FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE LIMITED

ABN 68 087 651 429

ANNUAL FINANCIAL REPORT
YEAR ENDED 30 JUNE 2010

Directors

T Teklenburg
B Robertson
T Hall
G Bester
G Casagrande
A Roberts
R Allen
G Skliris (Associate Director)
W Weir (Associate Director)

General Manager and Secretary

M R Enticott

Registered Office

408 Brunswick Street
Fitzroy, Victoria, 3065
(03) 9419 9811

Solicitors

Wisewould-Mahonys

Bankers

CUSCAL

Auditors

Deloitte Touche Tohmatsu

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VISION AND MISSION STATEMENT

VISION

To be the preferred provider of financial services to our members through co-operation.

MISSION

Firefighters and Affiliates Credit Co-Operative is committed to helping members achieve financial security by providing excellent savings, lending and other financial services.

VALUES

We see our Co-operative as being:

- For service to our members, not just for profit;
- Strong, safe and secure;
- Accessible and responsive to the needs of our members;
- A well managed and efficient organisation, providing competitive financial services in a socially responsible way;
- Democratic, with a Board of Directors elected by our Members;
- Ethical, friendly and caring in our approach to members; and
- Equitable and open in our dealings with Members and Staff.

We are autonomous within a strong, mutually supportive network of Credit Unions.

CHAIRMAN'S REPORT

Dear Fellow Members

On behalf of the Board of Directors, I hereby report on the progress of Fire Fighters & Affiliates Credit Co-operative over the past year.

REVIEW OF OPERATIONS
The financial result fell below expectations due to the unprecedented decline in interest rates experienced during the year, however the result is considered to be very satisfactory in light of the current difficult economic climate

Our surplus for the year was $ 134,000 after tax (2009: $75,000). Deposits at the 30 June, 2010 were $34.4m (2009 $33.9M) a increase of 1.5 %. Loans outstanding amounted to $ 31.3M (2009 $33.3M) a decrease of 6.1% over than last year.
Asset growth continued with a 6.8% increase for the year with on balance sheet assets now totalling in excess of $41M. Asset growth this year was reduced by the substantial write offs of the Preston building and ancillary equipment, associated with the rationalization of the Branch network.

AVAILABILITY OF FUNDS:
Liquidity has been maintained over the past year, however we are in a good position to meet loan demands and service our debts. As always, the ability to provide loans is somewhat restricted by the quantity and quality of loan applications submitted for approval, and the receipt of deposit funds from members.

SECURITY OF DEPOSITS:
Funds invested with Firefighters & Affiliates Credit Co-operative remain well protected. This is assured because:

(a) Directors adopt a conservative approach to loan approvals.
(b) The Credit Union is a member of Credit Union Financial Support Scheme (CUFSS)
(c) It is our policy to maintain a liquidity level consistent or above that of the requirements of our regulators.

INTEREST RATES:
Interest rates continued to show a marked decline within the first half of the Financial Year, and the strategies to maintain the financial health of the credit union employed by the Board were successful during this difficult period. It involved careful monitoring and management of interest rate risk where the Board have continually adjusted the Credit Union's retail interest rates consistent with the market to ensure it remains competitive during this difficult economic climate. Interest rates in the last 6 months of the financial year have risen as quickly as they fell proving the strategies put in place by the Board continue to ensure that the Credit Union remains competitive.

SUMMARY:

The global financial downturn and subsequent reverse over the past 6 months has impacted on the Board's ability to project a reasonable level of profitability over the next 12 months, however it is expected that profitability will be positive and consistent with maintaining an acceptable financial position, after having met all building renovation and core banking platform costs.

The Board is concentrating its resources for the year on careful management of balance sheet growth and a mix of assets that ensure a strong capital position is maintained. Included in this is the volatile interest rate market which requires management to ensure margins are maintained resulting in the appropriate income being generated to cover operating costs. Capital growth during the year is expected to continue however at a slower rate due to smaller profits being generated.

In summary, the Board is confident that the Credit Union's robust financial position is capable of surviving the current economic situation.

PREMISES

Due to the expiry of the lease on our Preston sites and the non renewal by BOC, the Credit Union returned "home" to a remodelled and rejuvenated Fitzroy office in January 2010. The cost was funded from operations and has now provided the Credit Union with a more spacious building which accommodates all current members, future members and staffing requirements. The site was re-valued upon completion at $2.4M in March 2010, which is completely owned by the Credit Union members.

Another significant impact on the Credit Union's performance was the change that occurred with the replacement of our core banking system which came at considerable cost in both time and capital. This migration was finalised in late May 2009, with the associated costs being spread over the two financial years of 2008/9 and 2009/10.

The Board appreciates the continued loyality of its members, and assures members that its primary objective remains at all times to serve their best interests.

I would like to thank all those involved in the Credit Co-operative over the past year, our General Manager – Mike Enticott and his staff who continue to provide an excellent level of service, and my fellow Directors for their involvement and commitment over the past twelve months.

……………………………………………………

B Robertson (Chairperson)

Directors' report

The directors of Firefighters & Affiliates Credit Co-operative Limited submit herewith the annual financial report of the Co-operative for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Co-operative during or since the end of the financial year are:

A Roberts, (Deputy Chairman) MAMI, Director since July 2006.
Retired Firefighter- Melbourne Fire and Emergency Services Board
Facilitator: Human Resources Portfolio

T Teklenburg, MAMI, Director since September 1998.
Retired General Manager & Secretary of the Firefighters & Affiliates Credit Co-operative Limited.
Facilitator: Corporate Governance Portfolio

B D Robertson, **AFSM, MAMI**, **(Chairman) Diploma Financial Services**,
Director since November 2002.
Retired Firefighter, Vice President Fire Services Museum
Facilitator: Marketing Committee Portfolio

G O Casagrande, MAMI, Director since October 2004.
Former Melbourne Fire and Emergency Services Board employee of the Technical Services Division.

R Allen, MAMI, FNIA Director since April 2007
Registered Tax Agent , Retired Public Accountant and Fellow of the National Institute of Accountants.

T Hall, MAMI, Director since January 2005
Retired BOC employee and former Chairman of IMG Credit Union Ltd

G Bester, MAMI, Director since January 2005
Former IMG Credit Union Director
Facilitator: Finance Committee Portfolio

G Skliris, MAMI, Associate Director, Appointed November 2008

W Weir, MAMI, Associate Director, Appointed November 2008

Each Director holds one (1) ordinary shares in the Co-operative.

Principal Activity

The principal activity of the Co-operative is to raise funds from the Co-operative's members to enable it to provide best possible financial services to its members.

No significant change in the nature of the activity has occurred during the year.

Operating Results

During the year the Co-operative earned an operating surplus of $134,000 (2009: $75,000) after allowing for income tax expense of $57,000 (2009 $29,000).

Review of Operations

A review of operations and the results thereof are set out in the report by the Chairman and in the accounts.

Changes in the State of Affairs

There was no significant change in the state of affairs of the Co-operative during the year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Co-operative, the results of those operations, or the state of affairs of the Co-operative in future financial years.

Future developments

Disclosures of information regarding likely developments in the operations of the Co-operative in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Co-operative. Accordingly, this information has not been disclosed in this report.

Environmental Regulation

The directors are of the opinion that the Co-operative has complied with all relevant legislation. The Co-operative is not subject to any specific environmental licensing regulations.

Directors' Benefits

During or since the financial year no Director of the Co-operative has received or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts or the fixed salary of a full-time employee of the Co-operative) by reason of a contract made by the Co-operative with any Director, or with a firm of which a Director has a substantial financial interest.

Directors Meetings

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

	Directors Meetings (Total held: 13)	**Committee Meetings attended**
G Skliris	7	-
A Roberts	11	10
R Allen	11	12
T Teklenburg	13	13
B Robertson	10	5
G Casagrande	10	2
T Hall	10	2
G Bester	12	10
W Weir	9	1

Indemnifying Officer or Auditor

Insurance premiums have been paid to insure each of the directors and officers of the Co-operative, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Co-operative. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities, disclosure of the premium is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Co-operative.

Proceedings on Behalf of Co-operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

	$
Taxation services	5,000
	5,000

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9 of the annual report.

Rounding

The Co-operative is a Co-operative of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Director   Director
Dated Melbourne:

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independence Declaration

Statement of comprehensive income for the financial year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Interest Revenue	2	**2,493**	**2,895**
Interest Expense	2	**(909)**	**(1,343)**
Net Interest Revenue	2	**1,584**	**1,552**
Other revenue	3	**356**	**367**
Total Operating Income		**1,940**	**1,919**
Bad and doubtful debts	4	**(14)**	**(53)**
Other expenses	4	**(1,735)**	**(1,762)**
Profit before income tax expense		**191**	**104**
Income tax expense	5	**(57)**	**(29)**
Net Profit after Income tax expense		**134**	**75**
Other Comprehensive Income			
Gain arising on revaluation of land and buildings		**367**	**-**
Total Comprehensive Income		**501**	**75**

The accompanying notes should be read in conjunction with these financial statements

Statement of financial position as at 30 June 2010

	Note	2010 $'000	2009 $'000
Assets			
Cash and cash equivalents	6	**245**	**139**
Accrued receivables	7	**61**	**39**
Financial assets held to maturity	8	**6,700**	**5,900**
Loans and advances	9	**31,251**	**33,275**
Financial assets available for sale	10	**148**	**141**
Current tax assets		**-**	**35**
Property, plant and equipment	11	**2,516**	**1,187**
Intangible assets	12	**276**	**86**
Other assets	13	**68**	**98**
Deferred tax asset		**4**	**-**
Total Assets		**41,269**	**40,900**
Liabilities			
Deposits	14	**34,419**	**33,910**
Interest bearing liabilities	15	**1,800**	**2,548**
Trade and other payable	16	**233**	**142**
Income Tax Payable	5(c)	**6**	**-**
Deferred tax liabilities	5(d)	**-**	**10**
Provisions	17	**203**	**183**
Total Liabilities		**36,661**	**36,793**
Net Assets		**4,608**	**4,107**
Members' fund			
Reserves		**2,051**	**1,684**
Retained profits		**2,557**	**2,423**
Total members' funds		**4,608**	**4,107**

The accompanying notes should be read in conjunction with these financial statements

Statement of changes in equity
for the financial year ended 30 June 2010

	Asset Revaluation Reserve $'000	General Reserve $'000	Reserve for Credit Losses $'000	Retained Profits $'000	Total $'000
Balance as at 1 July 2008	**843**	**700**	**127**	**2,362**	**4,032**
Profit attributable to members	**-**	**-**	**-**	**75**	**75**
Transfer to reserve	**-**	**-**	**14**	**(14)**	**-**
Balance as at 30 June 2009	**843**	**700**	**141**	**2,423**	**4,107**
Profit attributable to members	**-**	**-**	**-**	**134**	**134**
Transfer to reserve	**367**	**-**	**-**	**-**	**367**
Balance as at 30 June 2010	**1,210**	**700**	**141**	**2,557**	**4,608**

The accompanying notes should be read in conjunction with these financial statements

Statement of cash flows for the financial year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Interest received		**2,457**	**2,849**
Other non-interest income received		**356**	**367**
Interest paid		**(850)**	**(1,412)**
General expenses paid		**(1,548)**	**(1,651)**
Income tax paid		**(30)**	**(149)**
Net cash provided by operating activities	19(b)	**385**	**4**
Cash flows from investing activities			
Net increases/(decreases) in loans		**2,024**	**(2,110)**
Payments for property, plant and equipment		**(1,257)**	**(262)**
Proceeds from sales of property, plant and equipment		**-**	**40**
Net redemption of investment securities		**(807)**	**(700)**
Net cash used in investing activities		**(40)**	**(3,032)**
Cash flow from financing activities			
Repayment of borrowings		**-**	**(450)**
Proceeds from borrowing		**-**	**-**
Net increase/decrease in members' deposits		**509**	**2,289**
Net cash provided by financing activities		**509**	**1,839**
Net (decrease) / increase in cash held		**854**	**(1,189)**
Add Opening Cash Brought Forward		**(609)**	**580**
Closing Cash Balance	19(a)	**245**	**(609)**

The accompanying notes should be read in conjunction with these financial statements

NOTE 1: Significant accounting policies

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

The financial report covers Firefighters & Affiliates Credit Co-operative Limited as an individual entity and is a public company limited by shares, incorporated and domiciled in Australia.

The financial report of Firefighters & Affiliates Credit Co-operative Limited as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

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

(a) Income Tax

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

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

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

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

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

NOTE 1: Significant accounting policies (cont'd)

(b) Receivables Due from other Financial Institutions

Receivables from other financial institutions are primarily settlement account balances due from banks, building societies and other credit unions and exclude call and term deposits with other ADIs. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of comprehensive income when earned.

(c) Financial Instruments

Recognition

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

Financial assets held to maturity

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the co-operative has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

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

(d) Revenue

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the last day of each month.

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

When a loan is classified as non-accrual, the economic entity ceases to recognise interest and other income earned but not yet received.

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

Investment Interest Revenue

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

Fees & Commissions Revenue

Fees and commission are brought to account on an accrual basis once a right to receive consideration has been attained.

GST

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: Significant accounting policies (cont'd)

(d) Impairment – Loans & Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the statement of comprehensive income.

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

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

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

The various components of impaired assets are as follows:

"Non-accrual loans" are loans and advances:

(a) for which there is reasonable doubt that the Co-operative will be able to collect all amounts of principal and interest in accordance with the terms of the agreement; or

(b) which does not meet the definition of a restructured loan only because it yields less than the entity's average cost of funds.

and includes Category Two loans, Category Three loans and Category Four loans, in accordance with Prudential Standard Guidance Note AGN 220.1.

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

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

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

NOTE 1: Significant accounting policies (cont'd)

(f) Brokering Services

The Co-operative conducts a loan brokerage program for housing mortgage loans The Co-operative receives various fee income for services provided. Fee income is recognised on an accrual basis in relation to the reporting period in which the costs of providing the services are incurred.

The Trustee of the program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Co-operative. The Co-operative does not guarantee the capital value or performance of the securities, or the assets of the Trust. The Co-operative does not guarantee the payment of interest or the repayment of principal due on the securities. The economic entity is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The Co-operative has no right to repurchase any of the loans.

(g) Property, Plant and Equipment

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

<u>Property</u>

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

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

NOTE 1: Significant accounting policies (cont'd)

(g) Property, Plant and Equipment (cont'd)

A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. An annual transfer is made from the asset revaluation reserve to retained earnings for the depreciation charge recognised in the statement of comprehensive income relating to the revaluation surplus. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

Plant and Equipment

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

The carrying amount of property, plant and equipment is reviewed annually by director to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the net profit or loss in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

Property, plant and equipment is depreciated on a diminishing and straight-line basis. A summary of the rates used is:

Buildings	2.5%
Computer Hardware	25.0%
Leasehold improvements	2.5%
Motor Vehicles	30.0%
Office Furniture and Equipment	15.0%

Assets under $1000 are not capitalised.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1: Significant accounting policies (cont'd)

(h) Intangible Assets

Software Licences
Costs relating to software licences have been classified as intangible assets and are amortised over the estimated useful life of the software.

(i) Leases
Leases of property, plant and equipment, other than operating leases, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Co-operative are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

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

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(j) Deposits
Members deposits are brought to account at cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of members deposits.

(k) Payables due to other financial institutions
Payables due to other financial institutions are primarily settlement account balances due to other financial institutions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of financial position when incurred.

NOTE 1: Significant accounting policies (cont'd)

(l) Interest-Bearing Liabilities

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(m) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation Contributions – Accumulation Fund

Contributions are made by the Co-operative to employee superannuation funds and are charged as expenses when incurred.

(n) Comparative Figures

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

(o) Goods and Services Tax (GST)

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

(p) Rounding of Amounts

The Co-operative has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars ($'000) unless otherwise stated.

(q) Risk Management Policy Objectives

The Co-operative has undertaken the following strategies to minimise the risks arising from financial instruments.

Market risk

The Co-operative is exposed to interest rate risk arising from changes in market interest rates.

Details of the interest rate risk profile are set out in Note 26.

NOTE 1: Significant accounting policies (cont'd)

(r) Risk Management Policy Objectives (cont'd)

Credit risk – loans
The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is not to exceed a maximum of 75% of the loans in well-secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

The Co-operative has a concentration in the retail lending for members who comprise employees and family in the Firefighting & BOC Gases industry. This concentration is considered acceptable on the basis that the Co-operative was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

(s) Credit risk – Liquid Investments
The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

All investment must be with financial institutions with a rating in excess of BBB.

Liquidity Risk
The Co-operative is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Co-operative policy is to apply 13% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked weekly. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available.

(t) Cash and Cash Equivalents
Cash comprises cash on hand and cash in bank. Bank overdrafts are shown within borrowings in liabilities in the balance sheet.

(u) Changes in Accounting Policies

Adoption of new and revised Accounting Standards:

In the current year, the Co-operative has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the directors anticipate that the adoption of Standards and Interpretations that were issued but not yet effective will have no material financial impact on the financial statements of the Co-operative.

NOTE 1: Significant accounting policies (cont'd)

(v) Critical accounting estimates and judgments

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

Key estimates — Impairment

The Co-operative assesses impairment at each reporting date by evaluating conditions specific to the Co-operative that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgments — Doubtful debts provision

Included in accounts receivable at 30 June 2010 is an amount receivable from loans made to members during the current financial year amounting to $31,251. The directors believe that the full amount of the debt is recoverable, other than an amount of $12,000 which has been included as a doubtful debt provision at 30 June 2010.

2. 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. Most averages are month end averages.

	Average Balance $'000	Interest $'000	Average Rate %
Interest revenue 2010			
Investment securities	6,700	241	3.54
Loans and advances	31,251	2,252	7.52
	37,951	2,493	7.58
Interest expense 2010			
Customer deposits	34,419	909	3.40
Net interest income	3,532	1,584	4.18
Interest revenue 2009			
Investment securities	5,900	377	4.58
Loans and advances	33,275	2,518	6.37
	39,175	2,895	6.45
Interest expense 2009			
Customer deposits	33,872	1,343	4.12
Net interest income	5,303	1,552	2.33

3. Revenue:

Interest revenue	**2,493**	**2,895**
Non Interest Income		
Fee income	**151**	**130**
Insurance commission	**20**	**21**
Other commission	**155**	**157**
Bad debts recovered	**4**	**11**
Other income	**26**	**48**
Total Non interest revenue	**356**	**367**
Total Revenue	**2,849**	**3,262**

4. Profit before income tax

Profit from before income tax has been determined after:

Expenses:

Interest expenses	**909**	**1,343**
Non interest expenses		
(i) Bad and doubtful debts		
- Other persons/bodies corporate	**14**	**53**
(ii) Depreciation and amortisation of property, plant and equipment		
- Leasehold improvements	**-**	**13**
- Plant and equipment	**98**	**91**
- Buildings	**7**	**7**
	105	**111**
General Administration		
- Personnel costs	**492**	**484**
- Other	**1,002**	**1,052**
Other provisions		
- Provision for employee entitlements	**19**	**34**
Superannuation contributions		
- Defined contribution fund	**117**	**81**
Total Non interest expenses	**1,735**	**1,762**

5. INCOME TAX

(a) The Prima facie tax on profit before income tax is reconciled to the income tax provided in the financial report as follows;

Prima facie Tax on operating profit @ 30%	**(57)**	**(31)**
Add Tax effect of:		
Business investment allowance		**2**
Income tax expense attributable to profit from operations	**(57)**	**(29)**
Adjustments recognised in the current year in relation to the current tax of prior year	**-**	**-**
		(29)

(b) The components of tax expense comprise:

Current tax expense	**71**	**33**
Deferred tax expenses/(income) relating to the origination and reversal of temporary difference	**(14)**	**(4)**
Adjustments recognised in the current year in relation to the current tax of prior year	**-**	**-**
	57	**29**

(c) Current tax assets and liabilities

Tax receivables/(payables)	**(6)**	**35**

(d) Deferred tax balances

Deferred tax balances comprise:

- Temporary differences	**4**	**(10)**

Taxable and temporary differences arise from the following:

		Charged to:			Charged to:		
	1.07.08 $'000	**Income $'000**	**Equity $'000**	**30.06.09 $'000**	**Income $'000**	**Equity $'000**	**30.06.10 $'000**
Gross deferred tax liabilities:							
Prepayments	(8)	-	-	(8)	-	-	(8)
Property, plant & equipment	-	-	-	-		-	-
Reserve for Credit Losses	(55)		(6)	(61)	-	-	(61)
Other	(3)	2	-	(1)		-	(1)
Total	(66)	2	(6)	(70)	-	-	(70)
Gross deferred tax assets:							
Provisions	51	9	-	60	15	-	75
Property, plant & equipment	-	-	-	-	-	-	-
Doubtful debts	1	(1)	-	-	(1)	-	(1)
Total	52	8	-	60	14	-	74
Net deferred tax liability	(14)	10	(6)	(10)	14	-	4

6. CASH AND CASH EQUIVALENTS

Cash on hand	**150**	**139**
Cash at bank	**95**	**-**
	245	**139**

7. ACCRUED RECEIVABLES

Interest receivable	**61**	**39**

8. INVESTMENT SECURITIES

Certificates of Deposit	**6,700**	**5,900**
<u>Maturity Analysis</u>		
Not longer than 3 months	**6,700**	**5,900**
Longer than 3 months and not longer than 12 months	**-**	**-**
	6,700	**5,900**

9. LOANS AND ADVANCES

Overdrafts	**1,780**	**439**
Loans and advances	**28,947**	**32,326**
Related parties		
Directors and director-related entities		
■ loans to directors (refer Note 23)	**524**	**510**
Gross loans and advances	**31,251**	**33,275**
Provision for bad debts	**-**	**-**
Net Loans and Advances	**31,251**	**33,275**

9. LOANS AND ADVANCES (cont'd)

(a) Maturity analysis

Overdrafts	**415**	**439**
Not longer than 3 months	**2**	**1**
Longer than 3 and not longer than 12 months	**74**	**141**
Longer than 1 and not longer than 5 years	**4,396**	**4,826**
Longer than 5 years	**26,364**	**27,868**
	31,251	**33,275**

(b) Concentration of Risk

Details of loans which represent 10% or more of shareholders equity of the Co-operative are set out below

Aggregate value	**736**	**1,540**

The concentration which exists comprises 2 (2009: 7) separate exposures relating to loans to members secured by registered first mortgages over real property.

(c) Prescribed provision for Impairment

Opening balance	**0**	**2**
Bad debts provision	**13**	**1**
Bad debts written off	**(13)**	**-**
Write back of bad debt provision	**-**	**(3)**
Closing balance	**-**	**-**

As at balance date there were no Non Accrual Loans.

Total loans past due 90 days with interest accruing	**-**	**-**

9. LOANS AND ADVANCES (cont'd)

(d) Impairment of Loans and Advances

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

In the case of loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, provisions for impairment are recognised. Balances without a specific provision for impairment are believed to have adequate security to cover the outstanding balance of the loan. If an impairment provision is required, the loan is included in non-accrual loans. The factors taken into consideration when determining whether a loan is impaired are disclosed in Note 1 (g).

Past due balance	**-**	**-**
Aging of past due but not impaired		
Less that 30 days	**-**	-
31 - 60 days	**-**	-
61 - 90 days	**-**	-
91 - 120 days	**-**	-
121+ days	**89**	-
Aging of impaired loans and advances		
Less that 30 days	**-**	-
31 - 60 days	**-**	-
61 - 90 days	**-**	-
91 - 120 days	**-**	-
121+ days	**-**	-

10. OTHER FINANCIAL ASSETS

Cuscal commercial shares	**132**	**132**
Transaction Solutions shares	**16**	**9**
	148	**141**

The Shareholding in CUSCAL and Transaction Solutions are measured at cost. These Companies were created to supply services to the member credit unions and do not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking and data processing services- refer Note 22.The shares are not able to be traded and are not redeemable.

11. PROPERTY, PLANT AND EQUIPMENT

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Gross Cost	**Freehold Land $'000**	**Buildings $'000**	**Plant and Equipment $'000**	**Total $'000**
Balance at the beginning of year	745	330	501	1,576
Additions	-	949	70	1,019
Disposals	-	-	(228)	(228)
Revaluations	735	(405)	-	330
Closing balance	**1,480**	**874**	**343**	**2,697**

Accumulated Depreciation	**Freehold Land $'000**	**Buildings $'000**	**Plant and Equipment $'000**	**Total $'000**
Balance at the beginning of year	-	(37)	(349)	(386)
Disposals	-	-	227	227
Revaluations	-	37	-	37
Depreciation expense	-	(7)	(52)	(59)
Closing balance	**-**	**(7)**	**(174)**	**(181)**
Carrying amount at the beginning of year	**745**	**293**	**152**	**1,190**
Carrying amount at the end of year	**1,480**	**867**	**169**	**2,516**

	2010 $'000	**2009 $'000**
12. INTANGIBLE ASSETS		
Computer Software	**343**	**297**
Accumulated Amortisation	**(67)**	**(211)**
	276	**86**
13. OTHER ASSETS		
GST Receivable	**5**	**9**
Other Debtors	**34**	**63**
Prepayments	**29**	**26**
	68	**98**

14. DEPOSITS

Withdrawable shares at call	**38**	**39**
Call deposits	**16,506**	**17,362**
Term deposits	**17,846**	**16,454**
Dormant funds	**29**	**55**
	34,419	**33,910**

Maturity analysis		
On call	**16,573**	**17,456**
Not longer than 3 months	**5,941**	**9,514**
Longer than 3 and not longer than 12 months	**11,905**	**6,940**
Longer than 1 and not longer than 5 years	**-**	**-**
	34,419	**33,910**

15. INTEREST BEARING LIABILITIES

Borrowing - CUSCAL	**1,800**	**1,800**
Bank overdraft	**-**	**748**
	1,800	**2,548**

16. TRADE AND OTHER PAYABLES

Accounts payable	**8**	**12**
Accrued interest payable	**151**	**92**
Other accruals	**74**	**38**
	233	**142**

The average credit period on purchases is 30 days. No interest is charged in accounts payable.
The Co-operative has financial risk management policies in place to ensure that all payables are paid within the Credit timeframe.

17. PROVISIONS

Employee entitlements	**203**	**183**
Number of employees at year end	**9**	**8**

18. STANDBY BORROWING FACILITIES

The Co-operative has an overdraft arrangement with Credit Union Financial Services (Australia) Ltd secured by a floating charge over the Co-operative's assets. As at balance date, the total overdraft facility was available,being:	**300**	**1,000**

19. STATEMENT OF CASHFLOWS

a) Reconciliation of Cash

Cash on hand	**151**	**139**
Cash at bank	**94**	**0**
Bank overdraft	**0**	**(748)**
	245	**(609)**

b) Reconciliation of cash flows from operations with profit after income tax.

Net profit after income tax expense	**134**	**75**
Non cash flows in profit from operations:		
Depreciation	**105**	**111**
Provision for doubtful debts	**14**	**53**
Changes in Assets & Liabilities		
(Increase) / decrease in assets:		
Trade and other receivables	**(36)**	**(46)**
Prepayments	**30**	**(20)**
Deferred tax assets	**31**	**(35)**
Increase / (decrease) in liabilities:		
Trade creditors and accruals	**32**	**(6)**
Interest payable on deposits	**59**	**(69)**
Employee entitlement provisions	**20**	**26**
Deferred tax payable	**6**	**(4)**
Income tax payable	**(10)**	**(81)**
	385	**4**

20. (i) EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

The aggregate employee entitlement liability is comprised of:		
Provisions	**203**	**183**

(ii) Superannuation commitments

Firefighters Credit Co-Operative Ltd uses CUE Super Plan.

All employees are entitled to benefits on retirement, disability or death. Contributions are paid by the Co-operative as follows:-

- 8% as part of employees Enterprise Bargain Agreement; plus
- 9% as required by Superannuation Guarantee system.

21 CONTINGENT LIABILITIES

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

Approved but undrawn loans and credit limits	**671**	**893**

22. ECONOMIC DEPENDENCY

The Co-operative has an economic dependency on the following suppliers of services:

(a) Credit Union Services Corporation (Australia) Limited
This entity supplies the Co-operative rights to Visa Card in Australia and provides services in the form of settlement with Bankers for ATM and Visa Card transactions, cheques, and the production of Visa and Redicards for use by members. This entity also supplies institutional banking services to the Co-operative. The Co-operative has significant liquidity investments with CUSCAL and has also established its borrowing facilities with CUSCAL.

(b) FDI Limited
This company operates the switching computer used to link Redicards operated through Reditellers and other approved ATM suppliers to the Co-operative's computer systems.

(c) Combined Financial Processing Pty. Ltd.
This company operates the computer facility on behalf of the Co-operative in conjunction with other Credit Unions. The Co-operative has a management contract with the Bureau to supply computer support staff and services to meet the day-to-day needs of the Co-operative and compliance with relevant Prudential Standards.
The sale of CFP to Transactional Solutions Pty Ltd (TAS) on April 1 2010 resulted in a share swap of 10,250 CFP shares valued at $10,250 for 16,373 shares in TAS. The TAS shares were fair-valued at par which resulted in a pre tax gain on sale of $22,496. The service contract with CFP for the provision of computer

maintenance, disaster recovery facilities and communications services have been transferred to TAS.

23. KEY MANAGEMENT PERSONNEL

(a) Directors

The names of the Directors of the Co-operative who have held office during the financial year are:

T Teklenburg
G Skliris (Associate Director)
B Robertson (Chairman)
T Hall
R Allen
G Bester
G Casagrande
A Roberts (Deputy Chairman)
W Weir (Associate Director)

(b) Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly, including any director (whether executive or otherwise) of that entity. *Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Persons (KMP) have been taken to comprise the directors and the two members of the executive management responsible for the day-to-day financial and operational management of the Co-operative.

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

		Directors		Other KMP	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
(a)	short-term employee benefits	-	-	116	105
(b)	post-employment benefits – Superannuation contributions	-	-	20	18
(c)	other long-term benefits – net increases in Long Service leave provision	-	-	3	3
(d)	The total amount paid for remuneration of the Directors of the Board by way of attendance fees in respect of the financial year	22	26	-	-
Total		**22**	**26**	**139**	**126**

Remuneration shown as Short Term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of Fringe Benefits received, but excludes out of pocket expense reimbursements.
All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Co-operative.

23. KEY MANAGEMENT PERSONNEL (Cont'd)

(c) Loans to Directors and other Key Management Persons

The Co-operative's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions that applied to members for each class of loan or deposit.

All loans disbursed to Directors and other Key Management Personnel were approved on the same terms and conditions applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with directors and management.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Persons. There are no loans that are impaired in relation to the loan balances with close family relatives of directors and management.

	2010 $	2009 $
The aggregate value of loans to Directors and other Key Management Personnel as at Balance date amounted to	**524**	**510**
The total value of overdraft credit facilities to Directors and other Key Management Personnel as at Balance date amounted to	**130**	**115**
Less amounts drawn down and included in (i)	**(44)**	**(28)**
Net balance available	**86**	**87**
During the year the aggregate value of loans disbursed to Directors and other Key Management Personnel amounted to:		
• Overdraft credit facilities	**-**	**-**
• Personal loans	**-**	**-**
• Term Loans	**-**	**-**
During the year the aggregate value of Overdraft Credit Facility limits Granted or Increased to Directors and other Key Management Personnel amounted to:	**-**	**-**
Interest and other revenue earned on Loans and overdraft credit facilities to KMP	**43**	**49**
Total value Term and Savings Deposits from KMP	**247**	**144**
Total Interest paid on deposits to KMP	**3**	**5**

	2010 $	2009 $

23. KEY MANAGEMENT PERSONNEL (Cont'd)

(d) Other Transactions of Directors

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

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

There are no benefits paid or payable to the Close family members of the Key Management Persons.

There are no service contracts to which Key Management Persons or their Close Family members are an interested party.

(e) Transactions with Key Management Personal of the Co-operative

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2010 $	2009 $
(i) During the previous financial year, the Co-operative engaged the service of Orbnet Pty Ltd, a company related to Mr M Enticott, for the migration of data to the Ultradata Database.	-	34,157

24. AUDITORS REMUNERATION

	2010 $	2009 $
Auditing the financial report	42,000	42,000
Taxation services	5,000	5,000
Total	47,000	47,000

The auditors of Firefighters & Affiliations Credit Co-operative Limited are Deloitte Touche Tohmatsu.

25. SEGMENT INFORMATION

The Co-operative operates predominantly in the finance industry within Australia. The operations comprise the acceptance of deposits and the provisions of loans. Specific segmentation of deposits and loans are set out in notes 9 and 14.

26. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

The Co-operative manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the management of its debt and equity balance.

The Co-operative's overall strategy remains unchanged from 2009.

26. FINANCIAL INSTRUMENTS (cont'd)

(a) Capital Risk Management (cont'd)

The capital structure of the Co-operative consists of deposits from members, borrowings, cash and cash equivalents and withdrawal shares at call. The Co-operative is required to adhere to APS 110 Capital Adequacy and the key requirements are:
- have an internal capital adequacy assessment process;
- maintain minimum levels of capital, at both Level 1 and Level 2 as appropriate; and
- inform APRA of any significant adverse changes in capital

Capital Adequacy

The Co-operative reviews the capital structure on a continual basis as required by APRA under APS 110 Capital Adequacy. APRA requires the Co-operative to maintain a minimum of 12% of its total risk-weighted assets, half of which must be held in the form of Tier 1 capital. APRA may, in writing, require the Co-operative to amend its mix of capital.

	2010 $'000	**2009 $'000**
Capital Adequacy		
Tier 1 Capital		
General Reserves	700	700
Retained and current years earnings	2,557	2,423
Less deductions	(348)	(160)
Tier 1 Capital (net of deductions)	2,909	2,963
Tier 2 Capital (net of deductions)	620	457
Level 1 capital base	3,529	3,420
Total Risk Weighted Assets	22,094	20,817
Risk based capital ratio	16.04%	16.43%

(b) Financial Risk Management Objectives

The Co-operative's lending, deposit-taking and investing activities expose it to the following risks from its use of financial instruments:

- Credit Risk
- Interest rate risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Co-operative does not enter into or trade financial instruments, including derivatives, for speculative purposes.

(c) Market Risk

The Co-operative's activities expose it primarily to the financial risks of changes in interest rates. Market risk is managed through APRA Prudential Standard APS 113 and associated guidance notes as well as Board policy.

There has been no change to the Co-operative's exposure to the market risks or the manner in which it manages and measures the risk from the previous period.

(d) Interest Rate Risk Management

The Co-operative is exposed to interest rate risk through its operation of borrowing and lending to its members. The Co-operative also has significant liquidity investments and borrowing with CUSCAL. The risk is managed by adjusting interest rates charged to it's members.

The Co-operative's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for Firefighters & Affiliates Credit Co-operative at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The analysis assumed an extreme case of a single impact of plus or minus 200 basis points on interest rates in the market and the probable reaction of the Co-operative.

The analysis considered the impact upon net assets and profit and loss on the Co-operative.

2010	**Carrying Amount $'000**	**Impact +200 Basis Points $'000**	**Impact – 200 Basis Points $'000**
Interest Revenue			
Cash & Cash Equivalents	245	-	-
Certificates of Deposits	6,700	134	(134)
Loans & Advances	31,251	625	(625)
	38,196	759	(759)
Interest Expense			
Members Deposits	34,419	688	(688)
Short Term Borrowings	1,800	36	(36)
	36,219	724	(724)
Net	1,977	35	(35)

2009	**Carrying Amount $'000**	**Impact +200 Basis Points $'000**	**Impact – 200 Basis Points $'000**
Interest Revenue			
Cash & Cash Equivalents	139	-	-
Certificates of Deposits	5,900	118	(118)
Loans & Advances	33,275	666	(666)
	39,314	784	(784)
Interest Expense			
Members Deposits	33,910	678	(678)
Short Term Borrowings	2,548	51	(51)
	36,458	729	(729)
Net	2,856	55	(55)

(e) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Co-operative. The Co-operative has credit risk management policies, procedures and controls as required by APRA under Prudential Standard APS 220 "Credit Quality". Housing loans to members are secured by mortgages and some personal loans are secured by collaterals. APRA has to be consulted in relation to any loans that will expose the Co-operative to any large exposure.

The Co-operative does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(f) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Co-operative's short, medium and long term funding and liquidity management requirements. The Co-operative set out their liquidity risk management based on Prudential Standards APS 210 "Liquidity" issued by APRA.

The Co-operative managed its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Refer to note 21 for additional undrawn facilities that the Co-operative has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Co-operatives remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the co-operative can be required to pay. The table includes both interest and principal cash flows:

Financial Liabilities	**Weighted average effective interest rate %**	**Less than 1 month $'000**	**1-3 months $'000**	**3 months – 1 year $'000**	**1-5 years $'000**	**5+ years $'000**
2010						
CUSCAL overdraft & borrowings	**4.5%**	**1,800**	**-**	**-**	**-**	**-**
Deposits	**2.4%**	**16,573**	**5,941**	**11,905**	**-**	**-**
Trade creditors & Accruals		**230**	**-**	**-**	**-**	**-**
Total Financial Liabilities		**18,603**	**5,941**	**11,905**	**-**	**-**
2009						
CUSCAL overdraft & borrowings	**6.68%**	**2,548**	**-**	**-**	**-**	**-**
Deposits	**3.87%**	**17,512**	**9,606**	**7,209**	-	-
Trade creditors & Accruals		**142**	**-**	**-**	-	-
Total Financial Liabilities		**20,202**	**9,606**	**7,209**	-	-

NOTE 27. Commitments

	2010 $'000	2009 $'000

Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements.

	2010 $'000	2009 $'000
Not longer than 1 year	-	21
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	21

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Capital expenditure Commitments

Building	2010 $'000	2009 $'000
Not longer than 1 year	-	900
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	900

Intangible assets	2010 $'000	2009 $'000
Not longer than 1 year	-	50
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	50

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Director

Dated at Melbourne:

Deloitte Touche Tohmatsu
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Independent Auditor's Report
to the members of Firefighters & Affiliates Credit Co-operative Limited