence personnel, ADCU submitted a tender to the Department of Defence and won the opportunity to be one of the three approved Home Loan Providers (HLPs) in the Scheme.

ADCU is extremely excited about the opportunity DHOAS has provided the Credit Union to responsibly grow our membership and support Defence personnel and their families in achieving their goal of home ownership. Our staff have worked extremely hard to meet the initial spike in demand and the ongoing requests for DHOAS loans and associated business, and this has been a major contributor to the growth of our Balance Sheet and financial performance in 2009.

The DHOAS scheme helps Defence personnel to purchase their own home

Prudential standards and regulation

As an Authorised Deposit Taking Institution (ADI), ADCU operates under strict regulations and monitoring imposed by the Australian Securities & Investments Commission (ASIC) and the Australian Prudential Regulatory Authority (APRA). ADCU strictly adheres to these prudential requirements and regulations.

We also operate under, and comply with, the following:

- Mutual Banking Code of Practice, which came into effect on 1 July 2009 which addresses the fair and ethical treatment of all our members and transparency in our dealings with members, whilst focusing on high customer service standards.
- Trade Practices Act 1974, which ensures safeguards for consumer rights, together with fair and ethical trading.
- Uniform Consumer Credit Code (UCCC) legislation, that regulates credit provided to personal borrowers.
- Financial Services Reform Act 2001, which regulates the provision of financial services and conduct in relation to financial products.
- ATM Direct Charging Reform, which came into effect in February 2009 and provides transparency in the disclosure of charges members will incur when using an ATM.
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006, which is aimed at preventing and detecting money laundering and terrorism financing and imposes requirements relating to customer identification, due diligence and maintenance of an AML/CTF Program.

High priority is given to compliance and corporate governance within the Credit Union and compliance with our policies and procedures is continually under review by our internal and external audit process. We have reinforced our compliance focus and process with the introduction of a sophisticated online compliance framework and reporting system to ensure we maintain the highest level of corporate governance.

Financial education

Financial education of our members, whenever possible, continues to be an important goal of this Credit Union so we can assist members to grow their personal wealth and create financial stability. Education topics have included Budgeting, Pre-deployment Planning, Buying a Motor Vehicle, Understanding Credit and many others. A career in the ADF offers an opportunity to save for the future, provided goals are put in place early. We continue to assist our members to capitalise on this opportunity.

Supporting our community

ADCU is part of the Defence family. Most of our branches are located on Defence bases throughout Australia, which ensures a close relationship with our members. This relationship continues when our members are deployed, through phone services provided by our Member Contact Centre and 24 hour access through internet and phone banking services.

ADCU is a very proud financial supporter of a wide range of sporting and charitable causes across the ADF. This has always been an important part of our 50 year tradition since our establishment in 1959 and we will continue to grow our commitment in this area.

ADCU provides sponsorship support to RSLs

Top Right (L to R):
Don Rowe, (OAM) State President of RSL NSW with
Ann Roach Inner Sydney Regional Manager and Ian Doyle CEO.

Bottom Right (L to R):
Chris McHugh CSC, CEO RSL QLD and Doug Formby
State President QLD RSL with Ian Doyle, CEO.

Our people

At ADCU we recognise that our staff are our greatest asset in the way we do business and how we can best serve our members. We are committed to providing a work environment and culture that allows them to thrive by recognising their individual talents and skills, fostering a team spirit supported by a strong commitment to training.

Competition in the financial sector is expected to be very intense in the year ahead and we will continue to keep a close watch, as always, on our expenses and operational efficiency, as well as looking to develop products and services that specifically meet the needs of our members and continue to set us apart in an evolving market.

Finally, I would like to thank you, our members, and our Board of Directors for your on-going support throughout this, our 50th Anniversary year, and for the years ahead.

Ian Doyle
Chief Executive Officer
24 September 2009

Executive Team (L to R):
Fiorella Spagnolo, Head of Finance/Operational Risk; David Van Beek, Manager - Information Technology; Mike Lanzing, Head of Business Development; Helen Godden, Head of Human Resources & Premises; Ian Doyle, Chief Executive Officer; Bob McGregor, Head of Credit; Sue Izatt, Head of Marketing/Member Service.

Independent Auditor's Report

To the members of Australian Defence Credit Union Limited

We have audited the accompanying financial report of Australian Defence Credit Union Limited (Credit Union), 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 Credit Union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

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

Auditor's responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

The financial report of Australian Defence Credit Union Limited is in accordance with the Corporations Act 2001, including:

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

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

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

BDO Kendalls
Sydney, 2009

Neville Sinclair
Partner

Income Statement for the year ended 30 June 2009

	Note	2009 $	2008 $
Interest revenue	2.a	41,208,555	31,045,328
Interest expense	2.c	22,873,464	14,160,435
Net interest income		18,335,091	16,884,893
Fee commission and other income	2.b	8,635,885	7,078,805
		26,970,976	23,963,698
Less			
Non interest expenses			
Impairment losses on loans receivable from members	2.d	1,693,716	1,502,458
Fee and commission expenses		2,822,478	2,932,017
General administration			
- Employees compensation and benefits		10,778,966	9,343,969
- Depreciation and amortisation	2.e	850,325	791,526
- Information technology		1,702,322	2,027,031
- Office occupancy	2.f	844,764	743,762
- Other administration		2,607,806	2,425,928
Other operating expenses		2,662,372	2,112,495
Total non interest expenses		23,962,749	21,879,186
Profit before income tax		3,008,227	2,084,512
Income tax expense	3	758,607	586,978
Profit after income tax		**2,249,620**	**1,497,534**

Statement of Changes In Member Equity for the year ended 30 June 2009

	Capital Reserve $	Reserve for Credit Losses $	Retained Earnings $	Total $
Total as at 1 July 2007	72,544	1,060,545	44,541,891	45,674,980
Profit for the year	–	–	1,497,534	1,497,534
Total income and expense for year	72,544	1,060,545	46,039,425	47,172,514
Transfers to (from) reserves				
Transfer to capital account on redemption of shares	6,566	–	(6,566)	–
Total as at 30 June 2008	**79,110**	**1,060,545**	**46,032,859**	**47,172,514**
Profit for the year	–	–	2,249,620	2,249,620
Transfers to (from) reserves				
Transfer to capital account on redemption of shares	6,176	–	(6,176)	–
Total as at 30 June 2009	**85,286**	**1,060,545**	**48,276,303**	**49,422,134**

Balance Sheet as at 30 June 2009

	Note	2009 $	2008 $
ASSETS			
Cash	4	1,064,624	10,609,931
Receivables from financial institutions	5	101,500,000	69,500,000
Receivables	6	2,600,071	2,478,677
Loans to members	7	401,732,045	287,887,166
Available for sale investments	9	907,154	906,998
Property, plant and equipment	10	895,702	1,156,313
Taxation assets	11	771,222	747,965
Intangible assets	12	847,643	955,659
TOTAL ASSETS		510,318,461	374,242,709
LIABILITIES			
Short term borrowings	13	16,912,377	19,738,914
Deposits from members	14	436,465,871	299,830,406
Creditor accruals and settlement accounts	15	6,861,597	7,102,987
Taxation liabilities	16	199,395	(603)
Provisions	17	457,087	398,491
TOTAL LIABILITIES		460,896,327	327,070,195
NET ASSETS		**49,422,134**	**47,172,514**
MEMBERS' EQUITY			
Capital reserve account	18	85,286	79,110
General reserve for credit losses	19	1,060,545	1,060,545
Retained earnings		48,276,303	46,032,859
TOTAL MEMBERS' EQUITY		**49,422,134**	**47,172,514**

Cash Flow Statement for the year ended 30 June 2009

	Note	2009 $	2008 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		41,709,166	30,670,038
Fees and commissions		7,391,196	6,542,835
Dividends		561,696	113,373
Other income		595,081	673,609
Revenue outflows			
Interest paid		(22,000,586)	(13,794,800)
Suppliers and employees		(21,457,822)	(19,807,220)
Income taxes paid		(581,866)	(397,748)
Net cash from revenue activities	33.b	6,216,865	4,000,087
Inflows (outflows) from other operating activities			
Increase in member loans (net movement)		(115,493,523)	(21,798,591)
Increase in member deposits and shares (net movement)		134,897,412	34,480,554
Increase in deposits to other financial institutions (net)		(32,000,000)	(38,500,000)
Net cash from operating activities		**(6,379,246)**	**(21,817,950)**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares		–	–
Proceeds on sale of property, plant and equipment		144,000	50,477
Net cash received on transfer of engagements		–	–
Less: Outflows			
Purchase of investments in shares		(156)	–
Purchase of property plant and equipment		(289,863)	(307,692)
Purchase of intangible assets		(193,505)	(326,771)
Net cash from investing activities		**(339,524)**	**(583,986)**
FINANCING ACTIVITIES			
Inflows (outflows)			
Increase in borrowings (net movement)		(913,000)	16,000,000
Net cash from financing activities		**(913,000)**	**16,000,000**
Total net cash increase/(decrease)		(7,631,770)	(6,401,936)
Cash at beginning of year		6,871,017	13,272,953
Cash at end of year	33.a	**(760,753)**	**6,871,017**

1. Statement of Accounting Policies

This financial report is prepared for Australian Defence Credit Union Limited as a single credit union, for the year ended 30 June 2009. The report was authorised for issue on 24 September 2009 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with AIFRS ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of measurement

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

b. Loan to members

(i) Basis of recognition

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

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

(ii) Interest earned

Term loans – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

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

Credit cards – the interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account each month. The daily balance outstanding is based on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

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

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

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

(v) Fees on loans

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

(vi) Net gains and losses

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

c. Loan impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 20 details the credit risk management approach for loans.

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

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

(ii) Reserve for credit losses

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

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

(iii) Renegotiated loans

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

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

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

e. Property, plant and equipment

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

- Leasehold improvements - 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than $300 are not capitalised.

f. Receivables from other financial institutions

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. However, the Government Guarantee protects the first $1 million deposited with each Financial Institution. Interest is paid on the daily balance at maturity.

All deposits are in Australian currency.

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

g. Equity investments and other securities

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

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

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

All investments are in Australian currency.

h. Member deposits

(i) Basis for measurement

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

(ii) Interest payable

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

i. Borrowings

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

j. Provision for employee benefits

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

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

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

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

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement as incurred.

k. Leasehold on premises

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

l. Income tax

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

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

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

m. Intangible assets

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

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

n. Goods and services tax

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

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

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

o. Impairment of assets

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

p. Accounting estimates and judgements

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

q. New or emerging standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Nature of change	Application date	Impact on initial application
AASB 101 (Revised Sep 2007). Presentation of Financial Statements.	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

2. Income statement

	2009 $	2008 $
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	535,634	404,337
Receivables from financial institutions	5,731,605	3,028,994
Loans to members	34,941,316	27,611,997
TOTAL INTEREST REVENUE	**41,208,555**	**31,045,328**
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	2,030,398	1,445,008
Other fee income	3,935,796	3,756,444
Insurance commissions	856,590	800,025
Other commissions	601,041	561,667
TOTAL FEE AND COMMISSION REVENUE	**7,423,825**	**6,563,144**
Other income		
Dividends received on available for sale assets	561,696	113,373
Bad debts recovered	475,866	399,710
Gain on disposal of assets		
– Property, plant and equipment	142,482	372
– Intangibles	–	–
Miscellaneous revenue	32,017	2,206
TOTAL FEE COMMISSION AND OTHER INCOME	**8,635,885**	**7,078,805**
c. Interest expenses		
Interest expense on liabilities carried at amortised cost		
Short term borrowings	2,281,777	577,727
Deposits from financial institutions	–	–
Deposits from members	20,591,687	13,582,708
TOTAL INTEREST EXPENSE	**22,873,464**	**14,160,435**
d. Impairment losses		
Loans and advances		
Increase in provision for impairment	158,806	6,241
Bad debts written off directly against profit	1,534,910	1,496,217
TOTAL IMPAIRMENT LOSSES	**1,693,716**	**1,502,458**
e. Other prescribed disclosures		
General administration – depreciation expense includes:		
– plant and equipment	386,175	539,174
– leasehold improvements	163,693	159,563
– amortisation of software	300,457	92,789
	850,325	**791,526**

	2009 $	2008 $

f. General administration – office occupancy costs include:

Property operating lease payments		
– minimum lease payments	**844,764**	**743,762**

g. Other operating expenses include:

Auditor's remuneration (excluding GST)		
– Audit fees	98,100	115,900
– Other services – taxation	4,500	4,500
– Other services – compliance	3,000	4,000
– Other services – other	5,000	5,000
	110,600	**129,400**
Loss on disposal of assets		
– property, plant, equipment	–	9,389
	–	**9,389**

3. Income tax expense

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

	2009 $	2008 $
Profit	**3,008,227**	**2,084,512**
Prima facie tax payable on profit before income tax at 30%	902,468	625,354
Add tax effect of expenses not deductible	13,547	14,114
– Other non-deductible expenses	–	–
Less		
– Franking rebate	168,509	34,012
– Over provision in prior year	(11,101)	18,478
Total income tax expense in income statement	**758,607**	**586,978**

4. Cash

	2009 $	2008 $
Cash on hand	1,064,624	1,609,931
Deposits at call	–	9,000,000
	1,064,624	**10,609,931**

5. Receivables from financial institutions

	2009 $	2008 $
Deposits with industry bodies - Cuscal (refer note 29)	54,500,000	38,500,000
Deposits with other societies	–	–
Deposits with banks	47,000,000	31,000,000
	101,500,000	**69,500,000**

	2009 $	2008 $

6. Receivables

	2009 $	2008 $
Interest receivable on deposits with other financial institutions	417,318	976,730
Prepayments	390,965	30,798
GST Receivable	–	87,199
Sundry debtors and settlement accounts	1,791,788	1,383,950
	2,600,071	**2,478,677**

7. Loans to members

a. Amount due comprises:

	2009 $	2008 $
Overdrafts and revolving credit	22,302,659	19,616,761
Term loans	380,484,498	269,225,512
Subtotal	402,787,157	288,842,273
Less:		
Unamortised loan origination fees	181,992	240,793
Unearned Income	–	–
Subtotal	402,605,165	288,601,480
Less:		
Provision for impaired loans (Note 8)	873,120	714,314
	401,732,045	**287,887,166**

b. Credit quality – Security held against loans

	2009 $	2008 $
Secured by mortgage over real estate	258,530,326	143,166,405
Partly secured by goods mortgage	96,779,555	98,162,977
Wholly unsecured	47,477,276	47,512,891
	402,787,157	**288,842,273**

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

	2009 $	2008 $
Security held as mortgage against real estate is on the basis of		
– loan to valuation ratio of less than 80%	155,383,866	100,395,303
– loan to valuation ratio of more than 80% but mortgage insured	87,124,511	30,703,117
– loan to valuation ratio of more than 80% and not mortgage insured	16,021,949	12,067,985
Total	**258,530,326**	**143,166,405**

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

	2009 $	2008 $

c. Concentration of loans

The values discussed below include on balance sheet values and off balance sheet undrawn facilities as described in Note 25.

(i) Loans to individual or related groups of members which exceed 10% of reserves in aggregate	–	–
Total	–	–

(ii) Loans to members are concentrated to individuals employed in the Australian Defence industry.

(iii) Loans have been made to individuals in the Defence Force throughout Australia. There are no concentrations of borrowers in any state or region.

	2009 $	2008 $
Loans to natural persons		
Residential loans and facilities	256,370,057	142,971,063
Personal loans and facilities	145,776,354	145,108,616
Business loans and facilities	640,746	762,594
	402,787,157	**288,842,273**
Loans to corporations	–	–

8. Provision on Impaired Loans

a. Total provision comprises

	2009 $	2008 $
Collective provisions	873,120	714,314
Individual specific provisions	–	–
Total Provision	**873,120**	**714,314**

b. Movement in the provision for impairment

	2009 $	2008 $
Balance at the beginning of year	714,314	708,073
Add (deduct):		
Transfers from (to) income statement	158,806	6,241
Bad debts written off provision	–	–
Balance at end of year	**873,120**	**714,314**

Details of credit risk management is set out in Note 20.

c. Impaired loans written off

	2009 $	2008 $
Amounts written off against the provision for impaired loans	–	–
Amounts written off directly to expense	1,534,910	1,496,217
Total bad debts	**1,534,910**	**1,496,217**
Bad debts recovered in the period	475,866	399,710
	1,059,044	**1,096,507**

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

In the Note below:

– Carrying Value is the amount recorded on the Balance Sheet.

– Impaired loans value is the ‘on balance sheet’ loan balances which are past due by 90 days or more.

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

	2009 Carrying value $	2009 Value of impaired loans $	2009 Provision for impairment $	2008 Carrying value $	2008 Value of impaired loans $	2008 Provision for impairment $
Loans to members						
Mortgages	258,530,326	–	–	143,166,405	–	–
Personal	121,954,172	806,693	387,159	126,059,107	781,466	368,647
Credit cards and overdrafts	22,302,659	712,566	485,961	19,616,761	559,091	345,667
Total to natural persons	**402,787,157**	**1,519,259**	**873,120**	**288,842,273**	**1,340,557**	**714,314**
Corporate borrowers	–	–	–	–	–	–
Total	**402,787,157**	**1,519,259**	**873,120**	**288,842,273**	**1,340,557**	**714,314**

Past due value is the ‘on balance sheet’ loan balances which are past due by 90 days or more.

It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

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

	2009 Carrying value $	2009 Provision $	2008 Carrying value $	2008 Provision $
Non impaired up to 30 days	399,894,860	–	285,925,694	–
30 to 90 days in arrears	1,373,038	–	1,576,022	–
91 to 180 days in arrears	535,528	214,211	512,647	205,059
181 to 270 days in arrears	230,307	138,184	257,335	154,401
271 to 365 days in arrears	30,475	24,380	11,484	9,187
Over 365 days in arrears	10,384	10,384	–	–
Overlimit facilities over 14 days	712,565	485,961	559,091	345,667
Total	**402,787,157**	**873,120**	**288,842,273**	**714,314**

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

f. Loans with repayments past due but not regarded as impaired

There are no loans past due that are considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

Loans with repayments past due but not impaired are in arrears as follows:

Loans members

	1–3 Months	>3–6 Months	>6–12 Months	> 1 Year	Total
2009					
Mortgage secured					
Personal loans	1,373,038				1,373,038
Credit cards and overdrafts	103,245				103,245
Total	**1,476,283**				**1,476,283**
2008					
Mortgage secured	206,598	–	–	–	206,598
Personal loans	1,576,022	–	–	–	1,576,022
Credit cards and overdrafts	200,583	–	–	–	200,583
Total	**1,983,203**	–	–	–	**1,983,203**

g. Loans renegotiated

Some loans that were previously past due or impaired, have been renegotiated by the Credit Union and are no longer regarded as impaired. Details of these loans are:

	2009 $	2008 $
Value of loans renegotiated during the year and not now regarded as impaired		
Book value of the renegotiated loans at balance date	**210,131**	**315,791**
Book value of these loans which are well secured	–	–
Book value of these loans which are not well secured	**210,131**	**315,791**

Well secured loans are secured by registered mortgage over real estate.

h. Key assumptions in determining the provision for impairment

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

Period of impairment	% of balance
Up to 90 days	0
91 days to 180 days	40
181 days to 270 days	60
271 days to 365 days	80
Over 365 days	100

	2009 $	2008 $

9. Available for sale investments

	2009 $	2008 $
Shares in unlisted companies – at cost		
– Cuscal Limited	907,154	906,998
Total value of investments	**907,154**	**906,998**

a. Disclosures on shares held at cost

Cuscal Limited

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company was created to supply services to member credit unions and these shares are held to enable the Credit Union to receive essential banking services – refer to Note 29. The shares are not able to be traded and are not redeemable.

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

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

10. Property, plant and equipment

a. Fixed assets

	2009 $	2008 $
Plant and equipment - at cost	4,644,029	4,911,048
Less: provision for depreciation	4,139,413	4,153,065
	504,616	757,983
Capitalised leasehold improvements at cost	1,760,939	1,606,337
Less: provision for amortisation	1,369,853	1,208,007
	391,086	398,330
	895,702	**1,156,313**

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

	2009 Plant & equipment $	2009 Leasehold improvements $	2009 Total $	2008 Plant & equipment $	2008 Leasehold improvements $	2008 Total $
Opening balance	757,983	398,330	1,156,313	1,081,863	528,200	1,610,063
Purchases	132,809	157,055	289,864	278,000	29,693	307,693
Revaluation increase	–	–	–	–	–	–
Less						
Assets disposed	–	607	607	62,691	–	62,691
Depreciation charge	386,175	163,693	549,868	539,189	159,563	698,752
Revaluation decrease	–	–	–	–	–	–
Impairment loss	–	–	–	–	–	–
Balance at the end of the year	**504,617**	**391,086**	**895,702**	**757,983**	**398,330**	**1,156,313**

	2009 $	2008 $

11. Taxation assets

Deferred tax assets	**771,222**	**747,965**
Deferred tax assets comprise:		
- Accrued expenses not deductible until incurred	24,000	35,522
- Provisions for impairment on loans	261,936	214,294
- Provisions for employee benefits	330,819	269,294
- Depreciation on fixed assets and intangible assets	99,869	156,617
- Deferred fees (less transaction costs) on loan origination	54,598	72,238
	771,222	**747,965**

12. Intangible assets

Computer software	2,631,027	2,469,241
Less provision for amortisation	1,783,384	1,513,582
	847,643	**955,659**
Movement in the assets balances during the year were:		
Opening balance	955,659	957,532
Purchases	193,505	329,965
Less		
Assets disposed	1,064	–
Depreciation charge	300,457	331,838
Impairment loss	–	–
Balance at the end of the year	**847,643**	**955,659**

13. Short term borrowings

Loans	15,087,000	16,000,000
Overdraft	1,825,377	3,738,914
	16,912,377	**19,738,914**

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

	2009 $	2008 $

14. Deposit from members

	2009 $	2008 $
Member deposits		
- at call	220,448,216	167,721,826
- term	215,924,663	131,018,566
Member withdrawable shares	92,992	90,014
	436,465,871	**299,830,406**

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

Concentration of member deposits

	2009 $	2008 $
(i) Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	–	–
(ii) Member deposits at balance date were received from individuals employed principally in the Australian Defence industry		
(iii) Geographical concentrations		
Australia		
Overseas		
NSW	220,045,958	142,791,805
Victoria	38,230,621	43,415,033
Queensland	57,928,657	38,967,252
South Australia	8,832,813	4,282,718
Western Australia	45,381,643	23,605,432
Tasmania	3,163,163	1,191,395
Northern Territory	14,780,991	9,783,257
ACT	38,301,676	31,289,995
Other	9,800,349	4,503,519
Total per balance sheet	**436,465,871**	**299,830,406**

15. Creditor accruals and settlement accounts

	2009 $	2008 $
Annual leave	645,644	483,407
Creditors and accruals	1,043,575	942,443
Interest payable on borrowings	–	–
Interest payable on deposits	3,920,291	3,047,413
Accrual for GST payable	–	32,629
Accrual for other tax liabilities	–	–
Sundry creditors	1,252,087	2,597,095
	6,861,597	**7,102,987**

	2009 $	2008 $

16. Taxation liabilities

	2009 $	2008 $
Current income tax liability	**199,395**	**(603)**

Current income tax liability comprises:

	2009 $	2008 $
Liability for income tax in current year	781,935	582,806
Less Installments paid in current year	582,540	583,409
Balance – current year	**199,395**	**(603)**

17. Provisions

	2009 $	2008 $
Long service leave	457,087	398,491
Provisions – other	–	–
Total provisions	**457,087**	**398,491**

18. Capital reserve account

	2009 $	2008 $
Balance at the beginning of the year	79,110	72,544
Transfer from retained earnings on share redemptions	6,176	6,566
Balance at the end of year	**85,286**	**79,110**

a. Share redemption

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

19. General reserve for credit losses

	2009 $	2008 $
General reserve for credit losses	1,060,545	1,060,545
Other reserve for credit losses	–	–
	1,060,545	**1,060,545**

General reserve for credit losses

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

	2009 $	2008 $
Balance at beginning of year	1,060,545	1,060,545
Add: increase (decrease) transferred from retained earnings	–	–
Balance at end of year	**1,060,545**	**1,060,545**

20. Financial risk management objectives and policies

Introduction

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

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Committee and from there to the Audit Committee which are integral to the management of risk. The main elements of risk governance are as follows:

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

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

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

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

Audit Committee: Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Risk Committee for their consideration.

Asset & Liability Committee (ALCO): This committee of senior management meets at least monthly and has responsibility for managing and reporting credit, liquidity, market and capital risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board.

Operational Risk Management Committee (ORMC): This committee of senior management meets at least monthly to review operational risk assessment and the output of the online compliance system.

Head of Finance/Operational Risk and Head of Credit: These positions have responsibility for ensuring timely production of information for the Risk Committee and ensuring that instructions passed down from the Board via the Risk Committee are implemented.

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

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

- The overarching Risk Management Policy
- Liquidity Management Plan
- Capital Risk Management Plan
- Market Risk Management Plan
- Funding Plan
- Credit Risk Management Policy
- Collections Policy
- Operational Risk Management Policy, which has a number of related documents, including the Compliance Program, AML/CTF Program, Data Risk Management Policy and other operational risk management policy documents.

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

A. Market risk

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

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

The management of market risk is the responsibility of the ALCO Committee, which reports directly to the Board.

(i) Interest rate risk

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

Most banks are exposed to interest rate risk within their treasury operations. The Credit Union does not trade in financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change.

This risk is not considered sufficiently significant to warrant the use of derivatives to mitigate it.

Method of managing risk

The Credit Union manages its interest rate risk by the use of a Value at Risk (VaR) model. An independent review of the interest rate risk profile is conducted on a quarterly basis by Protecht Advisory Pty Ltd , an independent risk management consultancy company. The Board monitors interest rate risk through the management reporting process.

Value at Risk

The Credit Union's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR is calculated using historical simulations, movements in market rates and prices, a 99.5 per cent confidence level and taking into account historical correlations between different markets and rates.

Although the use of the VaR model calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement.

The Credit Union's exposure to banking book interest rate risk is not expected to change materially in the next year and existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

B. Liquidity risk

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

The Credit Union manages liquidity risk by:

- continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- monitoring the prudential liquidity ratio daily; and
- transferring loans to the Integris Securitisation Scheme when there are insufficient liquid funds to meet loan demand. (See Note 32.)

The Credit Union has a longstanding arrangement with the industry liquidity support scheme Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should this be necessary.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 22.

C. Credit risk

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

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

The Credit Union has established policies regarding the:

- credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- limits of acceptable exposure to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- reassessing and review of the credit exposures on loans and facilities;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- review of compliance with the above policies.

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

Past due and impaired

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

Daily reports monitor the loan repayments to detect delays in repayments. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposure to loss arises predominantly with personal loans and facilities not secured by registered mortgage over real estate.

If evidence of impairment exists, the estimated recoverable amount of the asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

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

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

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

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

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

Details are as set out in Note 8.

Bad debts

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

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

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

Collateral securing loans

A sizeable portion of the loan book is secured by residential property in Australia. Therefore, the Credit Union is exposed should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

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

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

The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of no more than 80 percent and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry

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

(i) Credit risk – liquid investments

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

The credit policy is that investments are only made to institutions that are credit worthy based on the assessment of independent credit rating agencies.

The risk of losses from liquid investments is reduced by the nature and quality of the financial institutions used and limits to the concentration and amount of individual investments with an institution.

There is a concentration of credit risk with respect to investment receivables with the placement of investments with Cuscal; a company set up to support member credit unions and which has a AA- rating.

External credit assessment for institution investments

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112.

D. Operational risk

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

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

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistleblowing policy to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;

- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card PINS and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union. Fraud losses have arisen from card skimming, internet password theft and false loan applications.

IT systems

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

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

E. Capital management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- credit risk;
- market risk (trading book);
- operational risk.

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

Capital resources

Tier 1 capital

The vast majority of Tier 1 capital comprises:

- preference share capital;
- retained profits;
- realised reserves.

The preference shares issued are approved by APRA and qualify as Tier 1 capital.

Tier 2 capital

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

Tier 2 capital generally comprises:

- available for sale (AFS) reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital;
- a subordinated loan remitted from the Credit Union's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential standard APS 111;
- a general reserve for Credit Losses.

The Credit Union's AFS reserve and an asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

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

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below the documented trigger levels. Further, a 3 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 capital on operational risk

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

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

It is considered that the Standardised approach accurately reflects the Credit Union's operational risk.

Internal capital adequacy management

The Credit Union manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board. The Finance Department then updates the forecast capital resources models produced and the impact upon the overall capital position of the Credit Union is reassessed. The Credit Union is also able to transfer loans to the Integris Securitisation vehicle to assist with capital management. (See Note 32.)

21. Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	Note	2009 $	2008 $
Financial assets - carried at amortised cost			
Cash	4	1,064,624	10,609,931
Receivables		2,411,889	2,447,879
Receivables from financial institutions	5	101,500,000	69,500,000
Loans to members	7 & 8	401,732,045	287,887,166
Total loans and receivables		**506,708,558**	**370,444,976**
Available for sale investments - carried at cost	9	907,154	906,988
Available for sale investments - carried at fair value		–	–
Total available for sale investments		907,154	906,988
TOTAL FINANCIAL ASSETS		**507,615,712**	**371,351,964**
Financial liabilities			
Short term borrowings	13	16,912,377	19,738,914
Creditors		6,359,946	6,619,580
Deposits from other institutions		35,000,000	22,000,000
Deposits from members	14	401,465,871	277,830,406
Total carried at amortised cost		**459,738,194**	**326,188,900**
Fair value through profit and loss		–	–
Derivatives		–	–
TOTAL FINANCIAL LIABILITIES		**459,738,194**	**326,188,900**

22. Maturity profile of financial liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. Financial liabilities are at the undiscounted values (including future interest expected to be paid). Accordingly these values will not agree to the balance sheet.

2009	Within 1 month $000	>1 – 3 months $000	>3 – 12 months $000	>1 – 5 years $000	After 5 years $000	No maturity $000	Total $000
LIABILITIES							
Borrowings	9,303	6,471	–	–	–	–	15,774
Creditors	2,440	–	–	–	–	–	2,440
Deposits from other financial institutions	20,320	15,185	–	–	–	–	35,505
Deposits from members	264,523	97,767	42,748	1,750	–	93	406,881
Subordinated debt	–	–	–	–	–	–	–
On Balance Sheet	**296,586**	**119,423**	**42,748**	**1,750**	–	**93**	**460,600**
Undrawn commitments	40,397	–	–	–	–		40,397
Total Financial Liabilities	**336,983**	**119,423**	**42,748**	**1,750**	–	**93**	**500,997**

2008	Within 1 month $000	>1 – 3 months $000	>3 – 12 months $000	>1 – 5 years $000	After 5 years $000	No Maturity $000	Total $000
LIABILITIES							
Borrowings	19,854	–	–	–	–	–	19,854
Creditors	3,572	–	–	–	–	–	3,572
Deposits from other financial institutions	10,140	8,177	4,172	–	–	–	22,489
Deposits from members	184,660	31,214	61,923	6,033	–	90	283,920
Subordinated debt	–	–	–	–	–	–	–
On Balance Sheet	**218,226**	**39,391**	**66,095**	**6,033**	–	**90**	**329,835**
Undrawn commitments	37,975	–	–	–	–		37,975
Total Financial Liabilities	**256,201**	**39,391**	**66,095**	**6,033**	–	**90**	**367,810**

23. Interest rate change of profile of financial assets and liabilities

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

2009	Within 1 month $000	>1 – 3 months $000	>3 – 12 months $000	>1 – 5 years $000	After 5 years $000	Non Interest bearing $000	Total $000
ASSETS							
Cash	–	–	–	–	–	1,065	1,065
Receivables	–	–	–	–	–	2,412	2,412
Advances to other financial Institutions	28,000	17,000	42,000	14,500	–	–	101,500
Loans & advances	353,518	2	36,531	12,736	–	–	402,787
Investments	–	–	–	–	–	907	907
On Balance Sheet	**381,518**	**17,002**	**78,531**	**27,236**	–	**4,384**	**508,671**
Undrawn commitments	–	–	–	–	–	–	–
Total Financial Assets	**381,518**	**17,002**	**78,531**	**27,236**	–	**4,384**	**508,671**
LIABILITIES							
Borrowings	10,912	6,000	–	–	–	–	16,912
Creditors	–	–	–	–	–	6,360	6,360
Deposits from other financial institutions	20,000	15,000	–	–	–	–	35,000
Deposits from members	261,093	94,624	44,110	1,546	–	93	401,465
On Balance Sheet	**292,005**	**115,624**	**44,110**	**1,546**	–	**6,453**	**459,738**
Undrawn commitments	40,397	–	–	–	–	–	40,397
Total Financial Liabilities	**332,402**	**115,624**	**44,110**	**1,546**	–	**6,453**	**500,135**

2008	Within 1 month $000	>1 – 3 months $000	>3 – 12 months $000	>1 – 5 years $000	After 5 years $000	Non Interest bearing $000	Total $000
ASSETS							
Cash	9,000	–	–	–	–	1,610	10,610
Receivables	–	–	–	–	–	2,448	2,448
Advances to other financial institutions	11,000	8,500	35,500	14,500	–	–	69,500
Loans & advances	288,842	–	–	–	–	–	288,842
Investments	–	–	–	–	–	907	907
On Balance Sheet	**308,842**	**8,500**	**35,500**	**14,500**		**4,965**	**372,307**
Undrawn commitments	–	–	–	–	–	–	–
Total Financial Assets	**308,842**	**8,500**	**35,500**	**14,500**	–	**4,965**	**372,307**
LIABILITIES							
Borrowings	19,739	–	–	–	–	–	19,739
Creditors	–	–	–	–	–	6,620	6,620
Deposits from other financial institutions	10,000	8,000	4,000	–	–	–	22,000
Deposits from members	184,119	29,792	58,301	5,528	–	90	277,830
On Balance Sheet	**213,858**	**37,792**	**62,301**	**5,528**	**–**	**6,710**	**326,189**
Undrawn commitments	37,975	–	–	–	–	–	37,975
Total Financial Liabilities	**251,833**	**37,792**	**62,301**	**5,528**	**–**	**6,710**	**364,164**

24. Fair value of financial assets and liabilities

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

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

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

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

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

	2009 Fair value $	2009 Carrying value $	2009 Variance $	2008 Fair value $	2008 Carrying value $	2008 Variance $
FINANCIAL ASSETS						
Cash	1,064,624	1,064,624	–	10,609,931	10,609,931	–
Advances to other financial institutions	102,722,306	101,500,000	1,222,306	69,814,459	69,500,000	314,459
Receivables (1)	2,411,889	2,411,889	–	2,447,879	2,447,879	–
Loans & advances	401,103,988	401,732,045	(628,057)	287,887,166	287,887,166	–
Investments	907,154	907,154	–	906,988	906,988	–
Total Financial Assets	508,209,961	507,615,712	594,249	371,666,423	371,351,964	314,459
FINANCIAL LIABILITIES						
Borrowings	15,145,165	15,087,000	58,165	19,748,410	19,738,914	9,496
Deposits from other financial institutions	35,027,053	35,000,000	27,053	22,029,033	22,000,000	29,033
Deposits from members						
- Call	220,554,937	220,554,937	–	168,721,826	168,721,826	–
- Term	181,639,192	180,924,663	714,529	108,815,649	109,108,580	(292,931)
Creditors (1)	6,359,946	6,359,946	–	6,619,580	6,619,580	–
Total Financial Liabilities	458,726,293	457,926,546	799,747	325,934,498	326,188,900	(254,402)

(1) For these assets and liabilities the carrying value approximates fair value.

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

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

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

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

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

Deposits from members

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

Short term borrowings

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

	2009 $	2008 $

25. Financial commitments

	2009 $	2008 $
a. Outstanding loan commitments		
The loans approved but not funded	**16,512,348**	**8,217,427**
b. Loan redraw facilities		
The loan redraw facilities available	**4,909,317**	**6,755,815**
c. Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	41,277,252	39,599,992
Less: Amount advanced	22,302,257	16,598,250
Net undrawn value	**18,974,995**	**23,001,742**
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total Financial Commitments	40,396,660	37,974,984
d. Computer capital commitments		
The costs committed under contracts with Ultradata are as follows:		
Not later than 1 year	699,139	249,966
Later than 1 year but not 2 years	996,048	171,643
Later than 2 years but not 5 years	-	-
Later than 5 years	-	-
	1,695,187	421,609
e. Lease expense commitments for operating leases on property occupied by the Credit Union		
Not later than 1 year	646,258	382,700
Later than 1 year but not later than 5 years	2,595,032	1,530,800
Later than 5 years	-	-
	3,241,290	**1,913,500**

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases, borrow funds or issue dividends.

26. Standby borrowing facilities

The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Limited (Cuscal) of:

	Gross $	Current borrowing $	Net available $
2009			
Loan facility	25,000,000	–	25,000,000
Overdraft facility	5,000,000	1,825,377	3,174,623
TOTAL STANDBY BORROWING FACILITIES	**30,000,000**	**1,825,377**	**28,174,623**
2008			
Loan facility	5,000,000	5,000,000	–
Overdraft facility	5,000,000	3,785,270	1,214,730
TOTAL STANDBY BORROWING FACILITIES	**10,000,000**	**8,785,270**	**1,214,730**

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

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

27. Contingent liabilities

Liquidity Support Scheme

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

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

28. Disclosures on Directors and other Key Management Persons

a. Remuneration of Key Management Persons [KMP]

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

KMP have been taken to comprise the Directors and the 2 members of the Executive Management responsible for the day to day financial and operational management of the Credit Union.

The aggregate Compensation of **KMP** during the year comprising amounts paid or payable or provided for was as follows:

	2009 $	2008 $
(a) short-term employee benefits;	690,616	624,487
(b) post-employment benefits – superannuation contributions	61,975	77,927
(c) other long-term benefits – net increases in long service leave provision	–	6,289
(d) termination benefits;	–	75,323
(e) share-based payment	–	–
Total	**752,591**	**784,026**

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. The amount approved for 2009 was $202,500 [2008 $185,000].

	2009 $	2008 $
b. Loans to Directors and other KMP		
(i) The aggregate value of loans to Directors and other KMP as at balance date amounted to	**820,291**	**76,757**
(ii) The total value of revolving credit facilities to Directors and other KMP, as at balance date amounted to	38,000	38,000
Less amounts drawn down and included in (i)	–	–
Net balance available	**38,000**	**38,000**
(iii) During the year the aggregate value of loans disbursed to Directors and other KMP amounted to:		
Revolving credit facilities	–	–
Personal loans	–	–
Term loans	1,187,500	–
	1,187,500	–
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other key management persons amounted to:	–	–
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	**46,082**	**4,239**

The Credit Union's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of loans to KMP who are not Directors.

There are no loans which are impaired in relation to the loan balances with Director's or other KMP or their close family relatives. There are no benefits or concessional terms and conditions applicable to KMP or their close family members.

Other transactions between related parties include deposits from Directors, and other KMP are:

	2009 $	2008 $
Total value term and savings deposits from KMP	278,393	241,031
Total Interest paid on deposits to KMP	8,009	11,715

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 which applied to members for each type of deposit.

c. Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP.

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

There are no benefits paid or payable to the close family members of KMP.

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

29. Economic dependency

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

a. Cuscal

Cuscal is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. This entity:

(i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, and direct entry transactions, as well as the production of Visa and Redicards for use by members;

(ii) provides treasury and money market facilities to the Credit Union.

b. First Data International Limited (FDI)

This entity operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM suppliers to the Credit Union's EDP Systems.

c. Ultradata Australia Pty Limited

This entity provides and maintains the application software utilised by the Credit Union.

d. TAS Pty Limited

This entity operates the computer facility on behalf of the Credit Union in conjunction with other credit unions. The Credit Union has a management contract with the company to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with the relevant Prudential Standards.

30. Segmental reporting

The Credit Union operates exclusively in the retail financial services industry within Australia.

31. Superannuation liabilities

The Credit Union contributes to the CUE Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee.

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

32. Securitisation

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

In addition the Credit Union is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria. During the year the Credit Union assigned loans to Integris. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris. There are no residual benefits to the Credit Union.

The amount of securitised loans under management as at 30 June 2009 is $156,407,196 (2008: $2,095,088).

	2009 $	2008 $

33. Notes to cash flow statement

a. Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

	2009 $	2008 $
Cash on hand	1,064,624	1,609,931
Deposits at call	–	9,000,000
Bank overdraft	(1,825,377)	(3,738,914)
Total cash	**(760,753)**	**6,871,017**

b. Reconciliation of cash from operations to accounting profit

The net cash increase/(decrease) from operating activities is reconciled to the profit after tax

	2009 $	2008 $
Profit after income tax	2,249,620	1,497,534
Add (Deduct):		
Bad debts written off	1,534,910	1,496,217
Depreciation expense	851,215	791,526
Loss on sale of assets	–	9,761
Increases in amortised fees on loans	(58,801)	4,714
Increase in provisions for staff leave	220,833	(51,595)
Increase in provision for income tax	199,998	160,231
Increase in provision for loans	158,806	6,241
Increase in other provisions	99,330	(234,451)
Increase in accrued expenses	872,878	365,635
Increase in interest payable	–	–
Increase in unearned income	(142,482)	(372)
Loss (Gain) on sale of assets	(360,167)	54,267
Decreases in prepayments	87,199	271,693
Decreases in sundry receivables	(23,257)	28,999
Decreases in deferred tax assets	–	–
Decrease in other assets	(32,629)	(20,309)
Accrued taxes-GST payable	559,412	(380,004)
Decrease in interest receivable	(380,004)	(52,961)
Net cash from revenue activities	**6,216,865**	**4,000,087**

34. Corporate information

The Credit Union is a company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office is:
Level 8, 1 York Street, Sydney NSW 2000.

The address the principal place of business is:
Level 8, 1 York Street, Sydney NSW 2000.

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

Cover images index

1 The second of two A25 Blackhawks lands on the aft flight deck, 3 spot, of HMAS KANIMBLA in preparation for Exercise Olgeta Warrior 2009, 22 August 2009. Image courtesy www.defence.gov.au

2 Able Seaman Clearance Diver John Armfield wearing the new Disruptive Pattern Navy Uniform (DPNU), 15 December 2008. Image courtesy www.defence.gov.au

3 Private Brett Simcoe from the 3rd Royal Australian Regiment Battalion Group greets local women at a village near Gleno, Timor Leste. Photographer- LAC Rodney Welch. Image courtesy of www.defence.gov.au

4 Australian soldiers standing in front of the Australian War Museum in Canberra, with Parliament House in the background.

5 Chief of Defence Force Air Chief Marshal Angus Houston's hat and signature at the RAAF Base Glenbrook Officer's Mess during Exercise Pitch Black, 11 August 2006. Image courtesy www.defence.gov.au

6 Australian Defence Force celebrating Australia Day in the streets of Melbourne, 26 January 2009. Image courtesy www.defence.gov.au

7 The Rats of Tobruk Memorial in Canberra.

8 HMAS Anzac's Boatswain's Mates secure the anchor and lines on departure from Sydney Harbour during rough weather, 16 February 2009. Image courtesy www.defence.gov.au

9 The Eternal Flame at Melbourne's Shrine of Remembrance.

10 Members of the Maritime Patrol Task Group assigned to the Middle East gather for a photo in front of an AP-3C Orion aircraft at their base in the Middle East. In front is Commander Task Group 633.2 Wing Commander Stephen Hanrahan, 27 December 2007. Image courtesy www.defence.gov.au

11 The Australian Army Defence Medal. Struck in 2008 for any person serving more than 4 years in the Australian Defence Force, it is worn when on ceremonial duties. The black and red colour of the Flanders poppy represents the Anzac spirit of the Australian Defence Force.

12 A RAAF C-130 J model Hercules on the flightline at night in the Middle East. Photo by Lieutenant Peter Bounty, RAN. Image courtesy www.defence.gov.au

13 Anzac Digger Statue, Anzac Bridge, Sydney, Australia.

14 HMAS Perth 3 Commissioning Ceremony held at D Berth Fremantle Port. The ceremony consisted of a large audience including dignitaries and guests of honour. Many Ex-Perth 1 and 2 members also attended this historical event, 28 August 2006. Image courtesy www.defence.gov.au

15 Soldiers conduct a range shoot as part of their Reception, Staging, Onward Movement and Intergration (RSO&I) at Australia's Force Level Logistics Asset (FLLA) in the Middle East Area of Operations. These soldiers, mostly from 5 Battalion, the Royal Australian Regiment (5RAR) are about to rotate into the Overwatch Battlegroup in Iraq. Photograph by CPL Mike McSweeney. Image courtesy of www.defence.gov.au

16 An Australian engineer and some local Afghan children, 26 February 2007. Image courtesy www.defence.gov.au

17 The courtyard of the Australian War Memorial in Canberra.

18 The ADCU 50th Anniversary Celebration at Garden Island, Sydney.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We understand the Defence way of life