Annual Report
2008 - 2009

Satisfac
the teachers' credit union

Annual Report 2008-2009

Contents

CHAIRPERSON'S REPORT

FINANCIAL

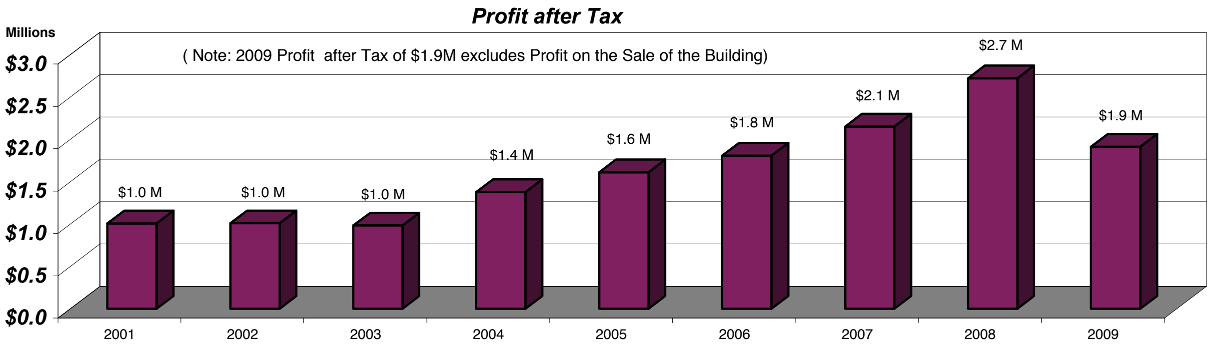
The financial results for 2009 were solid despite the continuing ripple effect from the global financial crisis. Although an all time record for lending was achieved, showing clearly that Satisfac's loan products are competitive, profit for the year was below budget after adjusting for the profit on the sale of 151 South Terrace.

This is largely due to Satisfac passing on as large a proportion of the Reserve Bank interest rate cuts as was financially prudent. On the other side of the ledger, interest rates on member deposits have not been reduced to the same degree, as the global shortage of both wholesale funding and securitisation products has resulted in significant competition for retail deposits.

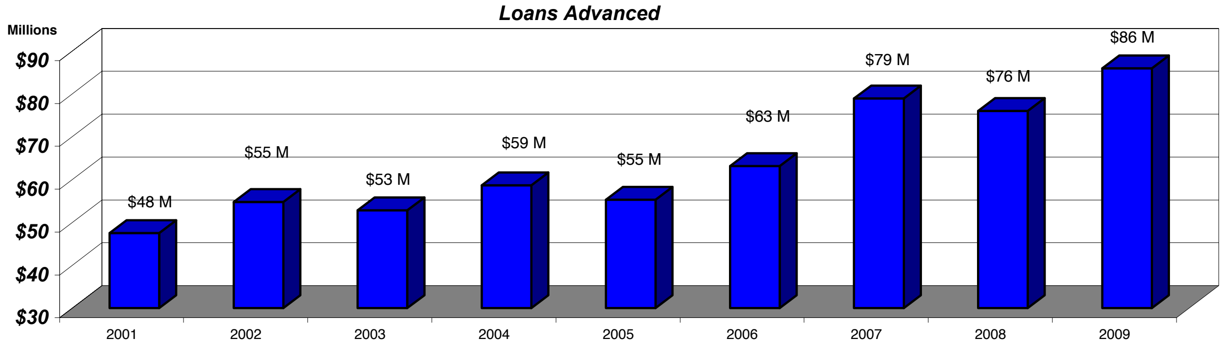
This "margin squeeze" has in effect allowed members to enjoy the best of both worlds. The Board and management decided that returning a benefit to members in this way was preferable to adjusting rates to redress the imbalance. This highlights the key advantage of a credit union's mutual structure - there is no requirement to provide a return to an outside group of investor shareholders.

The key figures are:-

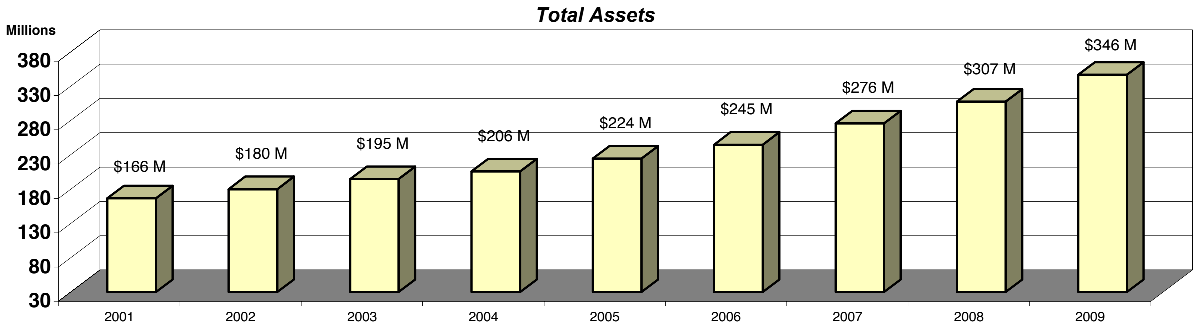
- Net profit after tax of $5.56M (2008: $2.72M), of which $3.65M (after tax) relates to the sale of the building.



Lending totaling $85.9M (2008: $76.0M)



Total assets increased by $39.1M (12.7%) to $346.4M



Chairperson's Report (continued)

This growth indicates a business which has continued to thrive in a difficult market. Members clearly appreciate the returning of a "dividend" by way of competitive rates and fees and personalised service.

The sale of 151 South Terrace provided an opportunity to strengthen Satisfac's capital base and to derive a significant profit outside of the conduct of its ordinary business. Management is to be commended for achieving this sale at a good price just prior to the downturn in commercial property values which followed warnings of a possible recession. The sale also provided excellent flexibility in terms of a lease-back arrangement allowing ample time for completion and fit-out of the new premises at 400 King William Street.

SOCIAL RESPONSIBILITY

Satisfac continued its support of the education community by contributing $94,800 to continuing professional development and related activities ($3,800 more than the previous year). Support for conferences and other events was also provided by way of stationery, raffle prizes etc.

Some of the larger organisations sponsored include:
- SA Primary Principals Association
- Association of Independent Schools of SA
- Australian Council for Health, Physical Education and Recreation SA
- Technical and Further Education
- SA Catholic Primary Principals Association

Banking services on favourable terms are also provided to education associations and organisations, as Satisfac values such strategic alliances.

The Corporate Social Responsibility Committee is now in its third year of operation. During the year it approved donations and support totalling $19,555 to a range of charities and causes related to education.

The Committee's major sponsorship of the Smith Family's "Learning For Life" programme entered its third year. Individual staff members also took part in the "iTrack" mentoring programme and in Christmas packing and home deliveries.

For the first year the committee also sponsored the Cora Barclay Centre which assists with the education of hearing impaired children.

Other organisations and activities supported by the committee include:-
- Trees for Life
- The Martin Family
- CANHS
- Jelly Nelson Cup (fundraiser for Cancer Care Centre and Daw Park Hospice)
- Reynella East School Rugby Program
- Stradbroke Primary Worm Farm

Satisfac continues to seek ways to become "greener" both in relation to internal operations and product offerings. Green car loans for smaller vehicles continue to be popular with members and 50% of all car loan fees, totalling $24,375 this year, was donated to Trees For Life.

The Credit Union has registered to participate in the Federal Government's green loan initiative whereby loans for less than $10,000 to fund approved domestic projects will attract an interest subsidy from the government, thereby providing the loans to members effectively interest free.

Chairperson's Report (continued)

With other South Australian credit unions, Satisfac sponsors the Credit Union Christmas Pageant with the contribution for 2009 totalling $36,568. In addition to the considerable time, energy and creativity required from credit union staff, Satisfac is privileged to provide the Pageant Queen for this year. The Credit Union Christmas Pageant is a co-operative community project supported by the six major Adelaide-based credit unions. By combining our resources, we are able to deliver a world class event to the South Australian community.

CO-OPERATION

Our Satisfac Representatives in schools assist our team of mobile business managers to provide a high level of service to members in their workplaces. Satisfac and its mobile business managers have also continued to receive help and support from Principals and leaders in education through 2009. The co-operation of these members of the education community is greatly appreciated.

As a credit union, Satisfac is able to take advantage of the co-operative nature of the industry through the services of Cuscal (a jointly owned credit union service entity) and membership of Abacus – an industry association for mutual financial institutions, mainly credit unions and building societies.

These allow a coordinated approach to our operating environment and in particular to government initiated changes. They provide one voice during the consultative process and assistance with compliance once new legislation takes effect.

As well as these formal structures, the degree of informal co-operation between both our fellow South Australian credit unions and education based credit unions in other states remains high.

CARING FOR MEMBERS

The Board and Management at Satisfac are keenly aware that as a mutual organisation we exist through and for our members. Our primary task is therefore to continuously improve our delivery of products and services to them.

OUR STAFF

Last year I mentioned the "one team" cultural development project. As a part of this the staff participated in a number of workshops to formulate a "Statement of Core Purpose". It was pleasing to see both the extent to which this statement was member-focused and the high value placed by staff on the credit union's relationship with the education community.

MEMBER ACCESS

This year the full effects of the Reserve Bank's reforms in relation to interchange fees became evident with all banking customers being charged a fee for each withdrawal made at a "foreign" ATM by the owner of that ATM.

Satisfac now has 25 ATMs of its own and members also have fee free access to ATMs owned by all other credit unions Australia-wide through the "Redi-ATM" network established by Cuscal. An alliance has also been established with the National Australia Bank (NAB) which will also shortly provide members with fee free access to the NAB ATM network.

The change to ATM fees prompted a review of our own fees and charges, as it was clear that members would need to change their transactional behaviour to avoid the new charges where possible. The outcome is considered to be more equitable and feedback received from members was taken into account. For example, an increase was made to the number of free bank@post withdrawals allowed to members living in country areas where access to ATMs and EFTPOS is limited.

Members living in the northern suburbs are now able to utilise the Satisfac agency which shares premises with Zobel Loans at the Modbury Triangle Shopping Centre.

Chairperson's Report (continued)

RELOCATION OF HEAD OFFICE

I have already mentioned the financial benefits which have flowed from the sale of the current head office premises. The new premises at 400 King William Street have provided an excellent opportunity to start with a blank sheet of paper in designing layout and fit-out, which will enhance the service offered to members visiting to conduct business and also the delivery of "back office" services to the membership as a whole.

Another advantage is that the new building has been designed to take account of environmental considerations as much as possible. This is very much in keeping with our desire to make the credit union as "green" as we can.

BOARD ACTIVITIES

For the first time in a number of years the Board's annual performance appraisal was conducted by an independent consultant. The performance of both individual directors and the Board as a whole was considered. The outcomes across all areas were at the high end of the performance spectrum.

During the year Directors took part in a range of training and development activities conducted by professional bodies such as the Australian Mutuals Institute, Abacus and the Australian Institute of Company Directors. Board policy requires that all directors undertake continuing professional development.

The Special General Meetings held to consider the recommendation to merge with Powerstate Credit Union resulted in a vote by the members of both Credit Unions in favour of the merger. An enormous amount of additional and very complex work has been undertaken during the year by directors, senior management and staff in firstly evaluating the proposal and secondly in bringing it to members for their consideration. In recommending this proposal it is believed that it will result in benefits to members in a range of areas.

On behalf of the Board and members I thank the Chief Executive Officer, the executive management team and the staff for their contribution, in particular for the enthusiastic way in which all have embraced the extra tasks allotted to them relating to the proposed merger. As Chairperson I acknowledge the support I have received from my fellow directors in that role over the past year.

Martin Harvey
CHAIRPERSON

CORPORATE GOVERNANCE STATEMENT

Overview of the Board

The Board has a formal charter that sets out their roles and responsibilities. The Board has a minimum of five Directors with the majority being independent Directors. The chairperson of the Board is an independent Director. A majority of Directors present and eligible to vote at all Board meetings are non-executives.

Satisfac has a Board Audit Committee that consists of three members with all members of the Committee being non-executive Directors. The chairperson of the Board Audit Committee is an independent Director. The chairperson of the Board can sit on the Board Audit Committee, but does not chair the Committee.

Satisfac's Internal Audit function has unfettered access to all business lines and support functions. Satisfac engages an external independent Auditor as required by the Australian Prudential Regulation Authority ('APRA').

Satisfac has procedures in place to assess the Board's and individual Director's performance relative to its/their objectives as well as a Board renewal policy. This policy provides details on how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise.

Satisfac does not have a policy in place that prevents prospective, current or former officers, employees or contractors (including professional service providers) that constrains or impedes, whether by confidentiality clauses or other means, from disclosing information to APRA, from discussing issues with APRA of relevance to the management and prudential supervision of the regulated institution, or from providing documents under their control to APRA.

Satisfac is diligent in complying with all external regulatory requirements, this includes APRA's Prudential Standards and Guidelines as well as ASIC's ongoing requirements.

Board of Directors and its Committees

The sound and prudent management of Satisfac is ultimately the responsibility of the Board of Directors. A strong framework of corporate governance is in place to ensure that Satisfac performs well for the benefit of its members, staff, business partners and other stakeholders.

The **Board of Directors** are responsible for the overall Corporate Governance of Satisfac. Key parts of this responsibility include the setting of strategic direction, the development of Board policies, approving budgets, reviewing key performance indicators, setting and approving remuneration for the CEO (as well as reviewing the performance of the CEO) and ensuring the adequacy of internal controls to manage internal and/or external risk exposures.

A **Policy Committee**, comprising three Directors and the Chief Executive Officer, reviews existing policies and oversees policy initiatives before referring revisions to the Board. The Committee comprises of up to three Directors elected annually by the Board and the Chief Executive Officer.

An **Executive Committee** comprising the Chairperson, Deputy Chairperson, Chief Executive Officer and one other Director is convened as necessary to make interim decisions on behalf of the Board. Any decisions made by the Executive Committee are subsequently ratified by the Board.

As per the Australian Prudential Standards ('APS') 310 and 510, the **Audit Committee** reviews and oversees the efficiency and effectiveness of internal controls in line with the charter established for that committee. This charter includes the responsibility for the oversight of APRA statutory reporting requirements, as well as other financial reporting requirements, professional accounting requirements, internal and external audit, and the appointment of an external auditor.

Corporate Governance Statement (continued)

Education and training

The Board has a strong commitment to continuous improvement and renewal of Directors, staff and management. Budgets are set for training and education, and Directors' training requirements are specified within a separate policy. The Board is required to conduct an annual assessment of its own performance and that of individual Directors. The assessment process includes peer appraisal on the performance of individual Directors and Senior Management input into the assessment of the performance of the Board as a whole.

Remuneration of Directors

A review of the remuneration of Directors is conducted annually by the Executive Committee with regard to standards prevailing within the credit union industry and any available relevant independent survey. A recommendation is made to the full Board which may accept or modify this recommendation. The full Board will then propose a resolution on Director remuneration for the consideration of members at the Annual General Meeting.

Independence of Directors

All Directors must think and act independently on matters coming before the Board. It is critical for the integrity of Board decision making that the process is independent. In addition to each Director satisfying the definition of 'an independent Director' as set out in APRA Prudential Standard ('APS') 510, each Director satisfies the definition of independence as set out in Australian Standard ('AS') 8000-2003, 'Good Governance Principles'.

Conflicts of Interest

To assist with the exercise of proper independence, and to enhance the status of Satisfac acting with integrity and in a fair and balanced manner, the Board has developed policies for dealing with actual and perceived conflicts of interest at all levels of the organisation.

Risk Management

Risk Management Framework
The Board as a whole has adopted the role of a Risk Management Committee, reflecting their view that such a key responsibility cannot be delegated to a sub-committee.

The Board undertook a review of Satisfac's risk environment throughout the year and developed procedures to monitor (and if deemed appropriate) treat risks to ensure they remain within acceptable limits as set by the Board. This monitoring includes regular reviews and assessments and aims to identify improvement opportunities to ensure a robust, transparent and effective risk management framework.

Compliance
Satisfac considers compliance to be an element of Risk management. Satisfac manages compliance in a number of different ways, for example, any new legislation that Satisfac must comply with, a plan for implementation is developed and submitted for approval and a compliance policy is maintained as part of the board policy regime (and is reviewed at least annually or more frequently if legislation changes).

Areas for compliance are identified and compliance standards agreed to with the managers responsible for the relevant areas, in line with the broader board compliance policy. The approved compliance programme with regard to all legislation affecting Satisfac is monitored to ensure that requirements are complied with and key elements are reported to the Board on an ongoing basis. In addition to this, training is provided to all staff and management to ensure legislative requirements are maintained.

Corporate Governance Statement (continued)

Capital Management

The Board undertakes regular reviews of the overall risk environment in which Satisfac operates. The processes adopted by the Board include an assessment and weighting of risks and subsequently an allocation of resources, as appropriate, to manage risks within levels that are acceptable to the Board and Management. This process includes the assessment and maintenance of sufficient capital to cover risks that have been identified by the Board and as per the Basel II requirements.

Internal Controls

Satisfac has a Manager Internal Auditor, who reports directly to the Chairperson of the Audit Committee. The program of audit work is set annually by the Audit Committee to ensure optimum coverage of the major areas of potential risk. Additionally, Satisfac has a Manager Risk and Compliance who reports directly to the Chief Executive Officer. The Manager Internal Auditor and Manager Risk and Compliance ensure that all major areas of actual and/or potential risk are considered and managed within the Board’s risk appetite.

DIRECTORS' REPORT

In accordance with a resolution of the Board, we the undersigned wish to present our report with the financial report of Satisfac Direct Credit Union Ltd for the year ended 30 June 2009 and the independent audit report thereon.

DIRECTORS

All Directors of the Credit Union are independent non-executive Directors. The Directors of the Credit Union in office at any time during or since the end of the financial year, details of their qualifications, occupation, other directorships and attendance at meetings held throughout the year, are:

BOARD	No of meetings eligible to attend	No of meetings attended
Martin Thomas Harvey LLB, Dip Acc., FAICD, FAMI Chairperson (appointed 22/11/01), Director since 1994 (retiring 2010) Solicitor	13	13
Ian Howard Gray B.A, Dip Ed, Dip T, M Ed Man, Grad Dip Carr Ed, MACE, FAICD, FAMI Deputy Chairperson (appointed 22/11/01), Director since 1994 (retiring 2011) Private Teacher Director - QT Travel Pty Ltd	13	13
Nicholas Vivian Kingsley MEd Admin, Grad Dip Ed (Admin), Grad Dip Theol (Ed), Dip T (Prim), Cert Dis Man, MACE, FAICD, FAMI, JP Director since 1994 (retiring 2011) Company Director/Retired Principal	13	11
Sally Elizabeth Paterson B.A (Hons), Dip Ed, Grad Dip Prof Devt, M Pol & Admin, FAICD, MAMI Director since 1994 (retiring 2011) Deputy Principal	13	11
Julieann Riedstra B.Ec (Acc), CPA, GAICD, MAMI Director since 2001 (retiring 2009) Director, DECS	13	10
Patrick Terence ("Terry") Tierney MA (Hons), BA, AUA (Phys Ed), Dip T Sec, FAICD Director since 2001 (retiring 2010) Retired Principal	13	12
James ("Jim") Andrew Hayward B.Ec, FCPA, FAICD, MAMI, Dip Man, JP Director since 2003 (retiring 2010) Consultant/TAFE Lecturer	13	13

Directors' Report (continued)

	No of meetings eligible to attend	No of meetings attended
AUDIT COMMITTEE		
Jim Hayward (Chairperson)	5	5
Ian Gray	3	3
Nicholas Kingsley	5	3
Terry Tierney	2	2
POLICY COMMITTEE		
Sally Paterson (Chairperson)	3	3
Ian Gray	3	3
Julieann Riedstra	3	3
David White	3	3
EXECUTIVE COMMITTEE		
Martin Harvey (Chairperson)	1	1
Ian Gray	1	1
Nicholas Kingsley	1	1
David White	1	1

Company Secretary

Mr David J White B.Ec, Dip.Acc., MAICD, C.A. was appointed to the position of Company Secretary in 1999. Mr Paul G Langley DipBus., Cert Gov (Admin.), MAMI, was also appointed to the position of Company Secretary on 4th September 2008.

Principal Activities

During the financial year ended 30 June 2009 the Credit Union's principal activities were the provision of financial services to its members, including accepting members' deposits, advancing loans to members and acting as a general insurance agent. There were no changes to these activities during the year and no changes are anticipated for the current year.

Review of Operations

The net amount of the profit of the Credit Union after income tax expense for the year ended 30 June 2009 was $5,563,046 (2008: $2,717,293). Total assets of the Credit Union as at 30 June 2009 were $346,365,029 (2008: $307,293,140) including members net loans and advances of $290,964,360 (2008: $255,834,082). A review of operations of the Credit Union during the year is contained in the Chairperson's report.

Dividends

The Constitution of the Credit Union prevents the distribution of dividend payments.

State of Affairs

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

Directors' Report (continued)

Likely Developments and Expected Results

The Directors of the Credit Union foresee that whilst the general economic environment will improve over the next financial year there will only be minor relief from the margin squeeze experienced during 2008/09. Loan demand is expected to reduce marginally from the record levels experienced in 2008/09. An increase in occupancy costs will also be experienced as the Credit Union relocates its Head Office to new, leased premises later in 2009.

The recently approved merger with Powerstate Credit Union Ltd, effective 1st October 2009, will result in a merged entity with total assets exceeding $670 million, more than $58 million in reserves, a membership base in excess of 55,000 members, 7 branches located in South Australia and 160 staff. Benefits of this merger will include better access and increased range of products and services for members, improved ability to offer competitive, low cost fees through greater economies of scale and improved capacity to focus on community support for those areas of greatest interest to members. Further information about likely developments of the Credit Union and the expected results in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Credit Union.

Events Subsequent to Balance Date

A special general meeting of shareholding members was convened on 27th August 2009, at which the members of the Credit Union voted in favour of a merger with Powerstate Credit Union Ltd. A special general meeting of Powerstate shareholding members held on the same day also voted in favour of the merger. The merger will be effective from 1st October 2009 with the operations of the two Credit Unions expected to be merged by 1st May 2010 under the name of Credit Union SA Ltd.

Other than the matter disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect the operations of the Credit Union in future financial years.

Indemnification and Insurance of Officers

The Credit Union has agreed to indemnify any past, present or future director, secretary, executive officer or employee against all liabilities to another person (other than the Credit Union) that may arise from their position within the Credit Union, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Credit Union will meet the full amount of any such liabilities, including costs and expenses. The Credit Union has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage.

Directors' Report (continued)

Directors' Interests and Benefits

During the financial year no Director has received or become entitled to receive a benefit by reason of a contract, made by the Credit Union with a Director or with a firm of which he/she is a member, or a company in which he/she has a substantial interest, other than a benefit included in the aggregate amount of Directors' remuneration shown in the accounts of the Credit Union.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act

The Lead Auditor's Independence Declaration is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2009.

Dated at Adelaide this 28th day of August 2009

Signed in accordance with a resolution of the directors:

MARTIN HARVEY	**IAN GRAY**
CHAIRPERSON	DIRECTOR

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001.

To: the Directors of Satisfac Direct Credit Union Ltd

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

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Darren Scammell
Partner

Melbourne

28 August 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Interest income	3,4	23,180,962	23,293,849
Interest expense	3	(14,093,925)	(13,874,196)
Net interest income		9,087,037	9,419,653
Non-interest income	4	8,459,714	4,789,717
Impairment losses on loans and advances	11 (b)	(241,828)	(100,338)
Other expenses	5	(11,499,896)	(10,518,178)
Share of profit of associate	13	121,373	170,000
Profit before tax		**5,926,400**	**3,760,854**
Income tax expense	6 (a)	(363,354)	(1,043,561)
Profit for the year		**5,563,046**	**2,717,293**
Profit attributable to the members	19 (b)	**5,563,046**	**2,717,293**

The Income Statement is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 19 to 49.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 $	2008 $
ASSETS			
Cash and cash equivalents	7	6,040,895	7,365,401
Investments	12	43,380,260	32,574,906
Loans and advances	10	290,964,360	255,834,082
Current tax asset	6 (c)	299,108	-
Other financial assets	9	1,426,537	1,426,451
Investment accounted for using the equity method	13	1,020,445	1,012,690
Property, plant and equipment	14	1,275,727	6,936,576
Deferred tax assets	6 (d)	554,444	413,625
Other assets	8	1,403,253	1,729,409
TOTAL ASSETS		**346,365,029**	**307,293,140**
LIABILITIES			
Deposits	15	305,364,377	260,816,047
Payables due to other financial institutions	16	6,000,000	16,916,672
Trade and other payables	17	2,524,688	2,256,382
Income tax payable	6 (c)	-	312,967
Employee benefits	18	968,515	884,149
Deferred tax liabilities	6 (e)	-	162,520
TOTAL LIABILITIES		**314,857,580**	**281,348,737**
NET ASSETS		**31,507,449**	**25,944,403**
EQUITY			
General reserves	19 (a)	31,377,950	25,793,853
Retained earnings	19 (b)	-	-
Redeemed preference share capital account	19 (c)	30,136	27,556
General reserve for credit losses	19 (d)	99,363	122,994
TOTAL EQUITY		**31,507,449**	**25,944,403**

The Balance Sheet is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 19 to 49.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Total equity at the beginning of the year		25,944,403	23,227,110
Profit for the year		5,563,046	2,717,293
Total equity at the end of the year		**31,507,449**	**25,944,403**

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 19 to 49.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Interest received		23,087,352	23,436,944
Interest paid		(13,968,637)	(13,702,919)
Non-interest income received		5,208,433	3,799,536
Non-interest expenses paid		(10,728,173)	(10,178,326)
Income tax paid	6 (c)	(1,278,767)	(997,234)
Net cash from operating activities	29 (b)	2,320,208	2,358,001
Cash flow from investing activities			
Members' loans and advances		(85,958,003)	(75,991,654)
Members' loan repayments received		50,585,897	52,234,171
Dividend received from investments accounted for using the equity method		113,618	167,827
(Increase)/Decrease in other financial assets		(86)	21,000
Payments for property, plant and equipment		(605,489)	(448,567)
Capitalised expenses on sale of property		(166,182)	-
Proceeds from sale of property, plant and equipment		9,559,227	41,882
Net cash used in investing activities		(26,471,018)	(23,975,341)
Cash flow from financing activities			
Increase in deposits		44,548,330	25,004,882
(Decrease)/Increase in payables due to other financial institutions		(10,916,672)	3,916,672
Net cash from financing activities		33,631,658	28,921,554
Net increase/(decrease) in cash and cash equivalents		9,480,848	7,304,214
Cash and cash equivalents at the beginning of the financial year		39,940,307	32,636,093
Cash and cash equivalents at the end of the financial year	29 (a)	49,421,155	39,940,307

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 19 to 49.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 1 : Statement of significant accounting policies

Satisfac Direct Credit Union Limited (the "Credit Union") is a company domiciled in Australia. The financial report of the Credit Union for the financial year ended 30 June 2009 comprises the Credit Union and the Credit Union's interest in associates.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

The financial report was authorised for issue by the Directors on 28 August 2009.

(a) Statement of compliance

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

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

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

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

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(c) Investments in Associates

Associates are those entities in which the Credit Union has significant influence, but not control, over the financial and operating policies. The financial statements includes the Credit Union's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Credit Union's share of losses exceeds its interest in an associate, the Credit Union's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Credit Union has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Credit Union's financial statements, investments in associates are carried at cost adjusted for the Credit Union's share of the total recognised gains and losses, as there is no quoted market price in an active market for these investments.

Note 1 : Statement of significant accounting policies (cont.)

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see note 1 (l)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(e) Depreciation

All assets, except land, have limited useful lives and are depreciated using the straight line method over their estimated useful lives.

The depreciation rates used for each class of assets as at 30 June 2009 are as follows:

- Building Works: 2.5% - 6.67% (2008: 2.5% - 6.67%)
- Office furniture and fittings: 13% (2008: 13%)
- Plant and equipment: 15% (2008: 15%)
- Computer equipment: 25% (2008: 25%)
- Motor vehicles: 20% - 33.33% (2008: 20% - 33.33%)
- Leasehold Improvements 16.67% (2008: 16.67%)

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(f) Financial instruments

Under AASB 7: *Financial Instruments Disclosures* and AASB 139: *Financial Instruments: Recognition and Measurement*, financial instruments are required to be classified into one of the following measurement categories which determines the accounting treatment of the item

- Loans and receivables: measured at amortised cost
- Held to maturity: measured at amortised cost
- Held for trading: measured at fair value with changes in fair value charged to the income statement
- Available for sale: measured at fair value with changes in fair value taken to equity
- Liabilities: measured at amortised cost

The Credit Union has no "held for trading" investments.

Note 1 : Statement of significant accounting policies (cont.)

(g) Investments

(i) Investments in equity securities

The Credit Union has equity investments in unlisted entities which are classified as being available-for-sale and are measured at cost as there is no quoted market price in an active market for these investments. If a quoted price in an active market did exist and a fair value could be reliably measured then any resultant gain or loss would be recognised directly in equity.

(ii) Investments in debt

(a) Assets Available for Sale

Financial instruments held by the Credit Union classified as being available-for-sale are stated at fair value, with any resultant gain and loss recognised directly in equity, except for impairment losses which are recorded in the profit and loss. These financial instruments are derecognised when the risks and rewards of ownership are transferred from the Credit Union, at which time the cumulative gain and loss previously recognised directly in equity is recognised in profit and loss. Where these investments are interest-bearing, interest calculated using the effective interest rate method is recognised in the Income Statement.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised/derecognised by the Credit Union on the date it commits to purchase/sell the investments.

(b) Assets Held to Maturity

Financial instruments classified as held to maturity are non-derivative financial assets that have determinable payments, fixed maturity and there is an ability and intent by the Credit Union to hold the financial instrument until maturity. If during the current or previous two reporting periods the entity has derecognised or reclassified more than an insignificant amount of an asset class within this category then all of the assets within that class are reclassified as assets available for sale. When the financial instrument is derecognised any gain or loss on derecognition is recognised directly in the Income Statement. Where an asset is reclassified as being available for sale it is re-measured at fair value and any difference between its carrying value and the fair value is recognised in equity.

Held to maturity assets are measured at amortised cost using the effective interest rate method (refer note 12).

(h) Loans and advances

Loans and advances comprise overdrafts, home loans and other personal loans and are initially recorded at fair value including direct and incremental transaction costs. They are subsequently recorded at amortised cost, being the cost of the loan on initial recognition less principal repayments, accumulated amortisation using the effective interest method and impairment losses (refer note 1(i)).

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Credit Union considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are detailed in note 1(i).

Note 1 : Statement of significant accounting policies (cont.)

(i) Impaired loans and advances

The carrying amounts of the Credit Union's loans and advances are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

"Non-accrual loans" are specific loans and advances where the recovery of all interest and principal is considered to be doubtful.
"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting original terms, and the revised terms are more favourable to the borrower than comparable facilities.
"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" are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

Loans and advances are individually assessed for impairment. Loans and advances that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Impairment testing is based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of the Credit Union's loans and advances is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

A General Reserve for Credit Losses is also maintained to cover the general risks inherent in the loan portfolios. Movements in the General Reserve for Credit Losses are recognised as an appropriation of retained earnings. The Australian Prudential Regulatory Authority ("APRA") requires Authorised Deposit-taking institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under Australian Accounting Standards and those required by APRA is represented by the General Reserve for Credit Losses within Equity.

The Credit Union writes off a loan balance when it is determined that the loan is uncollectible. This determination is reached after considering information such as the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation under the terms of the contract, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Any subsequent recoveries of these loan write-offs are recognised through the profit and loss.

(j) Trade and other receivables

Trade and other receivables, comprise non interest bearing sundry debtors, and are stated at their amortised cost less impairment losses. Receivables with a short duration are not discounted.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at call. Investments with other financial institutions are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Note 1 : Statement of significant accounting policies (cont.)

(l) Impairment

The carrying amounts of the Credit Union's assets other than loans and advances (see note 1(i)) and deferred tax assets (see note 1(r)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated (see note 1 (l)(i)).

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the Credit Union's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference berween the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Note 1 : Statement of significant accounting policies (cont.)

(l) Impairment (cont.)

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

(m) Employee entitlements

The provisions for employee entitlements to wages, salaries, annual leave and long service leave represent the amounts which the Credit Union has a present obligation to pay resulting from employees' services provided up to the balance date. The liability for employees' entitlements to annual leave and long service leave has been calculated at nominal amounts based on expected wage and salary rates and includes related on-costs. The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from the employees' services provided up to balance date.

(n) Member deposits and Payables due to other financial institutions

Member deposits and Payables due to other financial institutions are brought to account at fair value less attributable transaction costs and subsequently stated at amortised cost. Interest and yield related fees are recognised in the income statement based on the effective interest rate basis.

(o) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 30 days.

Note 1 : Statement of significant accounting policies (cont.)

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured.

- Interest income on loans and advances is recognised on the amortised cost basis using the effective interest method.
- Loan origination fees and direct costs integral to the establishment of loans and advances are deferred and amortised to interest income over the effective life of the loan using the effective interest method.
- Other fees and commissions are brought to account on an accrual basis when the service is provided and the income is receivable.
- Rental income is recognised when receivable.
- Dividends from equity investments are recognised when received or at the date when there is a right to receive.

(q) Leases

All leases are classified as operating leases as the lessors substantially retain all the risks and benefits of ownership.

Payments made under operating leases are expensed in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(s) Goods and services tax

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

Receivables and payables are stated with the amount of the GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

Note 1 : Statement of significant accounting policies (cont.)

(t) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction on the measurement date.

When available, the Credit Union measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occuring market transactions on an arm's length basis.

If a market for a financial instrument is not active then the Credit Union measures these instruments at cost.

(u) New standards and interpretations not yet adopted

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

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Credit Union's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Credit Union's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Credit Union presents segment information as referred to in Note 24.

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Credit Union's 30 June 2010 financial statements. The Credit Union has not yet determined the potential effect of the revised standard on the Credit Union's disclosures.

The following revised standard has been identified as having an impact on the Credit Union due to the merger with Powerstate Credit Union Limited on 1 October 2009.

- Revised AASB 3 Business Combinations has been broadened to cover combinations involving only mutual entites (previously excluded from this standard). This will require the measurement of Powerstate Credit Union Limited's identifiable assets and liabilities at fair value at the date of the merger. Revised AASB3 will be mandatory for the Credit Union's 2010 financial statements however there will be no impact on prior periods in the Credit Union's 2010 financial statements.

Note 2 : Financial Risk Management

The Credit Union has exposures to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note discloses information about the Credit Union's exposure to each of the above risks, the policies and processes for measuring and managing these risks and the management of capital.

(a) Credit risk

Credit risk arises from the possibility that the counterparty to a financial instrument will not adhere to the terms of the contract with the Credit Union when settlement becomes due.

The Credit Union's maximum exposure to credit risk at balance date (without taking into account the value of any collateral or other security in the event other parties fail to perform their obligations under financial instruments) in relation to each class of recognised financial asset is the carrying amount of those assets (net of any provision for impairment) as indicated in the balance sheet.

The largest exposure to credit risk is in the area of loans and advances. Risk in this area is managed in the following ways:

- credit risk policies are in place and each loan application is assessed using these policies.
- appropriate insurance over underlying security for loans is put in place where necessary.
- procedures exist to ensure that loans and advances are regularly monitored and followed up if necessary.
- regular compliance reviews are undertaken by Internal Audit.

The Credit Union's accounting policy for impaired loans is disclosed in note 1 (i).

Details of the Credit Unions' impaired loans and advances as at the reporting date are disclosed below and in Note 11:

	2009 **$**	**2008** **$**
Total balance of secured loans 30+ days in arrears as at 30 June	310,598	710,323
Secured loans 30+ days in arrears due as at 30 June	29,068	33,492
Total balance of unsecured loans 30+ days in arrears as at 30 June	113,317	47,586
Unsecured loans 30+ days in arrears due as at 30 June	7,110	2,202
Total balance of accounts 14+ days overdrawn/overlimit as at 30 June	113,495	63,560
Accounts 14+ days overdrawn/overlimit due as at 30 June	8,125	8,552

The Credit Union limits its exposure to credit risk on its liquid investments by only investing in investments that qualify as High Quality Liquid Assets (HQLA) meeting APRA's minimum investment grade criteria requiring a short term rating from Standard & Poors of at least A3. Given this high credit rating the Credit Union does not expect any counterparty to fail to meets its obligations.

Note 2 : Financial Risk Management (cont.)

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Whilst the Credit Union relies predominately on member deposits for funding requirements it also has a $3M overdraft facility as well as other uncommitted wholesale funding facilities.

The key measure used by the Credit Union for managing liquidity risk is the ratio of high quality liquid assets to adjusted liabilities (HQLA ratio) as per the calculation used to determine compliance by the Credit Union's lead regulator, APRA. The Credit Unions' policy is to ensure a minimum HQLA ratio of 10% which is in excess of the minimum HQLA ratio of 9% required by APRA under Prudential standard APS 210. During 2008/09 APRA set a targeted minimum HQLA ratio for the Credit Union of 12%. Details of the Credit Union's HQLA ratio as at the reporting date and during the reporting period were as follows:

	2009	2008
- As at 30 June	14.31%	12.76%
- Average for the period	14.43%	13.53%
- Maximum for the period	18.05%	16.28%
- Minimum for the period	11.84%	10.84%

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Credit Union's income or value of its holdings of financial instruments. The objective of market risk is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring the sensitivity of the Credit Union's financial assets and liabilities, measured as discounted cash-flows, against interest rate movement scenarios. A summary of the Credit Union's interest rate gap position (before discounting cashflows) is disclosed in note 30. An analysis of the Credit Union's sensitivity, both as dollars and as a percentage of capital, to a 200 basis point parallel (increase)/decrease in market rates is as follows:

	2009 $	2008 $
Sensitivity:		
- As at 30 June	549,474	1,130,312
- Average for the period	698,691	731,842
- Maximum for the period	1,034,727	1,213,930
- Minimum for the period	432,179	105,222
Sensitivity as a percentage of total capital:		
- As at 30 June	1.76%	4.36%
- Average for the period	2.49%	2.98%
- Maximum for the period	3.92%	4.74%
- Minimum for the period	1.44%	0.44%

(d) Capital management

The Credit Union's lead regulator, APRA, sets and monitors minimum capital requirements for the Credit Union based on an Internal Capital Adequacy Management Plan (ICAAP) prepared by the Credit Union which sets a targeted capital range based on risk analysis and capital allocation for identified risk categories.

In implementing current capital requirements, APRA requires the Credit Union to maintain a prescribed capital adequacy ratio (CAR) of total capital to total risk weighted assets.

The Credit Union's policy is to maintain a CAR of between 12% and 17% which exceeds APRA's minimum prudential capital ratio requirements, and maintains member confidence as well as sustaining future development of the Credit Union, whilst ensuring that any surplus capital is returned to members through reduced pricing of products and services ("member dividend").

The Credit Union maintains capital through the appropriation of Retained Earnings to General Reserves (refer Note 19(a)). No other capital instruments are utilised.

Under the Basel II capital framework the Credit Union has adopted a standardised approach to the calculation of CAR within the Basel II capital framework.

The Credit Union has complied with all externally imposed capital requirements throughout the period and there have been no material changes in the Credit Union's management of capital during the period. Details of the Credit Union's CAR as at the reporting date and during the reporting period were as follows:

	2009	2008
- As at 30 June	16.16%	13.99%
- Average for the period	15.16%	13.33%
- Maximum for the period	16.16%	14.20%
- Minimum for the period	14.02%	12.42%

Note 3: Interest revenue and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Average balances have been calculated using the average of each month's average balance. This provides an average balance which is representative of the Credit Union's operations during the period.

	Average Interest rate	Average Balance $	Interest $
Interest revenue 2009			
Cash and cash equivalents	4.40%	5,005,816	220,032
Investments	5.32%	39,275,522	2,087,665
Loans and advances	7.63%	273,733,938	20,873,265
	7.29%	318,015,276	23,180,962
Interest expense 2009			
Payable due to other financial institutions	7.15%	13,693,402	978,518
Member deposits	4.69%	279,372,461	13,115,407
	4.81%	293,065,863	14,093,925
Interest margin 2009	2.48%		9,087,037
Interest revenue 2008			
Cash and cash equivalents	6.39%	3,911,649	250,100
Investments	7.20%	30,654,099	2,206,624
Loans and advances	8.54%	244,082,706	20,837,125
	8.36%	278,648,454	23,293,849
Interest expense 2008			
Payable due to other financial institutions	7.56%	12,098,761	914,755
Member deposits	5.14%	252,075,104	12,959,441
	5.25%	264,173,865	13,874,196
Interest margin 2008	3.11%		9,419,653

Note 4: Revenue

	Note	2009 $	2008 $
Interest income	3	23,180,962	23,293,849
Non-interest income			
Loan fee income		17,365	31,410
Other fee income		1,499,676	1,634,836
Insurance commission income		788,951	747,912
Other commission income		565,357	535,089
Bad debts recovered		151,724	202,927
ATM fee income		985,497	973,880
Other		128,487	103,275
Profit on sale of property, plant & equipment		3,655,766	2,053
Rental income from property		305,012	447,692
Dividend income		361,879	110,643
Total non-interest income		8,459,714	4,789,717
Total revenue		31,640,676	28,083,566

Note 5: Other expenses

	2009 $	2008 $
Depreciation - plant and equipment	463,450	512,706
Depreciation - buildings	65,609	131,217
Employee benefits	4,960,351	4,570,530
Distribution channel costs	1,813,178	1,887,240
Occupancy expenses	710,229	400,807
Administrative expenses	1,201,369	1,032,063
Marketing expenses	346,518	398,647
Information technology expenses	935,111	728,058
Operating lease expenses	294,336	228,507
Other	709,745	628,403
Total other expenses	11,499,896	10,518,178

Note 6: Taxation

	2009 $	2008 $
(a) Income tax expense		
Current tax expense		
Current year	861,718	1,048,177
Adjustments to prior years	(195,026)	130
	666,692	1,048,307
Deferred tax expense		
Origination and reversal of temporary differences	(303,338)	(4,746)
	(303,338)	(4,746)
Total income tax expense in income statement	363,354	1,043,561
(b) Reconciliation between tax expense and pre-tax profit		
Profit before tax	5,926,400	3,760,854
Income tax at 30%	1,777,920	1,128,256
Increase in income tax expense due to:		
Non deductible expenses	22,939	2,079
Decrease in income tax expense due to:		
Tax exempt revenue	1,242,479	86,774
	558,380	1,043,561
Under/(over) provided in prior years	(195,026)	-
Income tax expense on pre-tax net profit	363,354	1,043,561
(c) Income tax (recoverable)/payable		
Movements during the year were as follows:		
Balance at beginning of the year	312,967	261,894
Income tax paid (net of refund)	(1,278,767)	(997,234)
Current year income tax liability on operating profit	861,718	1,048,177
Under / (over) provision in prior years	(195,026)	130
	(299,108)	312,967
(d) Deferred tax assets		
Employee benefits	290,555	265,245
Loans and advances	198,131	148,037
Property, plant and equipment	65,308	-
Other	450	343
	554,444	413,625
(e) Deferred tax liabilities		
Property, plant and equipment	-	(162,520)
	-	(162,520)

(f) Unrecognised deferred tax asset

A deferred tax asset of $21,283 (2008: $473,558) has not been recognised because it is uncertain that future capital gains will be available from which the Credit Union can utilise the benefit.

	2009 $	2008 $
Note 7: Cash and cash equivalents		
Cash on hand and at bank	2,840,895	1,765,401
Deposit at call	3,200,000	5,600,000
	6,040,895	7,365,401

	2009 $	2008 $
Note 8: Other assets		
Sundry debtors	1,310,809	1,621,684
Prepayments	92,444	107,725
	1,403,253	1,729,409

	2009 $	2008 $
Note 9: Other financial assets at cost		
Unlisted equity securities at cost	1,426,537	1,426,451

Note 10: Loans and advances		2009 $	2008 $
Overdrafts - secured		22,882,124	22,695,720
Overdrafts - unsecured		4,148,772	4,760,720
Credit Card - unsecured		4,321,520	3,953,662
Term loans - secured		230,765,070	195,187,917
Term loans - unsecured		29,318,001	29,602,202
Gross Loans and advances		291,435,487	256,200,221
Specific provision for impairment	11 (a)	(40,179)	-
		291,395,308	256,200,221
Collective provision for impairment	11 (a)	(430,948)	(366,139)
Net Loans and advances		290,964,360	255,834,082
Loans and advances by maturity			
Overdrafts		27,000,241	27,422,438
Up to 3 months		2,616,348	2,384,042
From 3 to 12 months		7,661,971	7,100,843
Later than 1 year but not later than 5 years		37,678,563	33,242,391
Later than 5 years		216,478,364	186,050,507
Total loans (gross)		291,435,487	256,200,221
Loans and advances by purpose			
Residential		251,843,239	215,862,496
Personal		37,772,095	38,061,838
Commercial		1,820,153	2,275,888
Total loans (gross)		291,435,487	256,200,222

The Credit Union's traditional membership base lies within the education community, and as such it has a significant exposure to groupings of individual loans which concentrate risk and create exposure to the employment sector of educators in both the government and non-government school systems. As at 30 June 2009, loans to members of the education community of South Australia totalled $158,049,131 (30 June 2008: $143,992,870). This represents approximately 54% of the total loan portfolio (30 June 2008: 56%).

As at 30 June 2009, loans to members currently residing in South Australia totalled $286,255,834 (30 June 2008: $251,213,673). This represents approximately 98% of the total loan portfolio (30 June 2008: 98%).

As at 30 June 2009, the Credit Union had no individual or group of loan facilities with an outstanding balance in excess of 10% of its total capital (30 June 2008: nil).

Note 11: Impairment of loans and advances	Note	2009 $	2008 $
(a) Provisions for impairment			
Specific provisions for impairment			
Opening balance		-	76,386
Doubtful debts expense		40,179	-
Bad debts written off		-	-
Other adjustments		-	(76,386)
Closing balance		40,179	-
Collective provision for impairment			
Opening balance		366,139	363,030
Doubtful debts expense		64,809	3,109
Bad debts written off		-	-
Closing balance		430,948	366,139
Total provisions for impairment		471,127	366,139
General reserve for credit losses	19 (d)	99,363	122,994
Total of provisions for impairment and general reserve for credit losses		570,490	489,133
(b) Impairment losses on loans and advances			
Individually assessed provisions for impairment increase/(decrease)		40,179	(76,386)
Collective provisions for impairment increase/(decrease)		64,809	3,109
Bad debts written off directly to income statement		136,840	173,615
Charge to income statement		241,828	100,338
(c) Impaired loans, assets acquired and past due loans			
Non-accrual loans			
Balance		145,969	117,508
Restructured loans			
Balance		-	-
Other assets acquired through enforcement of security			
Balance (at fair value)		-	205,061
Past-due loans			
Balance		310,598	259,343
(d) Interest and other revenue recognised and foregone			
Interest recognised on non-accrual and restructured loans		15,560	9,540
Interest foregone on non-accrual and restructured Loans		2,485	3,198

Note 12: Investments	**2009 $**	**2008 $**
Held to maturtity investments with other financial institutions	43,380,260	32,574,906

Note 13: Investment accounted for using the equity method

Investment in associate - unlisted at cost	1,020,445	1,012,690

The Credit Union acquired a 50% ownership in Blackwood Nominees Pty Ltd, an Australian resident company, on 9 December 2005. Blackwood Nominees principal activities are the provision of loan broking services within South Australia. The Credit Union accounts for this investment using the equity method.

<u>Summarised financial information of associate</u>

Total associate revenues	1,242,271	1,475,487
Total associate profit	242,746	346,429
Total associate assets	607,989	564,797
Total associate liabilities	219,765	188,367
Total associate equity	388,234	376,430

<u>Results of Associate</u>

Share of associate profit before income tax	170,305	244,250
Share of income tax expense	48,932	74,250
Share of associate profit for the period	121,373	170,000

<u>Commitments</u>

Share of associates operating lease commitments outstanding at 30 June

- not longer than 1 year	43,139	24,382
- longer than 1 year but not longer than 5 years	21,700	3,589
	64,839	27,971

Note 14: Property, plant and equipment	**2009 $**	**2008 $**
Freehold land held for use of the Credit Union		
At cost	-	714,745
		714,745
Buildings on freehold land held for use of the Credit Union		
At cost	-	5,248,675
Accumulated depreciation	-	(1,049,735)
	-	4,198,940
Plant and equipment		
At cost	2,828,240	4,264,366
Accumulated depreciation	(1,764,024)	(2,265,825)
	1,064,216	1,998,541
Capital works in progress		
At cost	211,511	24,350
Total property, plant and equipment	1,275,727	6,936,576

Reconciliations

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	2009 $	2008 $
a) Freehold land		
Carrying amount at the beginning of the year	714,745	714,745
Additions	-	-
Disposals	(714,745)	-
Carrying amount at the end of the year	-	714,745
b) Buildings		
Carrying amount at the beginning of the year	4,198,940	4,330,157
Additions	-	-
Disposals	(4,133,331)	-
Depreciation	(65,609)	(131,217)
Carrying amount at the end of the year	-	4,198,940
c) Plant and equipment		
Carrying amount at the beginning of the year	1,998,541	2,113,424
Additions	393,978	424,217
Transfer from capital works in progress	24,350	13,435
Disposals	(889,205)	(39,829)
Depreciation	(463,450)	(512,706)
Carrying amount at the end of the year	1,064,214	1,998,541
d) Capital works in progress		
Carrying amount at the beginning of the year	24,350	13,435
Additions	211,511	24,350
Transfers to plant and equipment	(24,350)	(13,435)
Carrying amount at the end of the year	211,511	24,350

	2009 $	2008 $
Note 15: Deposits		
Withdrawable shares	51,722	51,354
At call deposits	164,250,006	155,021,231
Term deposits	141,062,649	105,743,462
Total deposits	305,364,377	260,816,047
Deposits by maturity:		
At call (including withdrawable shares)	164,301,728	155,072,585
Up to 3 months	79,714,340	43,128,371
From 3 to 6 months	23,574,432	28,145,104
From 6 to 12 months	27,389,110	28,896,622
Later than 1 year but not later than 5 years	10,384,767	5,573,365
Total deposits	305,364,377	260,816,047

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to the employment sector of educators in both the government and non-government school systems. As at 30 June 2009, deposits from members of the education community of South Australia totalled $69,521,262 (2008: $63,137,712). This represents approximately 23% of total deposits (30 June 2008: 24%).

As at 30 June 2009 deposits from members currently residing in South Australia totalled $262,454,167 (30 June 2008: $236,531,699). This represents approximately 86% of the total deposits (30 June 2008: 91%).

As at 30 June 2009, the Credit Union had no individual or group of deposit facilities with an outstanding balance in excess of 10% of its total liabilities (30 June 2008: nil).

Note 16: Payables due to other financial institutions	2009 $	2008 $
Overdraft facilities - CUSCAL	-	916,672
Loan facilities - CUSCAL	6,000,000	5,000,000
Loan facilities - Other	-	11,000,000
	6,000,000	16,916,672
Maturity analysis:		
Up to 3 months	5,000,000	4,916,672
From 3 to 12 months	1,000,000	11,000,000
Later than 1 year but not later than 5 years	-	1,000,000
	6,000,000	16,916,672

Note 17: Trade and other payables

	2009 $	2008 $
Trade creditors	475,209	279,856
Accrued interest	1,596,385	1,471,097
Other creditors and accruals	453,094	505,429
	2,524,688	2,256,382

Note 18: Employee benefits

	2009 $	2008 $
Liability for long service leave	684,179	607,486
Liability for annual leave	284,336	276,663
	968,515	884,149

Note 19: Equity	Note	2009 $	2008 $
(a) General reserves			
Opening balance at the beginning of the year		25,793,853	23,153,591
Retained earnings transferred to general reserves		5,560,466	2,714,279
Transfer from/(to) general reserve for credit losses		23,631	(74,017)
Balance at the end of the year		31,377,950	25,793,853

The General Reserve comprises the accumulated profits of the Credit Union net of transfers to the redeemed preference share capital account and transfers to the general reserve for credit losses. The Directors intend to retain this reserve in order for the Credit Union to meet its prudential requirements.

(b) Retained earnings			
Opening balance at the beginning of the year		-	-
Profit for the year attributable to members		5,563,046	2,717,293
Transfer to redeemed preference share capital account		(2,580)	(3,014)
Transfer to general reserves		(5,560,466)	(2,714,279)
Retained earnings at the end of the year		-	-

(c) Redeemed preference share capital account			
Opening balance at the beginning of the year		27,556	24,542
Transfer from retained earnings		2,580	3,014
Balance at the end of the year		30,136	27,556

Under the Corporations Act 2001, redeemed preference shares (members $2 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed during the financial year of $2,580 (1999 to 2008: $27,556) by transferring the value of those shares from retained earnings to the redeemed preference share capital account. The value of member shares for existing members is disclosed as a liability in note 15.

(d) General reserve for credit losses			
Opening balance at the beginning of the year		122,994	48,977
Transfer (to)/from general reserves		(23,631)	74,017
Balance at the end of the year		99,363	122,994

Whilst provisions for impairment determined under Australian Accounting Standards are only to be recognised when there is objective evidence of impairment, APRA requires that ADI's maintain a general reserve for credit losses. This reserve constitutes a provision against potential (but not certain) losses which are intrinsic to the overall business of the ADI (refer note 1(i)).

Note 20: Commitments, contingent liabilities and contingent assets	**2009 $**	**2008 $**
(a) Leasing Commitments		
Leases as a lessee:		
Operating lease commitments outstanding at 30 June		
- not longer than 1 year	1,001,254	248,279
- longer than 1 year but not longer than 5 years	3,836,010	327,909
- more than 5 years	4,649,274	-
	9,486,538	576,188

The Credit Union leases premises for its Adelaide branch and head office at 151 South Tce following the sale and lease-back of the property on 16th December 2008. The Adelaide branch and head office will be relocating to new premises late in 2009 - the lease for the new Adelaide branch and head office is for a period of 10 years. The Credit Union also leases premises for its Happy Valley branch and local ATM network - these leases are for periods up to a maximum of five years.

Leases as a lessor:		
Operating lease commitments outstanding at 30 June		
-not longer than 1 year	-	314,689
-longer than 1 year but not longer than 5 years	-	317,192
	-	631,881

The Credit Union does not hold any leases as a lessor following the sale of the property at 151 South Tce, Adelaide on 16 December 2008.

(b) Capital commitments

The Credit Union has capital expenditure commitments at balance date of $3,140,777 (2008: $18,229).

(c) Outstanding loan commitments

At 30 June 2009, the Credit Union had $21,330,723 (2008: $16,853,846) mortgage and $732,303 (2008: $649,023) unsecured loans which have been approved but not yet advanced.

(d) Members unused credit facilities

At 30 June 2009, the Credit Union had $48,295,202 (2008: $43,969,252) of unused credit limits on Members' revolving credit facilities.

Note 20: Commitments, contingent liabilities and contingent assets (cont.)

(e) Credit Union Financial Support System Limited

The Credit Union is a party to the Credit Union Financial Support System Limited (CUFSS). CUFSS is a voluntary scheme that Credit Unions affiliated with Credit Union Services Corporation (Australia) Limited (Cuscal) have agreed to participate in.

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

As a member of CUFSS, the Credit Union:

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

Note 21: Key management personnel

a) Key Management Personnel

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

The names of persons who were Key Management Personnel of the Credit Union at any time during the financial year are as follows:

Non-executive Directors-
M.T. Harvey, I.H. Gray , N.V. Kingsley, S.E. Paterson, J. Riedstra, P.T. Tierney, and J.A. Hayward

Executives-
D.J. White, T.J. Davis

b) Aggregate income (including superannuation payments) received, or due and receivable by all Key Management Personnel of the Credit Union or related parties included in employee benefits (Note 5):-

	2009 $	2008 $
Short-term employee benefits	580,231	532,799
Other long term benefits	12,680	13,770
	592,911	546,569

The Credit Union does not pay any post employment benefits or share-based payments to Key Management Personnel.

Note 21: Key management personnel (cont.)	**2009 $**	**2008 $**
c) Loans to Key Management Personnel		
Aggregate loans to Key Management Personnel outstanding at balance date		
-mortgage and personal loans	407,624	295,472
-overdrafts (including secured line of credit)	53,379	125,941
	461,003	421,413
Aggregate amount of loans made during the year to Key Management Personnel		
-mortgage loans (including redraw) and personal loans	329,279	9,300
Aggregate amount of interest charged during the year to Key Management Personnel		
-mortgage and personal loans	19,430	29,410
Aggregate amount of loan repayments made during the year by Key Management Personnel		
-mortgage and personal loans	236,556	282,498
Net movement in overdrafts including interest charged	(72,562)	(32,600)

The Key Management Personnel who conducted loan accounts with the Credit Union during the year were I.H. Gray, N.V. Kingsley, S.E. Paterson, J Riedstra, P.T. Tierney, J.A. Hayward, D.J. White, T.J. Davis. Loans to Key Management Personnel may include joint loans with partners where both parties are jointly and severally liable. Mortgage loans are secured and personal loans are unsecured. Overdrafts may be secured or unsecured. All loans were subject to normal terms and conditions and there were no breaches of these terms and conditions during the year. All Key Management Personnel hold a $2 withdrawable share as members of the Credit Union.

Note 22: Related party disclosures

a) The Credit Union provides payroll processing and administration services on behalf of Blackwood Nominees Pty Ltd. All transactions are under normal terms and conditions.

b) The Credit Union books air travel and accommodation as well as providing transactional banking accounts with an associated entity. All transactions are under normal terms and conditions.

	2009 $	**2008 $**
Aggregate amounts included in profit from ordinary activities before income tax expense that resulted from transactions with the non key management personnel related parties:		
- management fee	12,000	9,591
- interest expense	2,281	1,988
- travel and accommodation	1,192	22,802
Aggregate amounts payable to non key management personnel related party:		
- at call deposits	79,362	99,061

Note 23: Employee entitlements

Superannuation Commitments

The Credit Union contributes to a number of employee superannuation plans for the provision of benefits to employees on retirement, death or disability. Benefits provided under the plans are based on contributions for each employee. Employees contribute various percentages of their gross income to their nominated fund. Further contributions are made by the Credit Union for the benefit of its employees. Other than occupational superannuation guarantee commitments, there is no legally enforceable obligation on the Credit Union to contribute to the superannuation plans.
As the funds are accumulation funds, adequate funds are held to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination or retirement of each employee.

	2009	2008
Number of employees		
Number of full time equivalent employees at year end	71	68

Note 24: Segment Information

The Credit Union operates predominately in the retail finance industry within South Australia. Specific segmentation of loans and deposits is set out in Notes 10 and 15.

Note 25: Remuneration of auditors	**2009 $**	**2008 $**
Audit services		
Auditors of the Credit Union - KPMG		
- Audit and review of the financial reports	76,755	73,081
- Other regulatory audit services	14,599	14,620
	91,354	87,701
Other services		
Auditors of the Credit Union - KPMG		
- Taxation services	54,323	8,822
- Other services	14,133	-
- Due diligence services	21,040	-
	89,496	8,822
	180,850	96,523

Note 26: Economic dependency

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

Credit Union Services Corporation (Australia) Limited (Cuscal)

As a provider and aggregator of financial service products to the credit union industry, this entity supplies the Credit Union with access to payment and settlement facilities in the form of BPay, Direct Entry and Chequing as well as access to acquiring and settlement facilities for electronic fund services via the ATM and EFTPOS networks. Cuscal also provides Satisfac with Redicard and VISA card services. In addition, Cuscal supplies central banking services to the Credit Union including wholesale services for wholesale funding. Satisfac Direct Credit Union Ltd invests a majority of its high quality liquid assets with Cuscal. The Credit Union is a shareholder in the company.

Cuscal has an equitable charge of $9,000,000 (2008: $9,000,000) over the assets, both present and future, of the Credit Union. These charges were created to secure repayments of an unspecified amount.

First Data Resources Australia Limited

This company provides the electronic link between automatic teller machines, Bank@Post terminals, point of sale terminals and BPay transactions to members' accounts.

Data Action Pty Ltd

This company operates the computer bureau which provides the Credit Union with a range of computing services. The Credit Union is a shareholder in the company.

Note 27: Standby borrowing facilities

The Credit Union has the following borrowing facilities with Credit Union Services Corporation (Australia) Ltd.

	2009 $	2008 $
a) Overdraft facility		
Gross facility amounts	3,000,000	3,000,000
Current borrowing	-	916,672
Net available	3,000,000	2,083,328

Note 28: Franking account

The Credit Union has generated franking credits through paying income tax since the 1994/95 financial year. The ability to utilise these credits is restricted by the constitution of the Credit Union which does not currently permit dividend payments.

The balance of the franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements is $8,074,339 (2008: $7,313,942).

The balance of the franking account, adjusted for franking credits that the Credit Union is prevented from distributing in the subsequent financial year, is $nil (2008: $nil).

Note 29: Notes to the statement of cash flow

		2009 $	2008 $
(a) Reconciliation of cash			
Cash and cash equivalents		6,040,895	7,365,401
Investments with other financial institutions		43,380,260	32,574,906
		49,421,155	39,940,307

For the purposes of the statement of cash flows, cash includes cash at bank and on hand and short term investments with other financial institutions, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as above.

(b) Reconciliation of Profit for the year to net cash from operating activities

		2009 $	2008 $
Profit for the year		5,563,046	2,717,293
Add or deduct non cash items			
Provisions for impairment	11 (b)	104,988	(73,277)
Bad debts written off	11 (b)	136,840	173,615
Depreciation of property, plant and equipment	5	529,059	643,923
Net (profit)/loss on disposal of property, plant and equipment	4	(3,655,766)	(23,053)
Share of profit of equity accounted investments	13	(121,373)	(170,000)
		(3,006,252)	551,208
Add or deduct changes in assets/liabilities during the financial year			
Increase/(decrease) in accrued interest		31,678	314,372
Decrease/(increase) in receivables		404,485	(967,128)
Decrease/(increase) in other assets		15,281	(4,203)
Increase/(decrease) in trade and other payables		143,017	(332,563)
Increase/(decrease) in provisions for employee entitlements		84,366	32,695
(Decrease)/Increase in income tax payable		(612,075)	51,073
(Increase)/decrease in deferred tax assets		(303,338)	(4,746)
		(236,586)	(910,500)
Net cash from operating activities		2,320,208	2,358,001

Note 30: Financial instruments

(a) Interest Rate Risk

Interest rate risk refers to the risk of fluctuations in the value of financial instruments (and possible financial loss) resulting from movements in market rates of interest. To manage exposure to such risks, the Credit Union has quantified acceptable risk parameters, and has put in place systems to monitor performance against those parameters, together with regular reporting of results to the Board.

A change of 200 basis points in interest rates at the reporting date would have (increased)/decreased the economic value of the Credit Union by $549,474 (2008: $1,130,312)

The following table summarises interest rate risk. Financial instruments are classified by the date at which the applicable rate will next be reset.

	0 to 30 days	30 days to 12 months	Over 1 year to 5 years	Non-interest bearing	Total Carrying amount per balance sheet	Weighted average effective rate
	$	$	$	$	$	%
Assets: 30 June 2009						
Cash and cash equivalents	3,608,805	-	-	2,432,090	6,040,895	2.58%
Investments with other financial instutions	6,999,149	36,381,111	-	-	43,380,260	3.63%
Loans and advances	1,456,158	267,395,608	22,440,231	143,490	291,435,487	6.09%
Other financial assets	-	-	-	1,426,537	1,426,537	
Investments accounted for using the equity method	-	-	-	1,020,445	1,020,445	
Receivables	-	-	-	1,310,809	1,310,809	
	12,064,112	303,776,719	22,440,231	6,333,371	344,614,433	
Liabilities: 30 June 2009						
Payables due to other financial institutions	5,000,000	1,000,000	-	-	6,000,000	5.65%
Deposits	32,063,674	262,864,214	10,384,767	51,722	305,364,377	3.50%
Trade and other payables	-	-	-	2,524,688	2,524,688	
Employee benefits	-	-	-	968,515	968,515	
	37,063,674	263,864,214	10,384,767	3,544,925	314,857,580	
Assets: 30 June 2008						
Cash and cash equivalents	5,600,000	-	-	1,765,401	7,365,401	7.10%
Investments with other financial instutions	7,986,075	24,588,831	-	-	32,574,906	7.80%
Loans and advances	426,199	216,244,337	39,415,375	114,310	256,200,221	8.89%
Other financial assets	-	-	-	1,426,451	1,426,451	
Investments accounted for using the equity method	-	-	-	1,012,690	1,012,690	
Receivables	-	-	-	1,621,684	1,621,684	
	14,012,274	240,833,168	39,415,375	5,940,536	300,201,353	
Liabilities: 30 June 2008						
Payables due to other financial institutions	4,916,672	11,000,000	1,000,000	-	16,916,672	7.97%
Deposits	13,069,364	242,121,964	5,573,365	51,354	260,816,047	5.63%
Trade and other payables	-	-	-	2,256,382	2,256,382	
Employee benefits	-	-	-	884,149	884,149	
	17,986,036	253,121,964	6,573,365	3,191,885	280,873,250	

Note 30: Financial instruments (cont.)

(b) Fair values

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

	Total Carrying Amount $	Aggregate net fair value $
Financial Assets: 2009		
Cash and cash equivalents	6,040,895	6,040,895
Investments with other financial institutions	43,380,260	43,380,260
Loans and advances	291,435,487	292,561,489
Other financial assets	1,426,537	1,426,537
Investments accounted for using the equity method	1,020,445	1,020,445
Receivables	1,310,809	1,310,809
Total financial assets	344,614,433	345,740,435
Financial Liabilities: 2009		
Payables due to other financial institutions	6,000,000	6,000,000
Deposits	305,364,377	305,734,240
Trade and other payables	2,524,688	2,524,688
Employee benefits	968,515	968,515
Total financial liabilities	314,857,580	315,227,443
Financial Assets: 2008		
Cash and cash equivalents	7,365,401	7,365,401
Investments with other financial institutions	32,574,906	32,574,906
Loans and advances	256,200,221	254,685,102
Other financial assets	1,426,451	1,426,451
Investments accounted for using the equity method	1,012,690	1,012,690
Receivables	1,621,684	1,621,684
Total financial assets	300,201,353	298,686,234
Financial Liabilities: 2008		
Payables due to other financial institutions	16,916,672	16,856,746
Deposits	260,816,047	260,808,176
Trade and other payables	2,256,382	2,256,382
Employee benefits	884,149	884,149
Total financial liabilities	280,873,250	280,805,453

Note 30: Financial Instruments (cont.)

(b) fair values (cont.)

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

Cash and cash equivalents: The carrying amount equates to fair value due to the nature of these financial instruments.

Investments with Other Financial Institutions and Loans and Advances: These financial assets are substantially short-term in nature and predominantly comprise individual assets with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial assets that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at 30 June.

Other financial assets: Where appropriate, net fair value for other financial assets has been determined by reference to the most recent formal valuation. Where there has been no formal valuation or where no market price exists, the fair value is disclosed as the carrying value (original cost).

Payables Due to Other Financial Institutions and Accounts Payable and Other Liabilities: These financial liabilities are substantially short-term in nature and predominantly comprise individual liabilities with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial liabilities that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at 30 June.

Deposits: These financial liabilities are substantially short-term in nature and predominantly comprise individual liabilities with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those deposits that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at 30 June.

Note 31: Subsequent Event

A special general meeting of shareholding members was convened on 27th August 2009, at which the members of the Credit Union voted in favour of a merger with Powerstate Credit Union Ltd. A special general meeting of Powerstate shareholding members held on the same day also voted in favour of the merger. The merger will be effective from 1st October 2009 with the operations of the two Credit Unions expected to be merged by 1st May 2010 under the name of Credit Union SA Ltd.

DIRECTORS' DECLARATION

In the opinion of the Directors of Satisfac Direct Credit Union Ltd ("the Credit Union"):-

a) the financial statements and notes set out on pages 15 to 49 are in accordance with the Corporations Act 2001 including:

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

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

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

Signed in accordance with a resolution of the Board of Directors of Satisfac Direct Credit Union Ltd.

Dated at Adelaide this 28th day of August 2009

Signed in accordance with a resolution of the directors:

MARTIN HARVEY

CHAIRPERSON

IAN GRAY

DIRECTOR

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

Report on the financial report

We have audited the accompanying financial report of Satisfac Direct Credit Union Ltd (the "Credit Union"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on page 50.

Directors' responsibility for the financial report

The directors of the Credit Union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a) the directors also state, in accordance with Australian Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Credit Union's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Satisfac Direct Credit Union Ltd 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 2009 and of its performance for the financial year ended on that date; and

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

KPMG

Darren Scammell
Partner

Melbourne

28 August 2009

Statistical & Financial Highlights of the year ended 30 June 2009

Simplified Financial Statements extracted from the Annual Report (unaudited)

	2009	2008
Number of Shareholding Members	25,861	25,677
Staff Numbers as at 30 June	81	74
Staff Numbers- full time equivalents	71	68
Financial Data		
Members' Deposits	$305,364,377	$260,816,047
Loan Balances	$291,435,487	$256,200,221
Loans Made	$85,958,003	$75,991,654
Total Assets	$346,365,029	$307,293,140
Total Income	$31,762,049	$28,253,566
Total Expenses (before tax)	$25,835,649	$24,492,712
Operating Profit (after tax)	$5,563,046	$2,717,293
General Reserves	$31,377,950	$25,793,853
Income Statement		
What we earned		
Interest Income	$23,180,962	$23,293,849
Bad Debts Recovered	$151,724	$202,927
Other Income	$8,429,363	$4,756,790
Total Earnings	$31,762,049	$28,253,566
Deduct what we spent		
Interest Expense	$14,093,925	$13,874,196
Bad and Doubtful Debts	$241,828	$100,338
Other Expenses	$11,499,896	$10,518,178
Income Tax Expense	$363,354	$1,043,561
Total Expenses	$26,199,003	$25,536,273
Profit for the Period	$5,563,046	$2,717,293
Balance Sheet		
What we own		
Cash & Deposits with other Financial Institutions	$49,421,155	$39,940,307
Loans to Members (after provision for doubtful debts)	$290,964,360	$255,834,082
Property, Plant & Equipment	$1,275,727	$6,936,576
Other Assets	$4,703,787	$4,582,175
Total Assets	$346,365,029	$307,293,140
Deduct what we owe		
Members' Deposits	$305,364,377	$260,816,047
Amounts Payable	$9,493,203	$20,532,690
Total Liabilities	$314,857,580	$281,348,737
Leaving		
General Reserves	$31,377,950	$25,793,853
General Reserve for Credit Losses	$99,363	$122,994
Redeemed Preference Share Capital Account	$30,136	$27,556
Total Shareholders Equity	$31,507,449	$25,944,403

Satisfac
the teachers' credit union

Satisfac Direct Credit Union Limited • **ABN** 36 087 651 232 • **AFS Lic.** 241066
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• **Facsimile** (08) 8410 0812 • **Website** www.satisfac.com.au • **BSB No.** 805-007