



Southern Cross

CREDIT UNION LTD

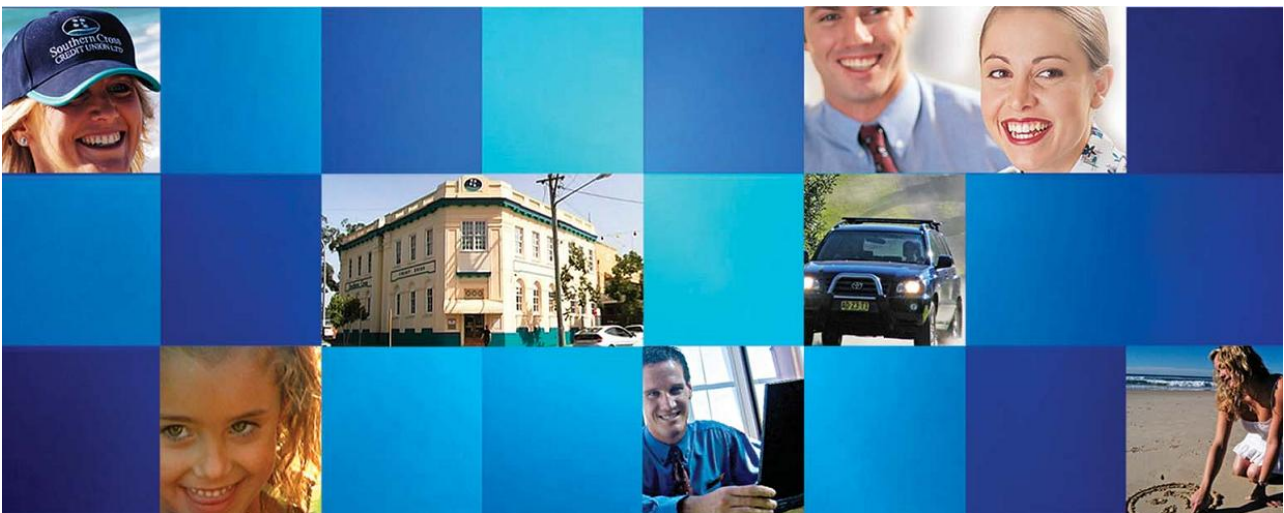
ABN 82 087 650 682

ANNUAL REPORT

2010-2011

community banking since '66

building a home **building a community** building a future



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Southern Cross Credit Union Ltd

ABN: 82 087 650 682
AFSL: 241000

Registered Office

2-4 Commercial Road
Murwillumbah NSW 2484
Tel (02) 6672 2744

Chief Executive Officer

Peter J Iwanuscha

Senior Head Office Staff

Gary C Boyd	Executive Manager Corporate Services
Lyn F McLean	Administration Manager
Peter C Hunting	Manager-Compliance & Audit
Donna M Cox	Manager-Credit & Branches
Peter J Jarvis	Loans Manager
Lyndie A Dennehy	Marketing Officer

Auditors

Thomas Noble & Russell, Lismore NSW

Bankers

Credit Union Financial Services (Australia) Limited
through National Australia Bank

Branches

Lismore	70 Woodlark St	(02) 6621 7371
Mullumbimby	56 Burringbar St	(02) 6684 2574
Tweed Heads	Shop 21, Centro Tweed Shopping Centre	(07) 5536 3833
Casino	Cnr. Walker & Canterbury Sts	(02) 6662 2877
Ballina	Shop 46, Ballina Fair	(02) 6686 5999
Byron Bay	107 Jonson St	(02) 6685 8144
Tweed Heads - South	Shop103, Tweed City Shopping Centre	(07) 5524 2411
Cabarita Beach	Shop 2, 29 Coast Rd	(02) 6676 2377
Lennox Head	1/64 Ballina Rd	(02) 6687 6166
Murwillumbah	2-4 Commercial Rd	(02) 6672 2744

Directors

Phillip J Hoffman	Chairperson
Colin J Lee	Deputy Chairperson
Peter J Iwanuscha	
John M Rutledge	
Pauline A Ross	
Guy A Bezrouchko	
Belinda A Henry	

Affiliations

Credit Union Services Corporation Australia Ltd
World Council of Credit Unions
Australian Credit Union Institute
Abacus – Australian Mutuals

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

CHAIRPERSON'S REPORT

I am privileged to present the Chairperson's report on behalf of the Directors of Southern Cross Credit Union for the year ended 30 June 2011.

RESULTS

The Credit Union has achieved another solid profit result this year with sound growth in the balance sheet in tough economic conditions and a further strengthening of capital levels.

- Capital, the basis of our financial strength grew by \$3.3 million to \$33.4 million.
- Profit after tax rose by 4.0% to \$3.3 million.
- Liquidity averaged 14.7% of liabilities, comfortably above regulatory minimums and within the Credit Unions policy limits.
- Loans to Members increased by 5.2% to \$280.5 million.
- Loans in arrears (a measure of credit quality) was only 0.09% of total loans, reflecting our responsible lending practices and excellent work from our staff in assisting Members facing financial difficulties.
- Total Assets grew by 3.2% to \$324.2 million.
- Member Deposits increased by 2.6% to \$284.3 million.
- Shareholding Members at June 2011 totalled 25,779.

Our strategy is to balance all areas of growth so that the Credit Union is sustainable for Members in the long-term.

LEGISLATION

We continue to train staff to comply with the numerous legislative standards required of the Credit Union. We maintain ongoing monitoring of compliance programs which are administered by audit staff and third parties.

STAFF

In recognising the importance of our staff, the Credit Union continued its commitment to an extensive training program in 2011. Approximately 75% of our frontline staff have now either completed or are soon to complete a comprehensive 2 year program to qualify for a Certificate IV in Financial Services and another smaller group of our new staff compliment has commenced with the same course this year.

In addition two staff completed a Diploma of Management and one staff member has completed a Diploma of Financial Services to broaden their skills and experience.

Our staff provide excellent service, catering for all of our members needs. They are actively involved in our local community and are deeply appreciated by the Board for their contribution and efforts in making our Credit Union such an attractive alternative in the local market.

BOARD OF DIRECTORS

Directors John Rutledge and Phillip Hoffman were re-elected to the Board at the Annual General Meeting held in November 2010.

AUDIT and COMPLIANCE

The Audit & Risk Committee is again chaired by John Rutledge this year. Directors Colin Lee, Pauline Ross and Guy Bezrouchko were also re-elected to the committee.

The Audit Committee meets at least quarterly to discuss reports received and recommend improvements in our operations. Capital Management Plans and Policies are revised twice annually. The Review of our Business Continuity Plan is undertaken annually.

The Audit Committee's primary function is to oversee and protect members' deposits and safeguard the Credit Union's assets.

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

CHAIRPERSON'S REPORT

APPRECIATION

The Board of Directors is most appreciative of the assistance given by the following entities:

- Our auditors Thomas Noble & Russell of Lismore
- Legal Counsel from Lange & Co. of Sydney and John G McDonald & Partners of Murwillumbah
- Management and Staff of CUSCAL
- Officers of the Australian Prudential Regulation Authority, our prudential supervisors
- Proprietors, Management and Paymasters who provide payroll deductions
- Investment Advisers, Bridges Personal Investment Services - Phillip Smith
- Our panel of Real Estate Valuers

CONCLUSION

I would like to thank SCCU's Board of Directors for their loyalty, attendance and input at our monthly Board meetings and frequent Committee meetings.

I commend our management team and staff who have maintained a most professional and caring approach to serving our members. It is their dedication to the Credit Union that has helped us to prosper.

Above all, it is you, our Members that I would like to thank the most for your continued support and appreciation for a Credit Union that undertands your needs and aims to deliver.

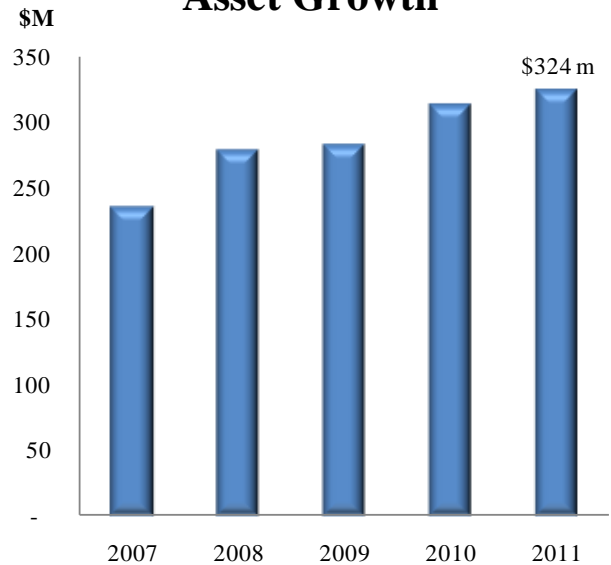
You are, and will remain, our number one priority. We look forward to providing you with financial products and services of the highest quality now and into the future.

Regards

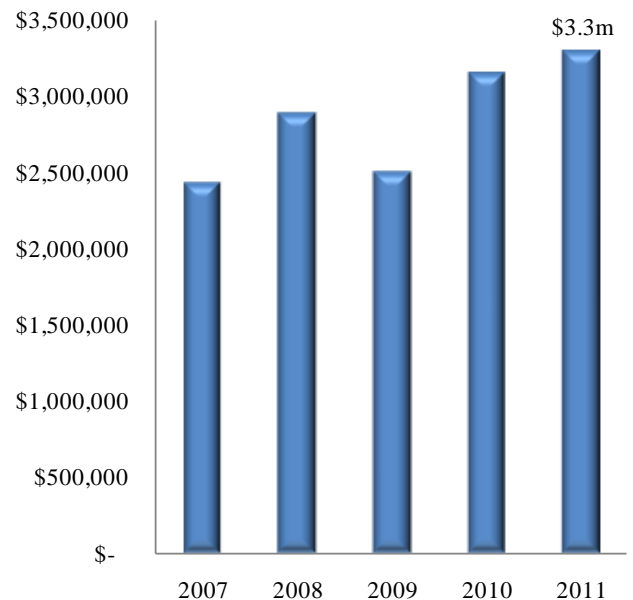


PHILLIP J HOFFMAN
CHAIRPERSON

Asset Growth



Net Profit



SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

DIRECTORS' REPORT TO MEMBERS

Your Directors submit their report for the financial year ended 30 June 2011.

DIRECTORS

The names of Directors in office at the date of this report and their qualifications, experience and special responsibilities are as follows:

NAME	QUALIFICATIONS	EXPERIENCE	RESPONSIBILITIES
Phillip J Hoffman	Director Development Course AAMI Diploma in Financial Services	Board Member since 27 November 2001	Chairperson
Colin J Lee	JP, AAMI Diploma in Financial Services	Board Member since 28 January 1997	Deputy Chairperson Member - Audit Committee
Peter J Iwanuscha	Diploma in Teaching Diploma in Financial Services JP, FAMI	Board Member since 24 April 1997 32 years service with the Credit Union Chief Executive Officer for 17 years	Company Secretary AFSL Nominated Responsible Officer Fit and Proper Officer
John M Rutledge	Local Government ALGMA, JP, AAMI Diploma in Financial Services	Board Member since 27 July 2004	Chairperson of Audit Committee
Pauline A Ross	Diploma in Nursing Admin Bachelor of Health Admin Masters in Public Policy, AAMI	Board Member since 30 August 2005	Member - Audit Committee
Guy A Bezrouchko	Bachelor of Business Certified Practising Accountant AAMI Diploma in Financial Services	Board Member since 20 June 2006	Member - Audit Committee
Belinda A Henry	Bachelor of Laws Practical Legal Training Course Legal Practice Management Course	Board Member since 30 June 2011	

Each Director holds one ordinary member share in the Credit Union.

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

DIRECTORS' REPORT TO MEMBERS

DIRECTORS' MEETINGS

The number of meetings of Directors (including committee meetings) held, where each Director was available during the year, and the number of meetings attended by each Director were as follows:

No. of meetings	Director Meetings		Audit & Risk Committee Meetings	
	Held	Attended	Held	Attended
Phillip J Hoffman	12	12	1	1
Colin J Lee	12	12	4	4
Peter J Iwanuscha	12	11	4	4
John M Rutledge	12	12	4	4
Pauline A Ross	12	11	4	4
Guy A Bezrouhko	12	12	4	4
Belinda A Henry *	-	-	-	-

* Director Henry was appointed on 30 June 2011 and as such was not required to attend any meetings held during the year.

Leave of absence was granted where Directors were unable to attend board meetings.

The name of the Company Secretaries in office at the end of the year are:

NAME	QUALIFICATIONS	EXPERIENCE
Peter J Iwanuscha	Diploma in Teaching Diploma in Financial Services JP, FAMI	* 32 years service with the Credit Union * Chief Executive Officer for 17 years
Gary C Boyd	Bachelor of Commerce, UQ Certified Practising Accountant (CPA)	* 20 years experience in various financial and management roles in a number of industries
Donna M Cox	Certificate IV Business Management Certificate IV Financial Services (Credit Management) Diploma of Financial Services	* 22 years service with the Credit Union

Directors' Benefits

No Director of the Credit Union has received or has become entitled to receive a benefit because of a contract made by the Credit Union with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Indemnity Insurance

The Credit Union has, during the financial year, paid an

insurance premium in respect of an insurance policy for the benefit of Directors, Secretaries, Executive Officers and employees of the Credit Union and of related bodies corporate as defined in the insurance policy.

The insurance policy grants indemnity against liabilities permitted to be indemnified by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium specified.

FINANCIAL PERFORMANCE DISCLOSURES

Principal Activities

The Credit Union operates as a community based Credit Union providing financial services to members in the form of deposit taking, the provision of financial accommodation and other member services as prescribed by the constitution. There were no significant changes in the nature of those activities during the financial year.

Operating Results

The net profit after income tax was \$3,279,000 (\$3,154,000 in 2010), representing an increase of \$125,000 or 4.0%.

The results for the year were affected by:

- an increase in interest revenue of \$3,972,000 or 21.0%
- an increase in interest expenses of \$3,639,000 or 39.8%
- and an increase in net interest income of \$333,000 or 3.4%
- an increase in employee expenses of \$107,000 or 2.7%
- an increase in office occupancy expenses of \$53,000 or 6.8%
- these were the significant factors in the Credit Union's increased net profit after tax of \$125,000 or 4.0%

Review of Operations

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

Dividends

In accordance with the constitution of the Credit Union, dividends are not paid to members.

Significant Changes in State of Affairs

Apart from the review of operations as detailed above, there were no significant changes in the state of the affairs of the Credit Union during the year.

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

DIRECTORS' REPORT TO MEMBERS

Events Occurring After Balance Date

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

Likely Developments and Results

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

- i) The operations of the Credit Union;
- ii) The results of those operations; or
- iii) The state of affairs of the Credit Union.

CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management, except for the Executive Director and Chief Executive Officer, Mr Peter Iwanuscha. Directors are elected by members on a 3-year rotation.

Each Director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 criteria. The Directors also need to satisfy the Fit and Proper criteria set down by APRA.

The Board has established policies to govern conduct of the Board meetings, Directors conflicts of interest and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration

The Board receives remuneration from the Credit Union in the form of allowances agreed to each year at the AGM and out of pocket expenses. There are no other benefits received from the Directors by the Credit Union.

Board Committees

An Audit & Risk Committee exists to assist the Board in relevant matters of financial prudence and risk management. The Directors form the majority of this committee with executive management participation.

The Audit & Risk Committee exists to oversee the financial reporting and audit process. Its role includes:

- Monitoring audit reports received from internal and external auditors and management's responses thereto;
- Liaising with the auditors (internal and external) on the scope of their work and experience in conducting an effective audit;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations; and
- Monitoring compliance with applicable laws.

All management are remunerated by salary packages only. There are no bonus or equity benefits available to management.

Policies

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

Key risk management policies include:

- Capital adequacy management
- Liquidity management
- Credit risk management
- Data risk management
- Operational risk management

Compliance Officer

The Credit Union has a Compliance Officer who is responsible for maintaining the awareness of staff for all changes in compliance legislation and responding to staff enquiries on compliance matters. The officer also monitors the FSR License obligations and responds to all member complaints and disputes should they arise.

External Audit

The annual audit of the Credit Union's financial report and compliance with prudential standards is performed by Thomas Noble & Russell, a Lismore based firm. The firm of Thomas Noble & Russell has been auditing Credit Unions for over 20 years. The firm utilises sophisticated Computer Assisted Audit Software to supplement the compliance testing.

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

DIRECTORS' REPORT TO MEMBERS

Internal Audit

An internal audit function exists using the services of an internal audit person within management to deal with the areas of internal control, compliance and regulatory compliance only.

The internal audit function reports directly to the Audit & Risk Committee, making recommendations to the committee for improvements to the Credit Unions operations and internal controls.

This role is also supplemented by other external compliance reviews performed, including security audits on the data processing systems/centres for adequacy of the back up, disaster recovery and Internet security systems.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union; and
- Australian Securities and Investment Commission (ASIC) for adherence to the Corporations Act, Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) requirements. The FSR legislation requires the Credit Union to disclose details of products and services, maintain training for all staff that deal with members and provide an effective and independent complaints handling process.

Under FSR licensing arrangements all staff that deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both APRA and ASIC conduct periodic inspections. The auditors report to both authorities on an annual basis regarding compliance with respective requirements. The

external auditors also report to ASIC on FSR compliance and APRA on prudential policy compliance.

Occupational Health & Safety

The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our members and steps need to be taken to maintain their security and safety when circumstances warrant.

OH&S policies have been established for the protection of both members and staff and are reviewed six monthly for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas;
- Cameras and counter screens in all offices to allow detection and identification of unauthorised persons.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report bi-annually on the areas of improvement that may be considered.

The Credit Union has established an OH&S committee of employees that meets regularly to consider any concerns for security or safety raised by employees or the public. All matters of concern are reported to the CEO for actioning by management. Secure cash handling policies are in place and lifting heavy weights are managed by proper techniques to minimise the risk of damage.

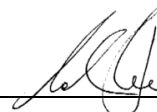
All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the workplace.

Signed in accordance with a resolution of the Board of Directors.



P J Hoffman
Chairperson

Dated this 27th day of September 2011



C J Lee
Deputy Chairperson

SOUTHERN CROSS CREDIT UNION LTD

ABN 82 087 650 682

DIRECTORS' DECLARATION

In the opinion of the Directors of the Credit Union:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001:

- a) Comply with Accounting Standards and the Corporations Regulations 2001; and
- b) Give a true and fair view of the Credit Union's financial position as at 30 June 2011 and of its performance for the year ended on that date.

2. There are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



P J Hoffman
Chairperson

Dated this 27th day of September 2011



C J Lee
Deputy Chairperson



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

This Declaration is made in connection with our audit of the financial report of Southern Cross Credit Union Limited for the year ended 30 June 2011 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
K R FRANEY (Partner)
Registered Company Auditor

Dated this 27th day of September 2011

31 Keen Street
LISMORE NSW 2480



Liability limited by a
Scheme approved
under the Professional
Standards Legislation

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$'000	\$'000
Interest Income	(2)	22,899	18,927
Interest Expense	(3)	<u>(12,792)</u>	<u>(9,153)</u>
Net Interest Income		10,107	9,774
Non-interest income	(2)	3,711	3,721
Impairment expense	(11)	(67)	(66)
Employee benefits expense	(3)	(4,124)	(4,018)
Occupancy expense	(3)	(842)	(788)
Depreciation and amortisation expenses	(3)	(353)	(348)
Other expenses	(3)	<u>(3,770)</u>	<u>(3,806)</u>
Profit before income tax		4,662	4,469
Income tax expense	(4)	(1,383)	(1,315)
Profit for the year		<u>3,279</u>	<u>3,154</u>
Other Comprehensive Income			
Fair value revaluation of land and buildings		<u>-</u>	<u>-</u>
Other comprehensive income for the year net of tax		-	-
Total Comprehensive Income for the Year		<u>3,279</u>	<u>3,154</u>
Total Comprehensive Income attributable to Members of the Credit Union		<u><u>3,279</u></u>	<u><u>3,154</u></u>

These financial statements should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
BALANCE SHEET
AS AT 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
ASSETS			
Cash and cash equivalents	(7)	4,884	4,301
Receivables from other financial institutions	(8)	35,619	40,102
Other receivables	(9)	290	322
Loans and advances to members	(10&11)	280,477	266,518
Available for sale investments	(12)	577	577
Other assets	(16)	275	252
Property, plant and equipment	(13)	1,439	1,540
Deferred tax assets	(14)	295	262
Intangible assets	(15)	343	391
TOTAL ASSETS		<u>324,199</u>	<u>314,265</u>
LIABILITIES			
Deposits from members	(17)	284,326	277,148
Payables and other liabilities	(18)	5,741	6,145
Derivatives	(19)	22	55
Tax liabilities	(20)	378	485
Provisions	(21)	318	297
TOTAL LIABILITIES		<u>290,785</u>	<u>284,130</u>
NET ASSETS		<u>33,414</u>	<u>30,135</u>
MEMBERS EQUITY			
Capital reserve account	(22)	231	217
Other Reserves	(23)	2,677	2,654
Retained earnings		30,506	27,264
TOTAL MEMBERS EQUITY		<u>33,414</u>	<u>30,135</u>

These financial statements should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Asset Revaluation Surplus \$'000	Capital Profits \$'000	Redeemable Preference Share Reserve \$'000	Reserve for Credit Losses \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2009	602	229	202	1,661	24,287	26,981
Profit for the Year	-	-	-	-	3,154	3,154
Other comprehensive income	-	-	-	-	-	-
Transfers to/(from) Reserves	-	-	15	161	(177)	-
Balance at 30 June 2010	602	229	217	1,822	27,264	30,135
Profit for the Year	-	-	-	-	3,279	3,279
Transfers to/(from) Reserves	-	-	14	23	(37)	-
Balance at 30 June 2011	602	229	231	1,845	30,506	33,414

These financial statements should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$'000	\$'000
i) Cash flows from operating activities			
Interest received		22,899	18,927
Dividends received		135	72
Other non interest income received		3,393	3,488
Interest paid		(12,102)	(8,816)
Payments to suppliers and employees		<u>(8,506)</u>	<u>(8,659)</u>
		5,819	5,012
Movements in operating assets and liabilities			
Net movement in member loans		(14,025)	(24,581)
Net movement in member deposits		<u>6,014</u>	<u>27,924</u>
		(8,011)	3,343
Income taxes paid		<u>(1,525)</u>	<u>(923)</u>
Net cash provided by operating activities	37(c)	<u>(3,715)</u>	<u>7,432</u>
ii) Cash flows from investing activities			
Net movement in receivables due from other financial institutions		4,483	(9,854)
Payments for property, plant and equipment		(185)	(334)
Proceeds from sale of property plant & equipment		<u>-</u>	<u>4</u>
Net cash provided by investing activities		<u>4,298</u>	<u>(10,184)</u>
iii) Cash flows from financing activities			
Net movement in other borrowings		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalent assets held		583	(2,752)
Cash and cash equivalents at the beginning of the financial year		4,301	7,053
Cash and cash equivalents at the end of the financial year	37(a)	<u>4,884</u>	<u>4,301</u>

These financial statements should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Prudential Standards set down by APRA.

The financial report covers Southern Cross Credit Union Limited as a single entity which is a public company limited by shares, incorporated and domiciled in Australia. The nature of the credit union's operations and principal activities are disclosed in the directors' report.

Basis of Preparation

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards.

This financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

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

(a) Income Tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

(b) Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members' loan accounts on the last day of each month. For loans where interest is charged in advance, the income is recognised as it accrues on a monthly basis.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Loan interest is not brought to account when the Credit Union is informed that the member is deceased or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospect of a contribution from the member is minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Loan fees are brought to account as income in the year of receipt up to the amount of costs recouped. Loan fees in excess of costs are brought to account as income over the period of the loan.

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and commissions are recognised upon the rendering of the service to the customer.

(c) Loans to members

Loans and advances to members are recognised as recoverable amounts, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan contract.

Specific Provision for Impairment

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by APRA require a minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. In addition, the board makes a provision for loans in arrears where the collectability of the debts are considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impractical.

Reserve for Credit Losses

In addition to the above specific provision, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision.

Components of Impaired Assets

The various components of impaired assets are as follows:

"Non-accrual loans" are loans and advances:

- (i) for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the contract; or
- (ii) which do not meet the definition of a restructured loan only because it yields less than the Credit Union's average cost of funds;

and includes category two loans, category three loans and category four loans, in accordance with harmonised Prudential Standards Guidance Note AGN 220.1.

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

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

"Past-due loans" means a loan or similar facility in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan and includes category one loans in accordance with Prudential Standards Guidance Note AGN 220.1 that are in arrears for at least 90 days and are well secured.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(d) Receivables

Receivables Due from other Financial Institutions

Receivables from other financial institutions are primarily negotiable certificates of deposit or term deposits with other financial institutions which have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity and is brought to account in the Income Statement when earned. All deposits are in Australian currency.

Other Receivables

Other receivables are primarily settlement account balances due from banks, building societies and other credit unions and accrued interest on term deposits.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets that have fixed or determinable payments, and it is the credit unions intention to hold these investments to maturity. Any held-to-maturity investments held by the credit union are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any non-derivative financial assets that are either designated as such or that are not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(f) Property, plant and equipment

Each class of property, plant & equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land & buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the Credit Union to have an independent valuation every three years, with annual appraisals being made by the Directors.

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

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The revaluation of freehold land and buildings has taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal.

The decrement in the carrying amount is recognised as an expense in the net profit or loss from ordinary activities in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight line basis in accordance with the following rates:

Buildings 2.5%	Motor Vehicles 20%
Furniture & Equipment 15%	Plant & Equipment 20%
Computer Equipment 25%	Leasehold improvements 10%

Assets under \$300 are not capitalised.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(g) Intangible assets

Computer software held as intangible assets are amortised over the expected useful life of the software. These lives range from 3 to 8 years resulting in a straight line depreciation base of 33.3% to 12.50% respectively.

(h) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Members' deposits

Members' deposits are brought to account at the gross value of the outstanding balance. Interest on deposits are brought to account on an accruals basis.

(j) Borrowings

Borrowings are 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 borrowings using the effective interest method. Borrowing costs are recognised in the income statement in the period in which they are incurred.

(k) Employee Benefits

Provision is made for the 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.

SOUTHERN CROSS CREDIT UNION LIMITED
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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Present values are discounted using rates for Commonwealth Government guaranteed securities having terms to maturity that match, as closely as possible, the terms of the related liabilities. Future increases in remuneration rates are taken into account in estimating future cash outflows.

Contributions are made by the Credit Union to employee superannuation funds and are charged as expenses when incurred.

All employees of the Credit Union are entitled to benefits on retirement, disability or death. The Credit Union contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures and periods of service. However, when this information is not readily available, the Credit Union accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans. The Non-Government Schools Superannuation Fund has advised that it is unable to provide individual Credit Unions with an accurate split of their share of the funds assets and liabilities and so no asset or liability is recognised.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments available.

(l) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with the changes in the presentation of the current year.

(m) Derivative Instruments

The Credit Union uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational activities.

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The credit union designates certain derivatives as either:

- i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- ii) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the credit union's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

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(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

(n) Goods and Services Tax (GST)

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

(o) Risk Management Objectives and Policies

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

Market Risk and Hedging Policy

The Credit Union is not exposed to currency risk and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through monthly reporting and a review of the risk management profile is conducted by internal audit.

Details of the interest rate risk profile are set out in Note 28.

Managing Interest Rate Risk

The Credit Union manages its interest rate risk using the following methods:

(i) Hedging

To mitigate interest rate risk the Credit Union has entered into interest rate swaps. The Credit Union hedges its exposure to interest rate risk on fixed rate loans/assets by entering into pay fixed/receive floating interest rate swaps.

(ii) Value at Risk (VaR)

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The Credit Union's policy limit in respect of VaR is to keep this measurement below 3% of capital. The VaR is measured monthly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposits liabilities to rectify the imbalance to within acceptable levels.

Based on the Value at Risk (VaR) calculations as at 30 June 2011, the VaR is \$97,515 or 0.31% of capital (30 June 2010 \$213,675 and 0.74% of capital)

Credit Risk – Loans

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 65% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

The Credit Union manages its exposure to credit risk by adhering to its lending policies which require assessment of the quality of security offered and the capacity of the member to repay the loan in accordance with the terms and conditions of the loan.

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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

The Credit Union has a concentration in retail lending for members who comprise employees and family in the public healthcare industry. This concentration is considered acceptable on the basis that the Credit Union was formed, in part, 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 30.

Concentration Risk

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 (10 per cent) 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.

Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent 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 at least 80 per cent and bi-annual reviews of compliance with this policy are conducted.

The Credit Union has a concentration in retail lending for members who comprise employees and family in the public healthcare industry, as described above under Credit Risk.

Credit Risk – Liquid Investments

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

i) Concentration of credit risk

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL Limited. Refer to Note 35 for further details about CUSCAL.

The Liquidity Management policy is that investments are only made to Authorised Deposit Taking Institutions (ADIs). The Board has established policies that a maximum of 40% of its capital can be invested in any one ADI at a time, with the exclusion of CUSCAL Limited.

The risk of losses from the liquid investments undertaken is reduced by the limits to concentration on one entity. Also the relative size of the credit union compared to the industry is relatively low such that the risk of loss is reduced.

Under the Credit Union liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal Limited to allow the scheme to have adequate resources to meet its obligations. In addition, the Credit Union is required to maintain deposits with CUSCAL to the value of not less than 120% of all Committed Facility Limits approved with CUSCAL.

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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(ii) External credit assessment for institutional investments

The credit union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Practice Guide APG 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step for the credit union are as follows:

Actual Rating (S&P Rating)	2011 \$'000 Balance	2010 \$'000 Balance
A-1+/AA-	7,462	21,466
A-1/A-	8,065	6,066
A-2/BBB-	20,092	12,570
A-3/BB-	-	-
B-	-	-
Others / Unrated	-	-
TOTAL	35,619	40,102

Credit Risk – Equity Investments

All investments in equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in an entity, being CUSCAL, set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one aggregated entity. Further details of these investments are set out in Note 12.

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

The credit union has a long standing 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 at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within two business days under the APRA Prudential standards. The Credit Union Policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. This ratio is checked daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available. Note 25 details the borrowing facilities available to the Credit Union as at balance date.

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FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

The maturity profile of the financial assets and financial liabilities based on the contractual repayment terms is set out in Note 27.

The ratio of liquid funds over the past year is set out below:

Liquid funds to total adjusted liabilities:	2011	2010
- As at 30 June	13.58%	15.17%
- Average for the year	14.69%	14.38%
- Minimum during the year	12.48%	12.17%

Liquid funds to total member deposits:

- As at 30 June	14.25%	16.02%
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Operational Risk

Operational Risk is the risk of loss to the Credit Union resulting from inadequate or failed internal processes, people and systems or from external events.

The Credit Union maintains a risk register that identifies all material risks the Credit Union is exposed to. This register rates risks on their likelihood and consequence and risks above the Board's desired risk appetite are actioned by strengthening controls designed to reduce these risks.

The main Operational Risks the Credit Union is exposed to include internal fraud, external fraud, employment practices and workplace safety risks, business continuity, compliance risks, business disruption and information technology failure, employee errors and outsourced supplier failure.

Controls in place to reduce Operational Risks include business continuity plans, including comprehensive information technology disaster recover plans to limit the impact of major business disruptions, adequate insurance cover, sound human resource policies, policies and systems designed to reduce errors and segregation of employee duties, including approval and processing duties.

Capital Management

The Credit Union is required to hold a minimum level of capital of 8% compared to calculated risk weighted assets, as prescribed by APRA regulations. Credit Union internal policies at balance date require 11% capital to be held. To manage the Credit Unions capital the Credit Union reviews the ratio monthly and monitors major movements in asset levels.

(p) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The significant accounting judgements related to the determination of the provision for impairment of loans are set out in Note 11.

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NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(q) Changes in Accounting Policies

The following Australian Accounting Standards issued or amended are applicable to the Credit Union but are not yet effective for the 2011 financial year and have not been adopted in preparation of the financial statements at reporting date. The impact of each Accounting Standard on the Credit Union's financial reporting in future periods is considered immaterial.

AASB	Title
AASB 1053	Application of Tiers of Australian Accounting Standards
AASB 2010-2	Amendment to Australian Accounting Standards arising from Reduced Disclosure Requirements
AASB 9	Financial Instruments
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9
AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Process
AASB 1054	Australian Additional Disclosures
AASB 2011-1	Amendments to Australian Accounting Standards Arising from the Trans-Tasman Convergence Project
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
AASB 2010-4	Amendments to Various Australian Accounting Standards
AASB 2010-6	Improving Disclosures of Transfers of Financial Assets
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets
AASB 124	Related Party Disclosures
AASB 2009-12	Amendments to Australian Accounting Standards

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$'000	\$'000
NOTE 2 - REVENUE		
Interest Revenue		
Cash and cash equivalent assets	108	76
Receivables due from other financial institutions	2,114	1,532
Loans and advances	20,677	17,319
Total Interest Revenue	<u>22,899</u>	<u>18,927</u>
Non-Interest Revenue		
Dividends	135	72
Fees and commissions	3,512	3,539
Bad debts recovered	5	7
Profit on sale of property, plant & equipment	-	3
Derivatives - fair value gain on interest rate swaps	55	94
Other	4	7
Total non-interest revenue	<u>3,711</u>	<u>3,722</u>
Total Revenue	<u>26,610</u>	<u>22,649</u>

NOTE 3 - PROFIT BEFORE INCOME TAX

- (i) The profit from continuing operations before income tax expense has been determined after:

Interest Expenses		
Payable to other financial institutions	4	5
Member deposits	12,788	9,148
Total Interest Expense	<u>12,792</u>	<u>9,153</u>
<u>Non-Interest Expenses</u>		
Fees and commissions	1,638	1,625
General administration	2,395	2,308
Derivatives - fair value loss on interest rate swaps	22	55
- net loss on hedged item	25	94
Depreciation of plant & equipment	202	231
Depreciation of buildings	16	16
Amortisation	136	102
Rental expense on operating leases	510	493
Employee benefit expenses	4,124	4,018
Other	22	19
Total non-interest expenses	<u>9,090</u>	<u>8,961</u>
Total Expenses	<u>21,882</u>	<u>18,114</u>

SOUTHERN CROSS CREDIT UNION LIMITED
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	2011	2010
	\$'000	\$'000
NOTE 4 - INCOME TAX EXPENSE		
(a) The income tax expense comprises amounts set aside as follows:		
Provision for income tax - current year	1,405	1,316
Under / (over) provision for income tax in prior years	25	7
Increase / (decrease) in the deferred tax liability account	3	-
(Increase) / decrease in the deferred tax asset account	(50)	(8)
	<u>1,383</u>	<u>1,315</u>
(b) The prima facie tax on operating profit is reconciled to the income tax expense as follows:		
Prima facie tax expense on profit before income tax at 30% (2010: 30%)	1,399	1,341
Add tax effect of:		
Non-deductible items	1	(10)
Non-assessable income (fully franked dividends)	(41)	(22)
Under / (over) provision for income tax in prior years	24	7
Total income tax expense	<u>1,383</u>	<u>1,315</u>
Applicable weighted average effective tax rate	29.67%	29.43%
(c) Balance of the franking account at year end adjusted for franking credits arising from payment of the provision for income tax, payment of dividends payable or receipts of dividends receivable at reporting date		
	<u>11,473</u>	<u>9,891</u>
Under the terms of the Credit Union's constitution the franking account credits shown above are not able to be paid.		

NOTE 5 - AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditor for:

Auditing or reviewing the financial report	54	53
Other services - compliance matters	19	12
	<u>73</u>	<u>65</u>

SOUTHERN CROSS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 - RELATED PARTY AND KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel (KMP) Compensation

KMP are those persons having the 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 entity. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits for the Credit Union.

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

The total compensation paid to Key Management Personnel during the year, comprising amounts paid or payable or provided for, was as follows:

	2011	2010
	\$'000	\$'000
Short-term employee benefits	523	552
Post-employment benefits - superannuation contributions	40	42
Other long-term benefits - net increases in LSL provision	14	6
	<u>577</u>	<u>600</u>
Total compensation	<u>577</u>	<u>600</u>

In the table directly above for remuneration shown as short-term benefits means (where applicable) salary and wages, superannuation, 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 non-executive Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

(b) Loans to Related Parties

(i) The aggregate value of loans to KMP as at balance date amounted to:

- secured loans	321	415
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(ii) The total value of revolving credit facilities to Directors and other KMP, as at balance date amounted to:

	3	3
Less amounts drawn down and included in (i)	-	-
Net balance available	<u>3</u>	<u>3</u>

(iii) During the year the aggregate value of loans disbursed to Directors and other KMP amounted to:

- secured loans	-	221
- overdrafts	-	1

(iv) Interest and other revenue earned on loans and revolving credit facilities to Directors and KMP amounted to:

	24	23
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The Credit Union's policy for lending to KMP is that all loans are approved on the same terms and conditions which applied to Members for each class of loan. This policy has been adhered to for the full financial year. There are no loans which are impaired in relation to the loan balances with KMP.

SOUTHERN CROSS CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	2011	2010
	\$'000	\$'000

NOTE 6 - RELATED PARTY AND KEY MANAGEMENT PERSONNEL (Cont'd)

(c) Deposits from Related Parties

Total value of term and savings deposits from KMP	94	97
Interest paid on deposits from KMP	4	2

The Credit Union's policy for receiving deposits from KMP is that all deposits are accepted on the same terms and conditions which applied to members for each type of deposit. This policy has been adhered to for the full financial year.

KMP have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.

Transactions with other related parties

The Credit Union's related parties consist of KMP and the immediate family members of KMP and entities that are controlled or significantly influenced by those KMP, individually or collectively with their immediate family members.

Other transactions between related parties include loans and deposits from the 'immediate family members' of KMP.

The Credit Union's policy for lending to related parties is that all loans are approved on the same terms and conditions which applied to members for each class of loan. This policy has been adhered for the full financial year. There are no loans which are impaired in relation to the loan balances with 'immediate family members' of KMP.

The Credit Union's policy for accepting deposits from related parties is that all deposits are accepted on the same terms and conditions which applied to members for each class of deposit. This policy has been adhered for the full financial year. There are no benefits paid or payable to the 'immediate family members' of KMP. There are no service contracts to which KMP or their 'immediate family members' are an interested party.

NOTE 7 - CASH AND CASH EQUIVALENTS

Cash on hand	1,840	2,415
Deposits with ADI's	<u>3,044</u>	<u>1,886</u>
	<u>4,884</u>	<u>4,301</u>

NOTE 8 - RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

Deposits with ADI's	<u>35,619</u>	<u>40,102</u>
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NOTE 9 - OTHER RECEIVABLES

Accrued income	67	59
Sundry receivables	<u>223</u>	<u>263</u>
	<u>290</u>	<u>322</u>

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	2011	2010
	\$'000	\$'000
NOTE 10 - LOANS AND ADVANCES TO MEMBERS		
Overdrafts	13,098	13,950
Term loans	267,497	252,638
Gross loans and advances	280,595	266,588
Specific provision for impairment	(119)	(70)
Net loans and advances	<u>280,476</u>	<u>266,518</u>
Credit Quality - Security held against loans		
Secured by mortgage over real estate	267,688	252,458
Secured by bill of sale over motor vehicle	8,979	9,864
Secured by other assets	2,525	2,666
Secured by funds lodged with the credit union	281	267
Unsecured	1,122	1,333
	<u>280,595</u>	<u>266,588</u>

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

NOTE 11 - PROVISION ON IMPAIRED LOANS AND ADVANCES

(a) Provision for impairment

Specific provision for impairment

Opening balance	69	26
Impairment expense	67	66
Bad debts written off	(17)	(22)
Closing balance	<u>119</u>	<u>70</u>

All impaired loans are classed as personal loans.

(b) Impairment expense

Specific provision for impairment	<u>67</u>	<u>66</u>
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(c) Impaired loans, assets acquired and past due loans

Non-accrual loans

With specific provisions		
Total non-accrual loans	11	143
Specific provision for impairment	(7)	(55)
	<u>4</u>	<u>88</u>

Past-due loans

Balance	<u>216</u>	<u>9</u>
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(d) Interest and other revenue recognised and foregone

Interest foregone on non-accrual and restructured loans	2	2
Interest recognised on non-accrual and restructured loans	3	5
	<u>5</u>	<u>7</u>

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	2011	2010
	\$'000	\$'000

NOTE 11 - PROVISION ON IMPAIRED LOANS AND ADVANCES (Con't)

(e) Assets acquired via enforcement of security

No assets were acquired by the credit union under these circumstances. The credit union's policy is to sell assets acquired via enforcement of security under auction at the earliest opportunity after measures to assist the members to repay the debts have been exhausted.

NOTE 12 - AVAILABLE FOR SALE INVESTMENTS

Shares in CUSCAL	<u>577</u>	<u>577</u>
Credit Union Services Corporation (Aust) Limited (CUSCAL)		

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services - refer to Note 36. These 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, without a majority shareholder approval.

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	2011	2010
	\$'000	\$'000
NOTE 13 - PROPERTY, PLANT & EQUIPMENT		
<u>Land</u>		
Freehold land at fair value	344	344
<u>Buildings</u>		
Buildings at fair value	625	626
Less accumulated depreciation	(31)	(16)
	594	610
<u>Plant and equipment</u>		
Plant and equipment at cost	2,440	2,419
Less accumulated depreciation	(2,052)	(1,981)
	388	438
<u>Leasehold improvements</u>		
Leasehold improvements at cost	546	546
Less accumulated depreciation	(434)	(397)
	112	149
Total Property, Plant and Equipment	1,438	1,541

	Land	Buildings	Plant & Equipment	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year	344	610	438	149	1,541
Additions	-	-	116	-	116
Disposals	-	-	(94)	-	(94)
Depreciation Expense	-	(16)	(165)	(37)	(217)
Write back of depreciation on disposal	-	-	94	-	94
Carrying amount at the end of the financial year	344	594	388	112	1,438

Land and buildings were last valued at a market value of \$990,000 as at 30 June 2009, based upon an independent valuation. The valuation was performed by Mr John R Sharpe, AVLE. The carrying value of land and buildings was adjusted for selling costs of \$20,000.

Historical Cost Comparison

Details on the historical cost of land and buildings are not readily available and as such are not provided as required under current accounting standards.

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	2011	2010
	\$'000	\$'000
NOTE 14 - DEFERRED TAX ASSETS		
Deferred tax assets	<u>295</u>	<u>262</u>
Deferred tax assets reconciliation:		
Opening Balance	262	254
Current year charge	50	8
Prior year adjustment	<u>(17)</u>	<u>-</u>
Closing balance	<u>295</u>	<u>262</u>
Closing balance comprised of the following:		
Leave provisions	208	193
Other provisions	49	28
Financial assets	-	17
Written down value of assets	(535)	(579)
Tax base of assets	<u>573</u>	<u>603</u>
	<u>295</u>	<u>262</u>
NOTE 15 - INTANGIBLE ASSETS		
(a) Computer Software	1,111	1,023
Less provision for amortisation	<u>(767)</u>	<u>(632)</u>
	<u>344</u>	<u>391</u>
(b) Movements in carrying amounts		
Balance at beginning of the financial year	391	365
Additions	89	134
Disposals	-	(6)
Amortisation Expense	<u>(136)</u>	<u>(102)</u>
Carrying amount at the end of the year	<u>344</u>	<u>391</u>
NOTE 16 - OTHER ASSETS		
Prepayments	<u>275</u>	<u>252</u>
NOTE 17 - DEPOSITS FROM MEMBERS		
Member at call deposits (including withdrawable shares)	96,160	94,592
Member term deposits	<u>188,166</u>	<u>182,556</u>
	<u>284,326</u>	<u>277,148</u>

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	2011	2010
	\$'000	\$'000

NOTE 18 - PAYABLES AND OTHER LIABILITIES

Accrued interest payable	3,091	2,401
Accrued expenses	438	359
Annual leave	379	347
Member suspense transactions	1,833	3,038
	<u>5,741</u>	<u>6,145</u>

NOTE 19 - DERIVATIVES

Interest rate swap contracts - fair value	<u>22</u>	<u>55</u>
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Derivative instruments used by the Credit Union

The Credit Union enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the Credit Union's interest rate risk management policies.

At balance date, the details of the interest rate swap contracts are as follows:

Settlement

Notional Principal

Less than 1 year	4,000	-
1 - 2 years	2,000	4,000
2 - 3 years	-	2,000
	<u>6,000</u>	<u>6,000</u>

Effective Average Interest Rate Payable

Less than 1 year	5.27%	0.00%
1 - 2 years	5.57%	5.27%
2 - 3 years	0.00%	5.57%

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	2011	2010
	\$'000	\$'000
NOTE 20 - TAX LIABILITIES		
Deferred tax liability	3	-
Current income tax liability	<u>375</u>	<u>485</u>
	<u><u>378</u></u>	<u><u>485</u></u>
Current tax liability reconciliation		
Opening balance	486	85
Current year tax charge	1,405	1,317
Tax payments	(1,524)	(923)
Prior year adjustments	<u>8</u>	<u>7</u>
Closing balance	<u><u>375</u></u>	<u><u>486</u></u>
NOTE 21 - PROVISIONS		
Long-term Employee benefits		
Long service leave	<u>317</u>	<u>297</u>
Roll forward of Provisions		
Opening balance	297	313
Additional provisions raised during the year	66	36
Amounts Paid	<u>(46)</u>	<u>(52)</u>
Closing Balance	<u><u>317</u></u>	<u><u>297</u></u>
NOTE 22 - REDEEMABLE PREFERENCE SHARE RESERVE		
Opening balance	217	202
Transfers from retained profits	<u>14</u>	<u>15</u>
Closing Balance	<u><u>231</u></u>	<u><u>217</u></u>

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

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	2011	2010
	\$'000	\$'000
NOTE 23 - OTHER RESERVES		
Capital reserve	<u>229</u>	<u>229</u>
The capital profits reserve records non-taxable profits on sale of investments.		
Asset revaluation surplus		
Opening balance	602	602
Increase recognised on revaluation of assets	<u>-</u>	<u>-</u>
	<u>602</u>	<u>602</u>
The asset revaluation reserve records revaluations of non-current assets.		
General reserve for credit losses		
Opening balance	1,823	1,661
Add increase / (decrease) transferred from retained earnings	<u>22</u>	<u>162</u>
	<u>1,845</u>	<u>1,823</u>

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

NOTE 24 - FINANCIAL COMMITMENTS

a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts, payable:

- Not later than 1 year	461	457
- Later than 1 year but not later than 2 years	297	351
- Later than 2 years but not later than 5 years	<u>308</u>	<u>290</u>
Total Expenditure Commitments	<u>1,066</u>	<u>1,098</u>

Operating leases relate to rentals for the Credit Unions branches. There are no contingent rentals applicable to these leases and the terms of each lease agreement are between 2 and 5 years.

b) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

- Loans approved but not funded	7,158	8,138
- Undrawn overdraft, line of credit and VISA	<u>7,345</u>	<u>7,560</u>
	<u>14,503</u>	<u>15,698</u>

c) Capital and other expenditure commitments

The Credit Union has not committed to any material capital or other expenditure at balance date.

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NOTE 25 - STAND-BY CREDIT FACILITIES

The Credit Union has a gross credit standby facility with Credit Union Services Corporation (Australia) Limited of:

	Approved Facility \$'000	Amount Used \$'000	Net Available \$'000
<u>2011</u>			
Overdraft facility	1,500	-	1,500
Standby loan facility	3,950	-	3,950
Tower Wholesale Trust Facility	27,000	18,500	8,500
	<u>32,450</u>	<u>18,500</u>	<u>13,950</u>
<u>2010</u>			
Overdraft facility	1,500	-	1,500
Standby loan facility	3,950	-	3,950
Tower Wholesale Trust Facility	27,000	16,000	11,000
	<u>32,450</u>	<u>16,000</u>	<u>16,450</u>

There are no restrictions in relation to the pre-committed loan facilities. Stand by lines, credit facilities and borrowings are secured by an equitable mortgage over all assets of the Credit Union.

NOTE 26 - CONTINGENT LIABILITIES

Credit Union Financial Support System

The Credit Union is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFSS is to protect the interests of credit union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

An Industry Support Contract made on 4 March 1999 between Credit Union Services Corporation (Australia) Limited (CUSCAL), Credit Union Financial Support System Limited and participating credit unions required the Credit Union to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the Credit Union and secures any advances which may be made to the Credit Union under the scheme. The balance of the debt at 30 June 2011 was nil (2010 - nil).

Guarantees

The Credit Union has provided a guarantee to CUSCAL for drawings made by a member up to a limit of \$20,000 to enable CUSCAL to settle the funds transferred by way of direct debit with other financial institutions. The guarantee is cancellable by either the credit union or CUSCAL. The credit union has arrangements with the member to maintain sufficient funds in their account to settle the payments as and when required.

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NOTE 27 - MATURITY PROFILE OF FINANCIAL ASSETS AND 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 associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the balance sheet.

30 June 2011

	Within 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	No maturity \$'000	Total \$'000
ASSETS							
Financial Assets							
Cash and cash equivalents						4,884	4,884
Receivables						290	290
Receivables due from other financial institutions	11,078	24,541					35,619
Loans and advances to members	15,693	5,397	21,149	99,211	424,853		566,303
Available for Sale Investments						577	577
On Balance Sheet	26,771	29,938	21,149	99,211	424,853	5,751	607,673
Undrawn commitments (Note 24b)	14,503						14,503
Interest rate swaps							-
Total Financial Assets	41,274	29,938	21,149	99,211	424,853	5,751	622,176

LIABILITIES

Financial Liabilities							
Deposits from members	139,902	74,931	71,485	1,227			287,546
Payables & other liabilities	5,741						5,741
Derivatives		22					22
On Balance Sheet	145,643	74,953	71,485	1,227	-	-	293,309
Undrawn commitments (Note 24a)	38	77	346	605			1,066
Interest rate swaps		6,000					6,000
Total Financial Liabilities	145,682	81,030	71,832	1,832	-	-	300,376

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NOTE 27 - MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (Con't)

30 June 2010

	Within 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	No maturity \$'000	Total \$'000
ASSETS							
Financial Assets							
Cash and cash equivalents						4,301	4,301
Receivables						322	322
Receivables due from other financial institutions	15,120	24,982					40,102
Loans and advances to members	16,240	4,782	19,294	91,547	389,805		521,668
Available for Sale Investments						577	577
On Balance Sheet	31,360	29,764	19,294	91,547	389,805	5,200	566,970
Undrawn commitments (Note 24b)	15,698						15,698
Interest rate swaps							-
Total Financial Assets	47,058	29,764	19,294	91,547	389,805	5,200	582,668
LIABILITIES							
Financial Liabilities							
Deposits from members	140,144	70,085	68,312	1,597			280,138
Payables & other liabilities	6,144						6,144
Derivatives		55					55
On Balance Sheet	146,288	70,140	68,312	1,597	-	-	286,337
Undrawn commitments (Note 24a)	38	76	342	641			1,097
Interest rate swaps		6,000					6,000
Total Financial Liabilities	146,326	76,216	68,654	2,238	-	-	293,434

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NOTE 28 - INTEREST RATE RISK

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

30 June 2011

	Floating Interest Rate \$'000	Fixed Interest Rate Maturing In:-			Non Interest Sensitive \$'000	Total Carrying Amount per the Financial Statements \$'000	Weighted Average Interest Rate %
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
ASSETS							
Financial Assets							
Cash and cash equivalents	3,044				1,840	4,884	3.29%
Receivables					290	290	
Receivables due from other financial institutions		35,619				35,619	5.52%
Loans and advances to members	151,873	83,741	44,863			280,477	7.62%
Available for Sale Investments					577	577	
Non-Financial Assets							
Property, plant and equipment					1,439	1,439	
Taxation assets					295	295	
Intangible assets					343	343	
Other assets					275	275	
Total Assets	154,917	119,360	44,863	-	5,059	324,199	
LIABILITIES							
Financial Liabilities							
Deposits from members	96,160	187,039	1,127			284,326	4.63%
Payables and other liabilities					5,741	5,741	
Derivatives					22	22	
Non-Financial Liabilities							
Taxation liabilities					378	378	
Provisions					318	318	
Total Liabilities	96,160	187,039	1,127	-	6,460	290,785	

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NOTE 28 - INTEREST RATE RISK (Con't)

30 June 2010

	Floating Interest Rate \$'000	Fixed Interest Rate Maturing In:-			Non Interest Sensitive \$'000	Total Carrying Amount per the Financial Statements \$'000	Weighted Average Interest Rate %
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
ASSETS							
Financial Assets							
Cash and cash equivalents	1,886				2,415	4,301	0.51%
Receivables					322	322	
Receivables due from other financial institutions		40,102				40,102	5.39%
Loans and advances to members	163,741	43,942	58,835			266,518	7.39%
Available for Sale Investments					577	577	
Non-Financial Assets							
Property, plant and equipment					1,540	1,540	
Taxation assets					262	262	
Intangible assets					391	391	
Other assets					252	252	
Total Assets	165,627	84,044	58,835	-	5,759	314,265	

LIABILITIES

Financial Liabilities							
Deposits from members	94,592	181,075	1,481			277,148	4.37%
Payables and other liabilities					6,145	6,145	
Derivatives					55	55	
Non-Financial Liabilities							
Taxation liabilities					485	485	
Provisions					297	297	
Total Liabilities	94,592	181,075	1,481	-	6,982	284,130	

NOTE 29- SEGMENT REPORTING

The Credit Union operates as a community credit union in Northern New South Wales and Southern Queensland. The operations are predominantly the provision of retail financial services to members.

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2011 **2010**
\$'000 **\$'000**

NOTE 30 - CREDIT RISK

(a) Credit risk exposure

The Credit Union's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the balance sheet plus undrawn facilities as disclosed at Note 25.

(b) Concentrations of credit risk

The following groups represent concentrations of financial assets in excess of 10% of capital.

Geographic Locations

New South Wales	248,013	237,837
Queensland	30,024	26,720

Customer or Industry

Southern Cross Credit Union Ltd. employees	4,374	5,205
Public health	12,495	11,453

NOTE 31 - WITHDRAWABLE SHARES

The Credit Union requires members to purchase shares at \$10 for an adult or business membership and \$2 for a junior member. The value of shares held for these classes at balance date was as follows:

Adult/Business Membership	230	231
Junior Membership	6	6
	236	237

NOTE 32 - EVENTS OCCURRING AFTER BALANCE DATE

There were no events subsequent to balance date that would materially impact on the financial statements.

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NOTE 33 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

The carrying value of loans, advances and other receivables is net of specific provisions for impairment. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value.

The net fair value for fixed rate loans is calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at balance date.

Deposits and amounts due to other financial institutions

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

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

	2011		2010	
	Carrying Value \$'000	Net Fair Value \$'000	Carrying Value \$'000	Net Fair Value \$'000
Assets				
Cash and cash equivalents	4,884	4,884	4,301	4,301
Receivables due from other financial institutions	35,619	35,619	40,102	40,102
Other receivables	290	290	322	322
Loans and advances	280,595	280,753	266,587	266,096
Derivatives	-	-	-	-
Available for sale investments	577	577	577	577
Total	<u>321,965</u>	<u>322,123</u>	<u>311,889</u>	<u>311,398</u>
Liabilities				
Borrowings	-	-	-	-
Members' Deposits	284,326	284,286	277,147	277,056
Payables and other liabilities	5,741	5,741	6,144	6,144
Derivatives	22	22	55	55
Tax liabilities	378	378	485	485
Provisions	318	317	297	297
Total	<u>290,785</u>	<u>290,744</u>	<u>284,128</u>	<u>284,037</u>

SOUTHERN CROSS CREDIT UNION LIMITED
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NOTE 34 - SUPERANNUATION COMMITMENTS

The Credit Union contributes to the NGS Super Plan for the purposes of the Superannuation Guarantee and other superannuation benefits provided on behalf of employees.

The Credit Union has no interest in the Superannuation Plan (other than as a contributor) and the only possible liability that could arise is in respect of those staff where a minimum defined benefit guarantee applies. The minimum benefit guarantee applies to those staff who were members of CUE Super Plan at 30 June 1992 (CUE Super transferred to NGS Super 31 March 2011), being the date the plan restructured from a defined benefit basis to a defined contribution (accumulation) basis, and who have not elected to transfer to the accumulation only basis.

Following the transfer of CUE Super to NGS Super, an actuarial valuation is required within the first twelve months from the transfer date. The actuarial valuation is expected by December 2011.

A corporate trustee is responsible for the NGS Super Plan with six directors appointed by employer bodies and six directors elected by the members.

NOTE 35 - ECONOMIC DEPENDENCY

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

(a) Credit Union Services Corporation (Australia) Limited

This entity supplies the Credit Union with facilities for the use and settlement for VISA Cards, Redicards, MyCards, SCCU ATMs, personal and corporate cheques and facilitates the earning of commission income on certain VISA transactions.

This entity also supplies central banking services to the Credit Union. The Credit Union has invested all of its prime liquid assets and a share of its operating liquidity with this entity. The Credit Union has also established overdraft and stand by facilities with this entity.

(b) Ultradata Australia Pty. Ltd.

Ultradata Australia Pty. Ltd. provides and maintains the application software utilised by the Credit Union.

(c) First Data Resources Australia Limited

This company operates the switching computer used to link VISA and Redicards to the Credit Union's computer systems.

NOTE 36 - COMPANY DETAILS

Southern Cross Credit Union Ltd. is a company limited by shares and incorporated in Australia. The registered office of the company is Southern Cross Credit Union Ltd. 2-4 Commercial Road, Murwillumbah NSW 2484.

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2011 **2010**
\$'000 **\$'000**

NOTE 37 - CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with other financial institutions. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	4,884	4,301
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(b) Cash flows presented on a net basis

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

- (a) customer deposits and withdrawals from savings, money market and other deposit accounts;
- (b) placement and redemption of term deposits;
- (c) short-term borrowings;
- (d) provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with net profit after income tax

Profit after income tax	3,279	3,154
Non-cash flows in profit from continuing operations:		
Provision for loan impairment	67	66
Amortisation	136	102
Depreciation	217	246
Net loss/(profit) on sale of property, plant & equipment	-	(3)
Changes in assets and liabilities:		
Increase / (decrease) in interest payable	690	337
Increase / (decrease) in income tax liabilities	(107)	400
Decrease / (increase) in deferred tax assets	(33)	(8)
Decrease / (increase) in fees and commissions receivables	(8)	29
Decrease / (increase) in financial asset derivatives	-	-
Increase / (decrease) in financial liability derivatives	(33)	(38)
Increase / (decrease) in accrued expenses	91	(22)
Decrease / (increase) in prepayments	(23)	(158)
Increase / (decrease) in employee benefits	20	(16)
Net cash provided by operating activities	4,296	4,089
Changes in operating assets and liabilities:		
Increase / (decrease) in deposits	6,014	27,924
Decrease / (increase) in member loans	(14,025)	(24,581)
Net cash provided by operating assets and liabilities	(8,011)	3,343
Net cash provided by all operating activities	(3,715)	7,432



SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
INDEPENDENT AUDITOR'S REPORT

To the members of Southern Cross Credit Union Limited

We have audited the accompanying financial report of Southern Cross Credit Union Limited (the credit union), which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the credit union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report of the credit union 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. Those 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

31 Keen Street (PO Box 106) | **Email:** lismore@tnr.com.au | **Website:** www.tnr.com.au
Lismore NSW 2480 | **Phone:** Business Services +61 (0)2 6621 8544 | **Facsimile:** +61 (0)2 6621 9035
Audit & Assurance +61 (0)2 6626 3000

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Thomas Noble & Russell is a member of International. A world-wide organization of accounting firms and business advisers

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Southern Cross Credit Union Limited for the financial year ended 30 June 2011 included on the credit union's web site. The credit union's directors are responsible for the integrity of the Southern Cross Credit Union Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a web site, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this web site version of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Audit Opinion

In our opinion:

- (a) the financial report of Southern Cross Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the credit union's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Lismore, this 27th day of September 2011.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**



K R FRANNEY (Partner)
Registered Company Auditor

SOUTHERN CROSS CREDIT UNION LIMITED
COMMUNITY SPONSORSHIPS 2010-2011

Regional

Northern Rivers Community Transport
 Rainforest Rescue
 Football Far North Coast
 Tweed Byron District Bowling Association
 All Girls Surf Showdown
 The Cancer Council NSW
 NSW Rural Fire Service Association
 Far North Coast Life Education Inc
 Tweed Byron District Women's Bowling Assoc
 Children's Medical Research Institute
 NR Regional Referees Assoc
 Camp Quality
 Tweed Byron Ballina Community Transport

Murwillumbah

Murwillumbah Festival of Performing Arts
 Tweed Valley Banana Festival & Harvest Wk
 Tweed River Agricultural Society Show
 Murwillumbah Veteran Golfers
 Oz Tag SCCU Team
 Tweed Brunswick District Banana Growers Ass.
 Murwillumbah Golf Club
 Condong Bowling Club
 Murwillumbah Mustangs RLFC
 Murwillumbah Colts Junior RLFC
 Tweed Border Hockey Assoc
 Tyalgum Diggers Sports Assoc
 Caldera ArtFest
 Murwillumbah Netball - 'Flames'
 Murwillumbah Football Club
 Mt St Patrick College
 Murwillumbah High School P&C
 Crystal Creek Public School
 Tweed Valley Jazz Club
 Tweed Valley Vehicle Restorers' Club
 Senior's Expo Tweed Shire
 Stokers Siding Public School
 Murwillumbah Touch Football Association
 Murwillumbah Community Centre
 Murwillumbah Women's Bowling Club
 MHS Old Boys Social Golf Club
 Banora Point Netball
 St Joseph's Primary School
 Murwillumbah East Public School
 Tyalgum Public School
 Murwillumbah Primary School
 Ukitopia Arts
 NR Arabian Horse Society

Casino

Casino RSM Bowling Club
 Casino High School
 Casino BMX Club
 Casino Rugby Football Club
 Casino RSM Women's Bowling Club
 SES West of the Range
 Casino Netball Assoc
 Evans Head Touch Football

Cabarita

Tweed Coast Raiders JRLFC
 Cabarita Beach Bowling Clubs
 Lions Community Christmas Function
 Bogangar Primary School
 Cabarita Beach SLSC Inc
 Lion's Greenback Tailor Competition
 Pottsville Women's Bowling Club
 Pottsville Beach Public School
 Kingscliff Swimming Club

Mullumbimby

Mullumbimby Golf Club
 Brunswick Heads Bowling Club
 Mullumbimby Lady Golfers
 Mullumbimby Bowling Club
 Mullumbimby Giants RLFC
 Mullumbimby Public School
 Mullumbimby Tennis Club
 Mullumbimby Ag Society
 Mullumbimby High School

Tweed

Terranora Lakes Cricket Club
 Pottsville A Grade Cricket Team
 Cudgen Leagues Women's Bowling Club
 Tweed Valley College
 Tweed Heads-Coolangatta Rowing Club
 Tweed Heads Seagulls, Junior RL
 Banora Point High School
 Tweed Heads Rowing Club
 Terranora Primary School
 Tweed Valley Cake Decorators Assoc
 Kids in Community-Tweed

Lennox Head

Holy Family Primary School
 Lennox Head Football Club
 Lennox Head Lions Club
 Lennox Head Chamber of Commerce
 Lennox Head Bowls & Sports Club
 Lennox Head Public School P&C Association
 Lennox Head View Club
 Lennox Head Rugby Union Club

Ballina

Riverside Carols
 Southern Cross School K-12
 Broadwater Women's Bowling Club
 Ballina's Bounty Food & Wine Festival
 Ballina Runners
 Lion's Club of Ballina -Fun Run
 Biala Support Services
 Korea, SE Asia, Vietnam Veterans'
 Charity Golf Day
 Ballina Golf Club Pro-Am
 Australian Seabird Rescue

Byron Bay

Byron Bay RSL Services & Bowling Club
 Byron Bay Rugby League Club
 Byron Magpies AFL Club
 Byron Bay Women's Bowling Club
 Byron Youth Service
 Byron Arts Classic
 Byron Bay Little Athletics
 Byron Bay Public School
 Byron Bay Malibu Classic

Lismore

St Johns Woodlawn P&F Assoc
 Richmond River High School
 Corndale Public School
 St Vincent's Palliative Care
 Meals in the Street
 Lismore Chamber of Commerce
 Richmond River Endurance Riders
 Kids in Community
 In Good Company Music Festival
 Rous School P&C
 NR Vintage & Veteran Car Club
 Summerland Dressage Club

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