

**POLICE & NURSES**  
MUTUAL BANKING

A better **wa** to bank.

police & nurses annual report | 2011



# Directory

## Directors

E L Smith (Chairman)  
P M Gabb (Deputy Chairman)  
M L Fyfe  
W Gregson  
E A Manley  
S J Melville  
K J O'Callaghan  
A C Philp  
A M Rial (retired 25 October 2010)  
G J Sutherland (appointed 25 October 2010)

## Chief Executive Officer & Company Secretary

A E (Fred) Huis

## Registered Office

Police & Nurses Credit Society Ltd  
ABN 69 087 651 876

Level 7, 130 Stirling Street  
Perth 6000 Western Australia  
Telephone No. 13 25 77  
[pncs.com.au](http://pncs.com.au)

## External Auditors

PricewaterhouseCoopers  
QV1, 250 St Georges Terrace  
Perth 6000 Western Australia

## Internal Auditors

KPMG  
235 St Georges Terrace  
Perth 6000 Western Australia

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This financial report covers both the separate financial statements of Police & Nurses Credit Society Ltd as an individual entity and the consolidated financial statements for the consolidated entity consisting of Police & Nurses Credit Society Ltd and its subsidiaries. The financial report is presented in the Australian currency.

Police & Nurses Credit Society Ltd is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the report of the directors on pages 15 to 19, which is not part of this financial report.

The financial report was authorised for issue by the directors on 29 August 2011. The directors have the power to amend and reissue the financial report.

## Financial results at a glance

	2006 <sup>2</sup> Results	2007 <sup>2</sup> Results	2008 <sup>2</sup> Results	2009 <sup>2</sup> Results	2010 <sup>2</sup> Results	2011 <sup>2</sup> Results	5 year CAGR*	1 year CAGR*
<b>Total loans under management<sup>1</sup> (\$M)</b>	1,487	1,825	2,046	2,121	2,274	2,439	10.40%	7.26%
<b>Total assets under management<sup>1</sup> (\$M)</b>	1,694	2,031	2,321	2,438	2,654	2,859	11.04%	7.72%
<b>Deposits (\$M)</b>	976	1,067	1,202	1,564	1,686	1,756	12.46%	4.15%
<b>Reserves (\$M)</b>	128.9	151.2	173.7	170.2	196.0	210.8	10.34%	7.55%
<b>Group NPAT<sup>^</sup> (\$M)</b>	21.1	19.7	19.2	9.7	23.1	12.8	-9.51%	-44.59%
<b>Society NPAT<sup>^</sup> (\$M)</b>	12.1	16.1	17.4	11.4	14.4	14.3	3.40%	-0.69%

\*CAGR: Cumulative Annual Growth Rate

<sup>^</sup>NPAT: Net Profit After Tax

### Notes:

1. Includes off balance sheet loans
2. AIFRS standards applied

# Board Members



**Eric Laurence Smith**  
Chairman



**Paul Marshall Gabb**  
Deputy Chairman



**Michelle Louise Fyfe**  
Director



**Wayne Gregson**  
Director



**Elizabeth Anne Manley**  
Director



**Stephen John Melville**  
Director



**Karl Joseph O'Callaghan**  
Director



**Alan Craig Philp**  
Director



**Gloria Jean Sutherland**  
Director

# Chairman's Report



By putting our members first we are the most trusted and highly recommended provider of financial services.

This past year has been challenging for the financial sector throughout the world and Australia did not escape the impact of this market volatility. However, the outcome for Police & Nurses across all aspects of our business from the past 12 months is resoundingly positive.

At a Government level, we have seen regulatory changes introduced aimed at making the banking industry stronger and more accountable and welcomed new policies to promote competition in the sector.

Within our own business, we have successfully implemented significant cultural change and undertaken strategic planning to ensure we have the capacity and flexibility to grow and meet the challenges of the future.

Police & Nurses is the largest mutual banking organisation remaining in Western Australia and we continue to grow because we offer genuine competition in the banking sector with a member-focused business model that puts people first.

I am pleased to present to you the 2011 Police & Nurses Annual Report.

## The Fifth Pillar – Competition in the Banking Sector

As you would be aware, the Commonwealth Government made a commitment in December 2010 to increase competition in the banking sector with a Banking Reform Package offering greater support for credit unions and mutual organisations like Police & Nurses.

This support is well overdue and particularly relevant in Western Australia, where there are few local banking institutions in operation to provide competition to the 'big four' major banks.

One important change proposed by Treasurer Wayne Swan as part of the reform package was for Authorised Deposit Taking Institutions (ADIs), as we are, to be given the legal right to call themselves 'banks' in all marketing, branding and communication materials.

This change will go a long way to helping address that mutual ADIs are as safe as banks. Police & Nurses is subject to the same legislation and regulation as any major bank and is just as safe. The difference is of course, that we provide better service.

## Government Guarantee

A related policy decision, taken by the Commonwealth Government in response to the global financial crisis, was the introduction in 2008 of the Government Guarantee on deposits of \$1 million and less.

On 10 September 2011 changes to the Government Guarantee deposit scheme were announced. Where deposits were previously guaranteed up to the value of \$1 million, as of 1 February 2012 the value would be \$250,000. The guarantee will now be permanent from that date.

This change signals the Government's confidence in the strength of the Australian banking sector including banks, credit unions and building societies. All of these institutions, which includes Police & Nurses, are Authorised Deposit-taking Institutions under the Banking Act 1959 and are subject to the same strict, legally enforceable prudential standards on capital, liquidity, risk management and governance.

## Financial Results

The past financial year has seen Police & Nurses emerge from an unsettled economic environment in a strong position, with a profit result for the Society that is on par with last year's results and a 26 per cent increase in new member growth.

The profit result was achieved in spite of the flat financial market and the impacts of continued global uncertainty and, in the earlier part of the year, a series of interest rate rises.

One of the reasons our profit growth this year was modest was that we chose to put our members first and keep interest rate increases to those set by the Reserve Bank, unlike our competitors, most of which increased their home loan rates above the official Reserve Bank rate.

We were able to adopt this 'member-first' approach because the Police & Nurses business model allows us to better absorb market impacts. As a mutual, we don't have shareholders so there is not the same drive to continually increase profits to pay dividends. Our return is to members, with profits reinvested in the business to deliver continual customer service improvement and competitive interest rates.

# Chairman's Report

## Police & Nurses Strategic Plan – Building a Better Business

Police & Nurses is committed to continual business and service improvement, as evidenced by our strategic approach to business planning and cultural development.

June 30 marked the end of the 2008-2011 three-year strategic plan, which had a strong member-first focus and introduced key initiatives to refine our business culture and improve our services.

These initiatives were:

- The Development of a Member-First Brand
- Enhancing Member-First Distribution
- Building a Member-First Culture
- Putting the member first using better information and knowledge
- Putting the member first through profitable, balanced growth.

As part of these initiatives, Police & Nurses introduced a range of new products and services, which CEO Fred Huis will describe in more detail in his report.

The last financial year saw the achievement of many of the goals set out in the Strategic Plan including two that I would like to mention briefly: the launch of our refreshed Police & Nurses brand and the final year of a three year cultural change program.

Our next three-year plan, developed over the past financial year, started on 1 July 2011 and has the core goal of 'building member value'.

The five key components on which this plan is based are:

- Membership & Member Growth
- Member Service
- Effective Operations
- Funding Sustainability
- People & Culture.

## Development of a Member-First Brand

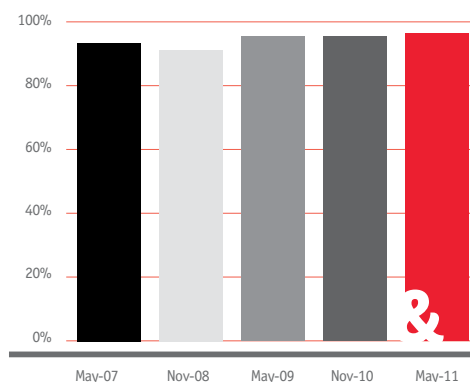
You will have noticed the continuation of the Police & Nurses "Make a Stand" campaign at different times over the past year. This was launched in July 2010 as part of our refreshed branding, designed to better reflect our business model and member-focused services.

The campaign has proved successful, with research undertaken by Patterson's Market Research showing an improvement in brand awareness compared with previous years.

Before the campaign started, the Police & Nurses 'unprompted awareness' level had consistently remained at about 30%, however within the first month of advertising, it increased to 49% - and has stayed around that level ever since.

## Member Satisfaction

The Police & Nurses 'member-first' focus is reflected in our consistently high Member Satisfaction Survey results of 96% for 2011 (overall satisfaction), compared with 95% for the previous year. These surveys are conducted by an independent survey company annually to track our progress.



As Chairman of the Police & Nurses Board of Directors, I am proud of the results we have achieved this past financial year both culturally and financially within our organisation.

We have delivered solid financial results in spite of a volatile economic environment and also made significant organisational and operational change for the benefit of our members.

I would like to thank my fellow directors for their contribution over the past year and acknowledge the addition of new director Gloria Sutherland to the team.

Gloria was elected as a director on 25 October 2010 at the AGM and brings 40 years of experience in the nursing/health profession to the Board.

My thanks also go to our long-standing CEO Fred Huis, his management team and the hardworking staff for their commitment to the continued growth and improvement of the Police & Nurses business.

Finally, I would like to thank our members for their ongoing support. Without you, we would not have been able to grow to become the biggest locally owned and managed banking institution in Western Australia, offering genuine competition to Australia's big banks.

E L Smith

Chairman



# CEO's Report



## Primary objective of putting the interests of our members first.

The past financial year has certainly presented some challenges, with an unsettled economic environment and flat financial market having some impact on our bottom line.

However, this climate also presented an opportunity for Police & Nurses to focus internally on implementing cultural change, making ourselves more efficient and flexible and give even greater focus to improving member services.

While I expect the economy to remain flat over next six months, the changes we have put in place over the past year will ensure we have the capacity to build on our business success, with the primary objective of putting the interests of our members first.

### Financial Results – 2010/11

The results for the year paint a solid picture and prove that Police & Nurses has weathered a volatile economic environment, emerging in a stronger position.

The net profit for the Society after tax of \$14.3 million, was marginally below that of the previous year, \$14.4 million. This result was achieved without passing on interest rates rises, above those set by the Reserve Bank, to our borrowers - unlike most of our competitors.

Total Group profit after tax was \$12.8 million. This result when compared to the previous year adjusted for the one-off benefit arising from the revaluation of the development at Two Rocks, was also marginally below that of the previous year \$12.9 million.

Total assets increased by \$205 million (7.7%) to \$2.9 billion, with loans and advances increasing by \$165 million (7.2%) to \$2.4 billion.

Member deposits improved by \$75 million (4.4%) to \$1.8 billion and total Group reserves increased by \$14.8 million (7.5%) to \$210.8 million.

Net interest income grew by \$7.2 million (13.6%) and doubtful debts expense decreased \$0.9 million (29.8%) to \$2.2 million.

Non-interest income reduced by \$2.5 million (13.3%), almost entirely due to reductions in fees and charges to members.

While the profit results are marginally lower than last year, they are still strong and good news for the Society in today's economic environment. Police & Nurses' long-term success depends on balanced growth and on the members being the Society's top priority not the highest possible return year in, year out.

As a mutual organisation with no shareholders to pay dividends to, all profit is reinvested in the business for the benefit of our members through lower fees, competitive rates and improved products and services.

### ATM Network

One of the greatest frustrations for every-day bankers can be finding a fee-free automatic teller machine. I am proud to report that Police & Nurses members don't face this problem - we have one of the largest ATM networks in Australia.

With more banks joining the rediATM network during the year, the number of fee free ATMs available to Police & Nurses members has expanded from 3,200 to more than 3,800.

Police & Nurses members can now enjoy fee-free transactions through rediATM and NAB branded ATMs Australia wide.



## Fee Changes

As mentioned above, we reduced the number of fees payable by our members.

Fees abolished include the monthly fee for accessing Netlink online banking, a range of fees attached to banking in branches and the early termination fee on new variable home loans.

Fees for banking in branches, specifically those for manual staff-assisted transfers, special cash withdrawals, statement retrievals and coin counting, were abolished to remove any disincentive for those members who prefer to bank in a branch rather than electronically.

## Branches

Improvements to our branch network continued over the past financial year, with the opening of new premises in Innaloo taking the number of Police & Nurses branches to 17.

The Mandurah branch moved to bigger and better premises in September 2010 and the Fremantle branch also moved to a larger home in March 2011, reflecting increasing demand for in-bank services in these areas.

We will continue the revitalisation of our branch network over the next financial year, ensuring we are conveniently positioned for members and that we provide appropriately trained personnel and a banking environment in which members are comfortable discussing their finances.

## MiLink Mobile Banking

In August 2010, Police & Nurses launched the new MiLink product. Designed to work on any web enabled phone or mobile device, including iPhones, iPads, Blackberrys and PDAs. MiLink allows Police & Nurses members to make internal and external transfers, pay bills through Bpay and view their account balances directly from their mobile phone or web enabled mobile device.

This product ensures we are able to compete with those offered by the major banks and reflects the modern expectations of customers that they will be able to access banking services from their mobile devices at any time of the day and night.

## Online Redraws

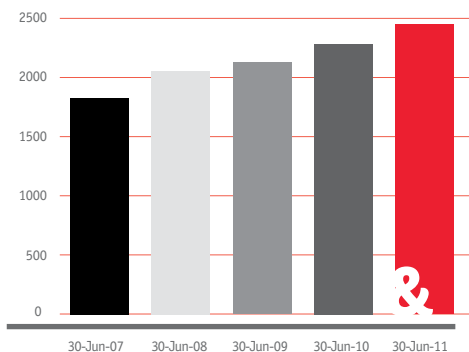
Another new service introduced over the past year is an online redraw facility to allow members with home loans access to excess funds in their Netlink account.

This facility enables members to redraw through Netlink online banking the amount by which they are in advance on their loan, minus the next scheduled repayment. This service is subject to the same conditions as a manual redraw and is fee free.

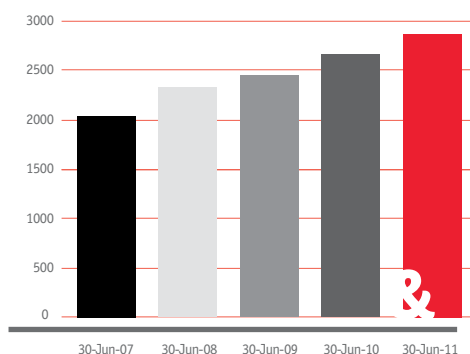
It is just another means by which Police & Nurses is introducing more flexible banking.



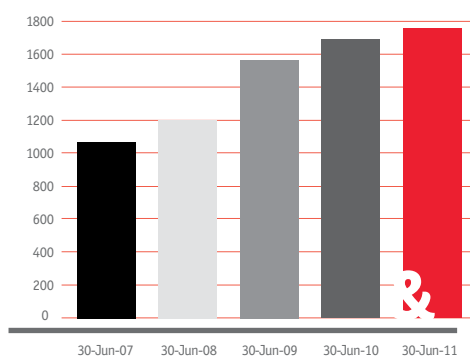
# CEO's Report



TOTAL LOANS UNDER MANAGEMENT (\$M)



TOTAL ASSETS UNDER MANAGEMENT (\$M)



DEPOSITS (\$M)

## E-statements

Police & Nurses launched e-statements on 15 June 2011, giving members the option of receiving all communications on-line rather than in the mail.

The e-statements look the same as normal paper-based statements and contain all the same notifications that members would normally receive in a mail pack.

E-statements are more environmentally friendly, reducing the amount of paper we need to use; they can be saved digitally allowing for easy recall of banking records and they can be accessed at any time through Netlink Internet banking.

## New Banking Product – EasyPay Plus

At Police & Nurses, we believe the more business you have with us, the more benefits you should enjoy. That's why as of 1 July 2011, you have been able to package some of our most popular products to receive even greater savings.

The highly competitive EasyPay Plus Package offers discounts on home loans, credit cards, transaction accounts, personal loans and even insurance premiums for an annual fee of just \$350.

The EasyPay Plus Package is made up of three compulsory products – EasyPay Plus Home Loan, EasyPay Plus Credit Card and EasyPay Plus Access Account. Others can be added by choice.

Bundling these products together will enable members to receive a range of discounts for the one low annual fee.

## Fraud Management

Vigil Fraud Security was implemented in January 2011 to provide Police & Nurses with an improved fraud monitoring system that delivers earlier detection of possible VISA Card and ATM card fraud. This in turn gives our members greater security.

Monitoring is undertaken 24 hours, seven days a week and includes all Police & Nurses VISA and Redicard transactions. This service allows Police & Nurses to respond promptly to any fraudulent activity that may occur.

The 24-hour monitoring service works in partnership with national fraud programs to ensure the most up to date information is received on new types of card fraud that could possibly be encountered in Australia.

# CEO's Report

## RMBS Issue

Police & Nurses celebrated its inaugural public residential mortgage backed securities (RMBS) transaction in November last year. The transaction was launched at A\$250 million and subsequently upsized to A\$275 million.

The issuance was a significant achievement for Police & Nurses, enhancing our ability to expand lending to our members. ANZ was the sole arranger and lead manager of the transaction.

## Cultural Change

As our Chairman mentioned in his report, 30 June 2011 marked the end of our most recent three-year strategic plan, which introduced key initiatives to refine our business culture and improve our services.

As part of this plan, Police & Nurses participated in an Organisational Culture Inventory program, designed to provide a picture of our operating culture and our capacity to solve problems, adapt to change and perform effectively.

Every Police & Nurses staff member was involved in the program from myself and heads of departments and managers, through to our office and front line staff.

Out of 31 Australian companies which undertook a similar cultural change program between 2008 and 2010, Police & Nurses emerged as the leader, being assessed as having the most significant cultural transformation from 2008 to 2010. (Human Synergistics OCI retest 2010).

This cultural transformation is reflected in the revitalised Police & Nurses branding, launched in late 2009, and "The Stand" marketing campaign, also launched during this financial year, which was designed to highlight our position as Western Australia's largest, locally owned and operated banking institution.

This campaign helped raise greater awareness of Police & Nurses as a better alternative to the major Australian banks, contributing to a 26 per cent growth in new membership over the past financial year.

The past year of our three-year strategic business plan saw an increased focus on encouraging accessible banking through a series of initiatives to make banking with Police & Nurses easier, and more attractive.

These initiatives included fee cuts, the growth of the ATM network, improved fraud management, the introduction of e-statements and smart-phone banking services and new and improved branches.



# CEO's Report

## Community Participation

Police & Nurses is proud to take an active involvement in local communities through its sponsorship and scholarship programs.

Key sponsorships undertaken over the past financial year include:

- Wall to Wall Ride
- Radio Lollipop's Uniform Free Day
- RSPCA's Million Paws Walk
- Police Officer of the Year
- Nurse of the Year Awards
- Crime Stoppers WA

Police & Nurses also assisted the Lord Mayor's Disaster Relief Fund by taking donations in our branches for the Flood and Fire Appeals.

The Police & Nurses Student Scholarship program awarded \$1,000 each to two year 11 students for two years; Angel Hanna from Duncraig Senior High School and Jayden Kennedy from St Stephens in Carramar were this years winners.

The student scholarship program is open to Police & Nurses members or the dependents of members. It aims at recognising the hard work and academic achievement of four students each year.

Applications for the next program close on 31 December 2011 for Year 10 students about to enter Year 11 in 2012.



## Police & Nurses Student Scholarship recipients 2011

L-R: Angel Hanna, Amber Newton, Joshua Lake, Jayden Kennedy



# CEO's Report

## Looking Forward

Over the next six to 12 months, I expect the market to remain flat and present some growth challenges, particularly in new home loan products.

Given the current economic environment and the many challenges it presents, we will be taking a conservative approach, with a focus on continued improvement to member services and business development.

The revitalisation of our branch network will continue with refurbishments to existing premises and we will consider appropriate investment opportunities to support the growth of the Police & Nurses asset portfolio.

Police & Nurses is committed to continuing to work with the Commonwealth Government and industry advocacy groups to implement and improve the banking reform package.

Ensuring mutual banking organisations are properly empowered as the "Fifth Pillar" of the banking sector, with a level playing field not only endorsed politically, but implemented by regulators, is essential if competition is to be encouraged and the monopoly of the 'big four' banks is to be challenged.

## The Regulatory Environment

As our Chairman mentioned in his report, the Commonwealth Government is making changes to the Government Guarantee on wholesale and retail deposits with Australian banking institutions.

As an Authorised Deposit Taking Institution (ADI), Police & Nurses is regulated to the same high standards of security as the major banks by agencies including the Australian Prudential Regulation Authority (APRA), Australian Securities and Investment Commission (ASIC), the Reserve Bank of Australia and the Australian Competition and Consumer Commission (ACCC). APRA requires that all financial institutions meet minimum levels of liquidity and capital to provide a constant level of security for deposits.

As Police & Nurses operates as a mutual, the majority of its capital is held in the form of retained earnings (after-tax profits). Capital acts as a cushion to absorb any unanticipated losses and honour obligations to depositors and creditors.

As at 30 June 2011, Police & Nurses' capital ratio is well in excess of the minimum level required by APRA.

APRA also requires that ADIs must hold minimum liquid assets (i.e. cash, or readily convertible to cash) to ensure they can meet payment obligations (particularly those to depositors) when they fall due.

As at 30 June 2011, Police & Nurses' portfolio of liquid assets are well in excess of the minimum level required by APRA.

Police & Nurses is also governed by the National Consumer Credit Code, a new regulatory mechanism which came into force on 1 January this year and is designed to ensure the Australian credit industry lends money responsibly.

The code has created additional regulation for the credit industry through a national licensing regime applicable to all Australian lenders.

## Acknowledgements

This has been a challenging year for the financial and retail sectors of the economy, however I am very pleased to report that Police & Nurses has emerged not only financially stronger, but with an enhanced business and membership culture.

This is a credit to the management and staff of Police & Nurses, who have worked willingly and with commitment to embrace cultural change - as a vibrant and flexible organisation must if it is to grow and prosper.

Our vision of 'Real people, building real relationships, delivering real value' is embraced by all the Police & Nurses team and I thank everyone for their contribution to our continued success.

I must also thank all our members, who are such an integral part of the Police & Nurses business. Your loyalty and advocacy are greatly appreciated.

I encourage our members to let us know when you are happy with our service and when you think we can do better by phoning 13 25 77, or filling in an online enquiry form on our website. Your feedback is one of the best ways in which we are able to improve our services.



A E (FRED) HUIS

Chief Executive Officer

# Member Service Network

## We stand for you with Accessible Banking

### Branch Access

The Society currently has 17 branches in WA, with 15 located within the metropolitan area and 2 in the regional centres of Bunbury and Mandurah. Our branch network offers home lending, personal lending, insurance, transactional capability, savings accounts and financial planning advice.

### ATM Network

Police & Nurses is a part of the rediATM network which provides access to approximately 3,800 Credit Union, NAB & Bank of Queensland ATM machines across Australia. It is the second largest ATM network in Australia. At the WA level, there are approximately 340 direct charge free ATMs our members can access.

### Electronic & Phone Channels

Through Netlink online banking, MiLink mobile banking or Phonselink phone banking, our members can obtain information about their accounts, transfer money, pay their bills via BPAY or register using BPAY View to see their bills online. We also offer e-statements, which allows members to opt for their account statements to be provided to them electronically via Netlink online banking, rather than in the post. The Society also offers Txtlink SMS banking, which uses SMS technology to send account information to members via their mobile phone.

There are Police & Nurses internet kiosks in branches and onsite at Royal Perth Hospital, Sir Charles Gairdner Hospital and King Edward Memorial Hospital, providing free access to the Police & Nurses website.

### Local Contact Centre

We have a 42 seat contact centre located in our head office at 130 Stirling Street, Perth. Our consultants can interact with members via phone, online webchat or email. The contact centre manages around 1,000 phone calls per day and its operating hours are from 8.00am to 6.00pm (WST), Monday to Friday.

*Police & Nurses also offers the following services to members.*

### Conveyancing

Police & Nurses has their own Settlement Agency offering a qualified experienced conveyancing team that provides efficient and personalised service to both members and non-members. As well as assisting with general sale and purchase dealings, they also handle change of title transactions due to marriage, divorce, death and name errors.

### Financial Planning

Police & Nurses Financial Planning was established to help people make the most of their financial opportunities, offering expert advice in areas such as superannuation, investments, insurance and retirement planning.

### Insurance

Our MemberCare Insurance product range includes Motor Vehicle, Boat, Caravan, Home & Contents and Landlord Insurance. Loan Protection and Travel insurance are also offered. These products are made available to members through our partnership with the CUNA Mutual Group. We also provide Health Insurance options through our affiliation with GMHBA.



# Member Service Network

## Online Share Trading

Members and non-members are able to trade shares online in the Australian stock exchange and over 26 foreign exchanges through the GET Trader share trading platform available on our website [www.pncs.com.au](http://www.pncs.com.au)

## Foreign Exchange

Police & Nurses partnership with Travelex provides our members with a range of foreign exchange services from travellers cheques and cash passports to foreign currency exchange.

## Nurses First

Nurses First is a division of Police & Nurses operating in Melbourne, Victoria. Nurses First provides a full range of banking products and services which are tailored specifically to the needs of all members & employees of the healthcare industry.



The Senior Leadership Team:

**L-R back row:** Raymond Yong (Head of Credit Risk Management), Michael Bailey (Head of Information Technology), Dave Spearman (Chief Financial Officer), Mark Smith (Head of Business Services)

**L-R front row:** Jill Jetson-Shumbusho (Head of Member Services), Steve Nottage (Head of Marketing), Fred Huis (Chief Executive Officer)

# Report of the Directors

Your directors present their report on the financial statements of Police & Nurses Credit Society Ltd (“the Society”) and Police & Nurses Credit Society Ltd and its controlled entities (“the Group”) for the year ended 30 June 2011.

## Corporate Governance

The Board of Directors (“the Board”) is responsible for the corporate governance of the Group. To ensure the Board can fulfil its responsibilities, it has established guidelines for the operations of the Board and a framework for ensuring internal control and business risk management processes are adequate and ethical standards are appropriate. Unless otherwise stated, all these practices were in place for the entire financial year.

## Operations of the Board of Directors

Corporate governance responsibilities of the Board include:

- contributing to, evaluating, approving and monitoring strategic direction and business objectives developed in conjunction with management;
- monitoring the Group’s progress against agreed performance measures linked to business objectives and strategies, and comparing these with those of peers in the marketplace;
- contributing to and enhancing the reputation and image of the Group to members/shareholders, the marketplace and the community at large;
- ensuring required frameworks are in place including risk and capital management policies, internal controls, compliance and public reporting; and
- accepting accountability to members/shareholders and responsibility to other stakeholders in the Group.

## Directors

The following persons held office as directors of the Society during the year and, unless otherwise stated, at the date of this report:

### **Eric Laurence SMITH FAICD FAMI** (Chairman)

Detective Inspector – WA Police. Certificate in Police Studies, Diploma of Policing, Adv Diploma of Business Management, Diploma of Criminal Investigations, Diploma of Public Safety (Policing), Advanced Diploma of Public Safety (Police Investigations), Australian Institute of Company Directors Diploma, Graduate Certificate of Business (Leadership), Graduate Diploma of Business (Leadership & Management). 17 years service as a Credit Society Director; 35 years service as a Police Officer. Audit & Risk Committee & Board Governance Committee member.

### **Paul Marshall GABB B.Com (Accounting) CPA FAICD Grad Cert (Forensic Accounting)** (Deputy Chairman)

Financial Analyst - Australian Federal Police. 13 years service as a Credit Society Director; 25 years service in Law Enforcement. Board Governance Committee Chairman.

### **Michelle Louise FYFE**

Dip (Policing) Dip Public Safety Policing, Dip (Criminal Investigation), Grad Cert (Applied Management) GAICD Commander State Traffic Operations – WA Police. 27 years service as a Police Officer, 2 years service as a Credit Society Director. Board Governance Committee member.

### **Wayne GREGSON APM BA MBA GAICD**

Assistant Police Commissioner for Judicial Services – WA Police. 31 years service as a Police Officer, 2 years service as a Credit Society Director. Audit & Risk Committee member.

### **Elizabeth Anne MANLEY RN RM B App Sc (Nursing) MBA FRCNA FAICD**

CEO & Director of Nursing, 11 years service as a Credit Society Director; 40 years service in the nursing/health profession. Audit & Risk Committee member.

# Report of the Directors

## **Stephen John MELVILLE B.Bus (Accounting) FCPA MAICD**

Director – Corporate Services at the Department of State Development. 17 years service as a Credit Society Director. Has held senior executive positions in both private and government organisations with considerable experience in a range of accounting, financial management and marketing roles. Audit & Risk Committee Chairman.

## **Karl Joseph O'CALLAGHAN APM BA B.ED (Hons) PhD GAICD**

Commissioner of WA Police. 6 years service as a Credit Society Director, 38 years service as a Police Officer. Board Governance Committee member.

## **Alan Craig PHILP Dip Nursing & Midwifery BA HSc Masters of Public Health GAICD**

Health Director at the Department of Health & Aging, 33 years in nursing profession, 35 years as a member of Police & Nurses. 3 years service as a Credit Society Director. Audit & Risk Committee member.

## **Ann Maree RIAL RN ICNC GC FAICD**

(retired on 25 October 2010)

Clinical Nurse Manager; 24 years service as a Credit Society Director; 39 years service in the nursing/health profession. Audit & Risk Committee member.

## **Gloria Jean SUTHERLAND B App Sc (Nursing) Post Grad Dip Health Education Master of Science GAICD MAMI**

(Appointed 25 October 2010)

Strategic Consultant with a Perth-based business and advisory consultancy; University Tutor. Extensive health leadership experience at regional, state and national levels, 40 years service in nursing/health profession. 1 year service as a Credit Society Director Board and Governance Committee member.

Each director holds one member share in the Society.

## **Company Secretary**

### **A E (Fred) HUIS FCA SF Fin GAICD**

28 years service as the Credit Society Company Secretary and Chief Executive Officer.

## **Composition and Meetings of the Board**

The Board's composition, its meetings and conduct are determined in accordance with the Society's constitution, and the following:

- the Board is comprised of 9 non-executive members with an appropriate range of expertise, skills and qualifications;
- each Board member maintains their own skills relevant to the business of the Society; and
- the Board has a process for the evaluation of its own and individual Board member's performance.

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the year ended 30 June 2011 and the number of meetings attended by each director.

# Report of the Directors

Director	Directors' Meetings		Audit & Risk Committee Meetings		Board Governance Committee Meetings	
	A	B	A	B	A	B
E L Smith	13	12	4	4	2	1
P M Gabb***	13	13	*	*	2	2
M L Fyfe	13	11	*	*	2	2
W Gregson	13	12	4	3	*	*
E A Manley	13	11	4	4	*	*
S J Melville	13	12	4	4	*	*
K J O'Callaghan	13	10	*	*	2	2
A C Philp	13	13	4	4	*	*
A M Rial**	4	3	1	0	*	*
G J Sutherland**	9	8	*	*	2	2

**A** - Number of meetings held during the time the director held office or was a member of the committee during the year

**B** - Number of meetings attended

\*

\*\* - Director for part of the year

\*\*\* - During the year the nominations committee held 1 meeting, which was fully attended. This meeting was chaired by Mr Paul Gabb and included two independent attendees.

## Director Induction Program

The directors have established a comprehensive induction program for newly elected or appointed directors. The program assists new directors to gain an understanding of the Group's operations and the financial environment. The directors also participate in further education to ensure that, in accordance with both strategic and regulatory business, they are capable of discharging the responsibilities of their office.

## Directors' Remuneration

Board members are remunerated as per Division 17 of the constitution. The total remuneration for the Board is determined each year by the members/shareholders at the annual general meeting and divided amongst the directors in such a manner as the Board determines.

## Audit & Risk Committee

The Board has established an Audit & Risk Committee to assist in the execution of its responsibilities. The Committee comprises of five Board members. This Committee has written terms of reference, which outline its role and responsibilities to enable it to assist the Board in relation to:

- the establishment and maintenance of an internal control framework;
- the establishment and maintenance of a risk management framework; and
- the reliability and integrity of financial information for inclusion in public financial statements.

The Committee reports to the full Board after each Committee meeting.

# Report of the Directors

## Board Governance Committee

The Board has established a Board Governance Committee to assist it by providing informed feedback to the Board on its performance and to establish a framework to assist the Board to assess the performance of each Director and the Chief Executive Officer. The Committee comprises a minimum of four directors.

This Committee has written terms of reference, which outlines its roles and responsibilities to enable it to assist the Board in relation to maintaining practices in compliance with the requirements of the prudential standards on Fit & Proper and on Governance. An appraisal of the Board's performance is conducted annually, with an independent consultant engaged to facilitate the process every third year. The Chairman of the Board through the Board Governance Committee is responsible for the annual assessment methodology of the Board's performance and that of each individual Board member ensuring that both the Board and individual Board members meet the requirements of the prudential standards.

The Committee reports to the full Board after each Committee meeting.

## Nominations Committee

The Board has established a Nominations Committee to conduct Fit & Proper assessments of the Group's directors who re-nominate by rotation and of any other person nominating as a candidate for election as director. The Committee has written terms of reference, which outlines its roles and responsibilities. The Committee is comprised of the Chairperson and two independent members. None of the Nominations Committee members are employees of the credit society.

## Group Risk Management

The purpose of Group risk management, which includes all subsidiaries of the Society, is to ensure that appropriate strategies and processes are developed to mitigate risks to the organisation.

The risk management systems are maintained with the aim of achieving the following goals:

- identify, analyse and manage risk;
- through risk records provide a clear picture of the risk profile of the Group; and
- provide relevant information to management and the Board for decision making.

All business managers are responsible for risk management in their day-to-day activities and use the risk management framework which assists to appropriately balance both risk and reward components.

## Ethical Standards

Board members are expected to act in accordance with any Board approved Code of Conduct.

Any Board member who has a material pecuniary or non-pecuniary interest in any matter before the Board will neither be present at the Board meeting while the matter is considered nor vote on the matter.

## Principal Activities

The principal activities of the Group and the Society were the provision of financial and associated services to members and property development. There was no significant change in these activities during the year.

## Review of Operations

During the financial year, total assets of the Group increased by \$205,474,000 to \$2,859,414,000 members' deposits increased by \$74,769,000 to \$1,755,968,000 and loans and advances increased by \$164,713,000 to \$2,438,625,000.

The profit of the Group and the Society for the financial year after income tax and before minority interest was \$12,835,000 (2010: \$23,172,000) and \$14,321,000 (2010: \$14,423,000) respectively.

Pursuant to the Rules of the Society, no dividend has or shall be paid in respect of any share.

## Future Development and Results

Future financial periods are likely to include further improvements in the provision of services to members and a managed growth in financial performance.

## Bad and Doubtful Debts

Before the financial statements were made out, the directors took reasonable steps to ascertain what action has been taken in relation to the writing off of bad debts and the making of provisions for impairment and have caused all known bad debts to be written off and adequate provision to be made for impairment.

## Assets

Before the financial statements were made out, the directors took reasonable steps to ascertain whether any assets were unlikely to realise, in the ordinary course of business, their value as shown in the accounting records. At the date of this report the directors are not aware of any circumstances which would render the value attributed to any assets in the financial statements misleading.



# Report of the Directors

## Significant Changes

There has been no significant change in the state of affairs of the Group or Society during the financial year.

## Events Subsequent to the End of the Financial Year

No matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results of those operations, or the state of affairs of the Group or the Society.

## Environmental Regulation

The Group is subject to environmental regulation in respect of its property developments. All developments have been undertaken in compliance with the necessary planning and environmental regulations.

## Register of Directors' Interests

The Society keeps a register containing information about the directors, including details of each director's interest in securities issued by the Society. The register is open for inspection:

- by any member of the Society, without fee; and
- by any other person, on payment of the amount (if any) prescribed by the Society's rules.

## Insurance of Officers

During the year, a premium was paid in respect of a contract insuring directors and officers of the company against liability. The officers of the company covered by the insurance contract include the directors, executive officers, company secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

## Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

## Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases to the nearest dollar.

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



E L SMITH

Director



P M GABB

Director

Perth WA

29 August 2011

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Police & Nurses Credit Society Ltd for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Police & Nurses Credit Society Ltd and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Douglas Craig'.

**Douglas Craig**  
Partner  
PricewaterhouseCoopers

Perth WA  
29 August 2011

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Liability limited by a scheme approved under Professional Standards Legislation.

# Income Statements

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest Revenue	3	193,606	152,291	189,088	149,513
Interest Expense	3	132,971	98,937	126,912	95,245
<b>Net Interest Income</b>		<b>60,635</b>	<b>53,354</b>	<b>62,176</b>	<b>54,268</b>
Non-Interest Revenue					
Loan Fee Revenue		4,711	5,342	4,711	5,342
Financial Services Fees		5,630	7,467	5,630	7,467
Financial Planning Fees		2,259	2,129	-	-
Amenity Fees		1,464	1,306	-	-
Other Fee Revenue		771	1,331	229	859
Insurance Commissions		2,939	2,703	2,939	2,703
Other Commissions		768	756	768	756
Revenue From Sale Of Property Developments		3,566	3,504	-	-
Dividend Revenue		905	361	905	1,361
Other Income					
Bad Debts Recovered		436	307	436	307
Net Gain On Disposal Of Property, Plant & Equipment		385	-	386	6
Gain On Disposal Of Non-Controlling Interest		-	14,652	-	-
Other Income		614	197	578	318
<b>Total Non-Interest Revenue And Other Income</b>		<b>24,448</b>	<b>40,055</b>	<b>16,582</b>	<b>19,119</b>
<b>Total Income</b>		<b>85,083</b>	<b>93,409</b>	<b>78,758</b>	<b>73,387</b>
Bad And Doubtful Debts Expense	8(b)	2,222	3,164	2,222	3,164
Other Expenses					
Auditor's Remuneration	28	404	276	350	243
Finance Costs		767	330	767	330
Depreciation And Amortisation		3,546	3,319	3,299	3,086
Fees And Commissions		7,326	7,332	7,240	6,821
Property Development Costs		2,108	2,434	-	-
Employee Benefits Expense		25,167	21,952	23,172	20,178
Information Technology Costs		3,636	3,295	3,633	3,341
Marketing Costs		5,203	3,153	5,173	3,109
Other General And Administration Costs		7,181	9,483	6,600	7,903
Loss On Revaluation Of Investment Property		286	701	-	-
Rental – Operating Leases		5,004	4,736	4,802	4,687
<b>Total Expenditure</b>		<b>62,850</b>	<b>60,175</b>	<b>57,258</b>	<b>52,862</b>
<b>Profit Before Income Tax</b>		<b>22,233</b>	<b>33,234</b>	<b>21,500</b>	<b>20,525</b>
Income Tax Expense	4	9,398	10,062	7,179	6,102
<b>Profit For The Year</b>		<b>12,835</b>	<b>23,172</b>	<b>14,321</b>	<b>14,423</b>
(Profit)/Loss Attributable To Minority Interest		(18)	(48)	-	-
<b>Profit Attributable To Members</b>		<b>12,817</b>	<b>23,124</b>	<b>14,321</b>	<b>14,423</b>

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

# Statements of Comprehensive Income

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Profit for the year</b>		<b>12,835</b>	23,124	<b>14,321</b>	14,423
<b>Other comprehensive income</b>					
<b>Other comprehensive income for the year, net of tax</b>		-	-	-	-
		<b>12,835</b>	23,124	<b>14,321</b>	14,423
Total comprehensive income for the year is attributable to:					
Members of Society		<b>12,835</b>	23,172	-	14,423
Minority Interest		<b>(18)</b>	(48)	-	-
		<b>12,817</b>	23,124	<b>14,321</b>	14,423

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Balance Sheets

AS AT 30 JUNE 2011	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>ASSETS</b>					
Cash and cash equivalents	5	20,939	20,145	4,025	12,077
Receivables due from other financial institutions	6	280,248	247,704	280,248	247,704
Trade and other receivables	7	30,517	24,558	17,834	10,325
Loans and advances	8	2,438,625	2,273,912	2,438,625	2,273,912
Inventories	10	43,044	41,898	-	-
Available-for-sale financial assets	11	2,951	2,888	2,888	2,888
Due from controlled entities	12	-	-	39,020	33,328
Property, plant and equipment	13	7,996	7,009	7,839	6,892
Investment properties	14	24,309	24,595	-	-
Other financial assets	15	-	-	3,083	3,083
Intangible assets	16	10,785	11,231	8,307	8,566
Deferred tax assets	17	-	-	1,108	1,690
<b>TOTAL ASSETS</b>		<b>2,859,414</b>	2,653,940	<b>2,802,977</b>	2,600,465
<b>LIABILITIES</b>					
Members' deposits	18	1,755,968	1,681,199	1,756,655	1,681,339
Trade and other payables	19	72,794	72,717	48,441	50,176
Derivative financial instruments	9	2,400	5,176	2,400	5,176
Current tax liabilities		5,159	4,629	5,107	4,683
Borrowings	20	804,850	687,828	350,922	448,164
Due to controlled entities	12	-	-	439,912	227,892
Provisions	21	2,566	2,000	750	509
Deferred tax liabilities	22	4,888	4,380	-	-
<b>TOTAL LIABILITIES</b>		<b>2,648,625</b>	2,457,929	<b>2,604,187</b>	2,417,939
<b>NET ASSETS</b>		<b>210,789</b>	196,011	<b>198,790</b>	182,526
<b>MEMBERS' FUNDS</b>					
Reserves	23	174,006	157,044	174,006	157,044
Retained earnings	23	36,242	38,444	24,784	25,482
Minority interest		541	523	-	-
<b>TOTAL MEMBERS' FUNDS</b>		<b>210,789</b>	196,011	<b>198,790</b>	182,526

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



# Statements of Changes in Equity

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Total members' funds (equity) at the beginning of the financial year</b>		<b>196,011</b>	170,242	<b>182,526</b>	163,612
Changes in the fair value of cash flow hedges, net of tax	23(c)	<b>1,943</b>	4,491	<b>1,943</b>	4,491
Minority interest on acquisition of retirement village		-	(2,374)	-	-
Increase in investment of Jacaranda Gardens Retirement Village	23	-	480	-	-
<b>Net income recognised directly in members' funds (equity)</b>		<b>1,943</b>	2,597	<b>1,943</b>	4,491
<b>Profit for the year</b>		<b>12,835</b>	23,172	<b>14,321</b>	14,423
<b>Total comprehensive income for the year</b>		<b>14,778</b>	25,769	<b>16,264</b>	18,914
Dividends paid to minority interest		-	-	-	-
<b>Total members' funds (equity) at the end of the financial year</b>		<b>210,789</b>	196,011	<b>198,790</b>	182,526
Total comprehensive income for the year					
Members of the Society		<b>14,760</b>	25,721	<b>16,264</b>	18,914
Minority interest		<b>18</b>	48	-	-
		<b>14,778</b>	25,769	<b>16,264</b>	18,914

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# Cash Flow Statements

YEAR ENDED 30 JUNE 2011	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Cash Flows From Operating Activities</b>					
Interest received from loans		198,590	140,722	173,581	137,592
Interest received from investments		14,785	11,351	14,601	11,703
Commissions and other income received		10,006	48,474	5,521	18,169
Borrowing costs – members		(80,938)	(62,224)	(80,938)	(62,224)
Borrowing costs – banks		(63,360)	(38,437)	(46,559)	(34,746)
Payments to employees and suppliers (inclusive of goods and services tax)		(53,852)	(85,544)	(54,813)	(47,983)
Income tax (outflow)/inflow		(9,192)	(1,749)	(3,813)	(2,311)
Net Cash Inflow From Operating Activities	24(a)	16,039	12,593	7,580	20,200
<b>Cash Flows From Investing Activities</b>					
Dividends received		905	361	905	1,361
(Increase)/decrease in loans and advances		(166,500)	(155,740)	(166,500)	(155,740)
Proceeds from sale of property, plant and equipment		988	138	988	118
Payment for acquisition of subsidiary, net of cash acquired	32(b)	-	(5,892)	-	-
Net movement in interest earning deposits		(32,544)	(25,865)	(32,544)	(25,865)
Net movement in other investments		(196)	36	-	-
Payments for property, plant and equipment		(3,274)	(6,641)	(3,173)	(6,560)
Net movement in intangible assets		(1,415)	37	(1,415)	37
Payments for investments		-	(1,892)	-	-
Loans from controlled entities		-	-	213,032	203,505
Net Cash Outflow/(Inflow) From Investing Activities			(195,458)		16,856
<b>Cash Flows From Financing Activities</b>					
Net increase in members' deposits		69,715	122,492	70,261	122,439
Loans (to)/from other financial institutions		118,919	58,841	(95,343)	(168,768)
Member shares issued		74	44	74	44
Member shares redeemed		(19)	(87)	(19)	(87)
Net Cash Inflow/(Outflow) From Financing Activities		188,689	181,290	(25,027)	(46,372)
Net increase/(decrease) in cash and cash equivalents held		2,692	(1,575)	(6,154)	(9,316)
Cash and cash equivalents at the beginning of the year		16,841	18,416	8,773	18,089
<b>Cash and Cash Equivalents at the End of the Year</b>	24(b)	<b>19,533</b>	<b>16,841</b>	<b>2,619</b>	<b>8,773</b>

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

# Notes to the Financial Statements

30 JUNE 2011

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Police & Nurses Credit Society Ltd (the Society) as an individual entity and the consolidated entity consisting of Police & Nurses Credit Society Ltd and its subsidiaries (the Group).

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. The presentation currency is Australian dollars.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

#### *New and amended standards adopted by the group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- (i) AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- (ii) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Shared-based Payment Transactions
- (iii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- (iv) AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19, and
- (v) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

#### *Comparatives*

Comparative balance in the income statement and balance sheet have been reclassified where appropriate with no impact on profit or net assets of the prior year to enhance comparability and understanding of the financial statements.

### (b) Principles of consolidation

#### (i) *Subsidiaries*

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(z)).

# Notes to the Financial Statements

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are carried at cost in the Society's financial statements.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated fully.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

## *(ii) Jointly Controlled Assets*

The proportionate interests in the assets, liabilities, income and expenses of the joint venture activities have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 29.

## **(c) Loan provisioning**

All loans are subject to recurring review and assessment for possible impairment. All bad debts are written off in the period in which they are identified. Specific provisions are raised for losses that have already been incurred for loans that are known to be impaired. The required provision is estimated on the basis of historical loss experience for assets with similar credit characteristics. The historical loss experience is adjusted based on current observable data.

The Group and the Society make judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a loan pool before the decrease can be identified with an individual loan in that pool. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in the group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the pool when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used for estimating future cash flows could result in a change in provisions for loan impairment and have a direct impact on the charge to the income statement.

## **(d) Property, plant and equipment**

Land and buildings (except for investment properties – refer to Note 1(f)) are shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	50 years
Leasehold Improvements	3 – 10 years
Plant and Equipment	3 – 8 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Any investment allowance applicable to depreciable assets is offset against income tax expense.

## **(e) Leasehold improvements**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

## **(f) Investment property**

Investment property, principally comprising freehold residential buildings, is held for long-term amenities fee income and is not occupied by the Group. Investment property is carried at fair value, representing open-market value determined annually. Changes in fair value are recorded in the income statement as part of other income or expenses.

# Notes to the Financial Statements

## **(g) Investments and other financial assets**

The Group classifies its investments as either available-for-sale or held for trading and these are initially recognised at fair value plus acquisition charges. The classification depends on the purpose for which the investments were acquired.

After initial recognition, investments are remeasured to fair value. Changes in available-for-sale financial assets are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value, previously reported in equity, is included in earnings. Changes in held for trading investments are recognised in earnings.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques. If the fair value cannot be reliably measured using other techniques, the investment is carried at cost.

## **(h) Intangible assets**

### *(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of any entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

### *(ii) Computer software costs*

Where computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls.

The Group carries capitalised software assets at cost less amortisation and any impairment losses, if any. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the implementation of the software.

These assets are amortised over the estimated useful lives (3 – 10 years) on a straight-line basis at a rate applicable to the expected useful life of the asset. Software maintenance costs continue to be expensed as incurred.

Any impairment loss is recognised in the income statement when incurred.

### *(iii) Client list*

Client lists acquired as part of a business combination are recognised separately from goodwill. The client list is carried at its fair value at the date of acquisition less accumulated amortisation and any impairment losses. Amortisation is calculated based on the length of time of estimated benefits to the Group of the client list, which is 10 years.

Any impairment loss is recognised in the income statement when incurred.

## **(i) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from

# Notes to the Financial Statements

other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## (j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Temporary differences arising from the initial recognition of an asset or a liability is not recognised if they arose in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## *Investment allowances*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowances reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

## *Tax consolidation legislation*

The Society and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003, with the Society as the head entity of the tax consolidated group.

The head entity, the Society, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Society also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of the tax arrangement, the Society and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group. Details about the tax sharing agreement are disclosed in Note 4.

## (k) Employee benefits

### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.



# Notes to the Financial Statements

## (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled in 12 months after the period in which the employees render the related service is recognised in the provision for employee benefits and measured as at the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with term to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## (l) Interest

Interest on members' loans is calculated on an accrual basis using the effective interest method except for non performing loans where interest is reduced to nil. Interest on members' deposits is calculated on an accrual basis using the effective interest method and the accrual is included in the value of members' deposits disclosed in these financial statements.

## (m) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash on hand, cash at bank and short-term deposits are stated at nominal value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of outstanding bank overdrafts.

## (n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

## (o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue (inclusive of loan origination fees and transaction costs) is recognised as interest accrues using the effective interest method, which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Fees and commissions related to services provided over a period are recognised on an accruals basis.

For property development activities, revenue is recognised when risks and rewards have passed to the buyer, which is determined to be at least when there is a signed unconditional contract of sale and the work on the property development is complete. All marketing and direct selling costs are expensed as incurred.

Dividends receivable from controlled entities are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer Note 1(g).

Amenities fee revenue, included in other fee revenue, is payable by a resident of the investment property as consideration for the right to the exclusive use of the dwelling occupied by the resident. This revenue is accrued on a daily basis at a percentage of the estimate of the value of the dwelling at balance date. This revenue is due for payment by a resident when a new lease is granted to the subsequent resident or 36 months after the dwelling is vacated.

## (p) Inventories

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs during development. Development costs are allocated to individual lots on the basis of the proportion of each lot's sales value relative to total expected development sales. When development is complete borrowing costs and other holding expenses are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

# Notes to the Financial Statements

## (g) Derivatives

The Group uses derivative financial instruments such as interest rate swaps to avoid or minimise possible adverse financial effects of movements in interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the income statement as an adjustment to interest expense, except where hedge accounting applies.

### *Hedge accounting*

When a derivative is designated as a hedge for accounting purposes, the Group documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge type and risk	Accounting treatment
<p><b>Fair Value Hedge</b></p> <p>Exposure to changes in the fair value of a recognised asset or liability or committed transaction.</p>	<p>Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.</p>
<p><b>Cash Flow Hedge</b></p> <p>Exposure to variability in cash flows associated with a highly probable forecasted transaction or a committed transaction.</p>	<p>The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.</p> <p>Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for instance, when the forecast transaction that is hedged takes place.</p>

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is immediately transferred to profit or loss.

# Notes to the Financial Statements

## (r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair values of financial instruments that are traded in active markets are based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded in an active market is determined using appropriate valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## (s) Borrowings

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

Interest is accrued over the period it becomes due and is recorded as part of trade and other payables.

## (t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the Society's Mortgage Link Rate plus 0.5%, which fluctuates as market interest rates move.

Finance costs incurred relate to facility fees paid to other financial institutions.

## (u) Loan securitisation

The Society, through its loan securitisation program, packages and sells loans (principally housing mortgage loans) as securities to investors.

The Society receives fees for various services provided to the program on an arm's length basis, including servicing fees, management fees and trustee fees. These fees are recognised over the period in which the relevant costs are borne. The Society also provides arm's length interest rate swaps and liquidity facilities to the program in accordance with APRA Prudential Guidelines. In addition, the Society may receive residual income, comprising mortgage loan interest (net of swap payments) not due to the investors less trust expenses.

The timing and amount of the swap cash flows and the residual income cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the underlying mortgage loans and the mortgage loan interest margins. Consequently, the swaps and the residual income receivable are not recognised as assets and no gain is recognised when loans are sold. The swap income/expense and residual income are therefore recognised when receivable/payable. The residual income is included in other non-risk fee income as profit on the sale of loans.

## (v) Other payables

Lease loan sum liability, included in other payables, represents the funds received from incoming residents to the investment property in respect of the lease for life granted to the resident of each dwelling. These amounts are interest free and are repayable either when a new lease is granted to the subsequent resident (from a new lease loan sum received from the subsequent resident), or 36 months after the dwelling is vacated.

All other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

# Notes to the Financial Statements

## **(w) Loan origination fees and transaction costs**

Loan origination fees and transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability are recognised at inception and included in the carrying amounts. These fees and transaction costs are deferred over the expected life of the instrument according to the effective interest method. The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. This applies to all financial assets or liabilities except for those that are measured at fair value through profit or loss.

## **(x) Other receivables**

Other receivables, including receivables from related parties, are stated at their amortised cost less impairment losses (refer Note 1(i)).

## **(y) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## **(z) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

# Notes to the Financial Statements

## (aa) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## (bb) New accounting standards

Certain new accounting standards have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards is set out below.

(i) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB*

AASB 9 addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact.

(ii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)*

AASB 124 clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting Periods beginning on or after 1 July 2011)*

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Group is yet to access its full impact. The Group intends to apply the amendment from 1 July 2011.

(iv) *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)*

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax asset or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value The value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

# Notes to the Financial Statements

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Loan provisioning

Loan provisions are calculated for loans where objective evidence of impairment is present. The calculation is based on a combination of the Group's historical bad debt write off trends according to risks which are grouped based on credit risk gradings, considering recent trends that might suggest that past cost information may differ from future write offs and by determining future cash flows and discounting these cash flows where the recovery will exceed 12 months. The Group has provided for all loans where there is objective evidence of impairment and security is less than the loan due.

Factors that could impact the estimated bad debt write off trend include future interest rates, levels of unemployment, legislative changes and the status of the housing market.

Refer to Note 8 and 1(c) for more details.

#### (ii) Estimated fair values of investment properties

The group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least every 2 years, with a director's valuation done in between. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in Note 14.

#### (iii) Carrying value of goodwill & client list

The group carries its goodwill & client list at fair value at the date of acquisition less any accumulated impairment loss or amortisation recognised in profit or loss. The key assumptions used in the determination of impairment loss and amortisation are set out in Note 16.

### (b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has not made judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.



# Notes to the Financial Statements

30 JUNE 2011

## 3. OPERATING PROFIT

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. Monthly averages are used provided they are representative of the Group's operations during the year.

<b>CONSOLIDATED</b>						
<b>Interest Revenue and Interest Expense</b>	<b>2011</b>			<b>2010</b>		
	<b>Average Balance \$'000</b>	<b>Interest \$'000</b>	<b>Average Interest Rate %</b>	<b>Average Balance \$'000</b>	<b>Interest \$'000</b>	<b>Average Interest Rate %</b>
<b>Interest earning assets</b>						
Deposits with other banks/ADIs	305,380	15,691	5.14%	257,589	11,569	4.49%
Loans and advances	2,386,270	177,915	7.46%	2,171,819	140,722	6.48%
	<b>2,691,650</b>	<b>193,606</b>	<b>7.19%</b>	<b>2,429,408</b>	<b>152,291</b>	<b>6.27%</b>
<b>Interest bearing liabilities</b>						
Members' deposits	1,738,761	84,185	4.84%	1,668,905	67,478	4.04%
Borrowings from other banks/ADIs	758,358	48,786	6.42%	596,205	31,459	5.28%
	<b>2,497,119</b>	<b>132,971</b>	<b>5.32%</b>	<b>2,265,110</b>	<b>98,937</b>	<b>4.37%</b>
<b>Analysis of net interest income</b>						
Net interest income	<b>2011</b>			<b>2010</b>		
	<b>60,635</b>			53,354		
Average interest earning assets	<b>2,691,650</b>			2,429,408		
Net interest margin (1)	<b>2.25%</b>			2.20%		
Spread (2)	<b>1.87%</b>			1.90%		

(1) Net interest margin represents net interest income as a percentage of the relevant average interest earning assets.

(2) Spread represents the difference between the comparable average interest rates earned and paid.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>4. INCOME TAX EXPENSE</b>				
<b>(a) Income tax expense</b>				
Current tax	6,325	7,839	6,002	4,415
Deferred tax	(325)	1,661	(251)	1,141
(Over) under provided in prior years	3,398	562	1,428	546
	<b>9,398</b>	<b>10,062</b>	<b>7,179</b>	<b>6,102</b>
Deferred income tax expense (revenue) included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (Note 17)	(691)	4,287	(431)	4,343
Increase (decrease) in deferred tax liabilities (Note 22)	366	(2,625)	180	(3,202)
	<b>(325)</b>	<b>1,662</b>	<b>(251)</b>	<b>1,141</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	22,233	33,234	21,500	20,525
Prima facie income tax calculated at 30% (2010 - 30%)	6,670	9,970	6,450	6,157
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non deductible entertainment	1	24	1	2
Deductible investment allowance	-	(98)	-	(91)
Tax offset for franked dividends	(388)	(155)	(388)	(155)
Under (over) provision for deferred tax in previous year	-	(410)	-	(410)
Sundry items	(283)	169	(312)	53
	<b>6,000</b>	<b>9,500</b>	<b>5,751</b>	<b>5,556</b>
(Over)/under provision in previous year	3,398	562	1,428	546
Income tax expense	<b>9,398</b>	<b>10,062</b>	<b>7,179</b>	<b>6,102</b>
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited (credited) directly to equity (Note 17 and 22)	833	1,924	833	1,924
<b>(d) Franking credits</b>				
Franking credits based on a tax rate of 30%	56,103	53,292	55,992	53,252

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the current tax liability, and
- (ii) franking debits that will arise from the refund receivable of the amount of the current tax asset.

The tax consolidated amounts include franking credits that would be available to the Society if distributable profits of subsidiaries were paid as dividends.

# Notes to the Financial Statements

30 JUNE 2011

## 4. INCOME TAX EXPENSE (cont'd)

### (e) Tax consolidation legislation

The Society and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in Note 1(j). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, the Society. Under the terms of this agreement, the wholly-owned entities will fully compensate the Society for any current tax payable assumed and are compensated by the Society for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Society under the tax consolidation legislation. The amounts receivable/payable is recognised as tax-related receivable or payable by the Society (see Note 12).

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>5. CASH AND CASH EQUIVALENTS</b>				
Cash on hand	871	7,516	870	7,149
Cash and deposits at call with banks	16,986	8,185	73	484
Cash and deposits at call with other Approved Deposit-Taking Institutions (ADIs)	3,082	4,444	3,082	4,444
	<b>20,939</b>	<b>20,145</b>	<b>4,025</b>	<b>12,077</b>
<b>6. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS</b>				
Interest earning deposits – banks	209,077	177,503	209,077	177,503
Interest earning deposits – other ADIs	71,171	70,201	71,171	70,201
	<b>280,248</b>	<b>247,704</b>	<b>280,248</b>	<b>247,704</b>
The deposits have an effective interest rate of 5.03% to 6.14% (2010: 4.80% to 6.35%).				
<b>7. TRADE AND OTHER RECEIVABLES</b>				
Interest receivable	2,802	1,895	2,802	1,895
Trade debtors - sale of residential lots	-	424	-	-
Prepayments	1,845	2,078	1,802	2,052
Amenities and reserve fund fees	7,157	6,138	-	-
Member transaction clearing	3,211	2,100	3,211	2,100
Land and property development debtors	1,311	640	-	-
Other	14,191	11,283	10,019	4,278
	<b>30,517</b>	<b>24,558</b>	<b>17,834</b>	<b>10,325</b>

Receivables are short-term in nature and dependent on the terms and conditions of the related contract, where one exists.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>8. LOANS AND ADVANCES</b>				
Revolving credit	149,011	160,098	149,011	160,098
Term loans	2,289,025	2,112,464	2,289,025	2,112,464
Related parties (a)	3,129	3,443	3,129	3,443
	<b>2,441,165</b>	<b>2,276,005</b>	<b>2,441,165</b>	<b>2,276,005</b>
Provision for impairment (b)	(2,540)	(2,093)	(2,540)	(2,093)
Net loans and advances	<b>2,438,625</b>	<b>2,273,912</b>	<b>2,438,625</b>	<b>2,273,912</b>

All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

During the financial year the Society securitised mortgage loans via securitisation programs. The Society continues to manage these loans and derives management fee income. As at 30 June 2011 securitised loans under management by the Society amounted to \$743,608,767 (2010: \$627,296,881) which are included in both the revolving credit and term loans above. This includes \$201,890,967 (2010: \$222,437,282) of loans securitised to the Pinnacle RMBS Warehouse Trust No.1, and \$232,201,213 (2010: Nil) of loans securitised to the Pinnacle Series Trust 2010 – T1. Both trust are consolidated as part of the Group (Note 15(a)). In accordance with AASB 139 the mortgages securitised in the trusts remain on the balance sheet of the Society.

**(a) Aggregate amounts receivable from related parties:**

Key management personnel and their related entities

3,129	3,443	3,129	3,443
-------	-------	-------	-------

**(b) Provision for impairment**

Specific provision

Opening balance

2,093	2,480	2,093	2,480
-------	-------	-------	-------

Bad debts previously provided for written off during the year

(1,775)	(3,551)	(1,775)	(3,551)
---------	---------	---------	---------

Bad and doubtful debts provided for/(reversed) during the year

2,222	3,164	2,222	3,164
-------	-------	-------	-------

Closing balance

2,540	2,093	2,540	2,093
-------	-------	-------	-------

**(c) Bad Debts Written Off**

Bad debts written off during the year were from the following loan types:

Revolving credit

420	810	420	810
-----	-----	-----	-----

Personal loans

994	2,120	994	2,120
-----	-------	-----	-------

Home loans

361	621	361	621
-----	-----	-----	-----

1,775	3,551	1,775	3,551
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**9. DERIVATIVE FINANCIAL INSTRUMENTS**

Interest rate swaps – cash flow hedges (liabilities)

2,400	5,176	2,400	5,176
-------	-------	-------	-------

**(a) Terms and conditions**

At balance date, the Society has interest rate swap agreements with a notional amount of \$139 million (2010: \$200.7 million), on which it pays 3.44% to 7.55% (2010: 3.44% to 7.55%) interest and receives Bank Bill swap rates calculated on the notional amount. The swaps are used to protect the Society from movements in interest rates. The swaps in place cover a proportion of the fixed rate loans and advances held at balance date. The swaps expire between July 2011 and March 2015.

# Notes to the Financial Statements

30 JUNE 2011

CONSOLIDATED

<b>10. INVENTORIES</b>	<b>Land Acquisition Costs</b>	<b>Holding Costs</b>	<b>Development Costs</b>	<b>Total</b>
<b>Land held for sale</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2011</b>				
Group inventory	35,511	189	2,838	38,538
Share of joint venture inventory	1,362	321	2,823	4,506
	<b>36,873</b>	<b>510</b>	<b>5,661</b>	<b>43,044</b>
<b>2010</b>				
Group inventory	36,185	19	65	36,269
Share of joint venture inventory	2,347	228	3,054	5,629
	<b>38,532</b>	<b>247</b>	<b>3,119</b>	<b>41,898</b>

Inventory of \$18,700,000 (2010: \$20,100,000) is to be recovered greater than 12 months from balance date.

Inventory of \$37,500,000 (2010: \$21,100,000) and trade and other receivables of \$Nil (2010: \$Nil) are pledged as security for borrowings of \$11,700,000 (2010: \$11,600,000). The borrowing facility is non-recourse in nature. Borrowing costs capitalised during the year and included in inventories was \$100,000 (2010: \$800,000).

"The Reef" at Two Rocks

1. A Directors Valuation has not been prepared for this development.
2. During the year Stage 3 of the development was constructed. This stage added a further 51 lots.
3. During the year 7 lots (2010: 19 lots) were sold and settled.

"The Grove at Ashby", Wanneroo

1. A Directors Valuation has not been prepared for this development.
2. The development is substantially completed.
3. The development is coordinated by the Satterley Property Group. The share of the joint venture held is 14.29%.

"The Enclave" at Eagle Bay

1. A Directors Valuation has not been prepared for this development.
2. During the year 8 lots were sold and settled.
3. Titles for the remaining 28 unsold lots are currently held.

Lot 19 Woollcott Road, Henley Brook

1. A Directors Valuation has not been prepared for this development.
2. No development activity has occurred during the year or is planned for the forthcoming financial year.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>11. AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>				
Investment in CUSCAL	2,888	2,888	2,888	2,888
Investment in "Heron Park" at Harrisdale	63	-	-	-
	<b>2,951</b>	<b>2,888</b>	<b>2,888</b>	<b>2,888</b>

## (a) Unlisted securities – Investment in CUSCAL

The investment in CUSCAL is measured at cost as according to its constitution, the equity instruments can only be sold to another credit union at paid up value and therefore do not have a quoted market price in an active market. Additionally, the fair value cannot be reliably measured as there is no publicly available information. The investment is required to enable the Society to use financial services provided by CUSCAL.

## (b) "Heron Park", Harrisdale

During the year, P&N Landreach purchased a 5.56% interest in the new Heron Park development in Harrisdale. This purchase included 62,500 shares valued at \$1 each. These shares are measured at cost as the shares are able to be sold, however they must only be sold to those other parties involved in the development as per the agreement.

P&N Landreach advanced \$1,900,000 interest free loan to the Syndicate with a commitment to advance a further \$2,000,000. This loan is included in Trade & Other Receivable (Note 7) and the financial commitment is shown in Note 25.

The development is in the initial planning and development approval stages, with a final settlement on the acquisition of the land to occur in November 2011.

## 12. DUE FROM/TO CONTROLLED ENTITIES

	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Due from controlled entities (Assets)</b>				
Amounts receivable from controlled entities	-	-	28,804	27,333
Tax related amounts receivable from controlled entities	-	-	316	3,715
Deferred securitisation receivable	-	-	9,900	2,280
	-	-	<b>39,020</b>	<b>33,328</b>
<b>Due to controlled entities (Liabilities)</b>				
Amounts payable to controlled entities	-	-	439,816	227,592
Tax related amounts payable to controlled entities	-	-	96	300
	-	-	<b>439,912</b>	<b>227,892</b>



# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>				
Leasehold improvements				
At cost	7,605	6,296	7,605	6,296
Provision for amortisation	(2,855)	(2,413)	(2,855)	(2,413)
	<b>4,750</b>	<b>3,883</b>	<b>4,750</b>	<b>3,883</b>
Plant and equipment				
At cost	10,376	12,411	10,164	12,256
Provision for depreciation	(7,130)	(9,285)	(7,075)	(9,247)
	<b>3,246</b>	<b>3,126</b>	<b>3,089</b>	<b>3,009</b>
Total property, plant and equipment	<b>7,996</b>	<b>7,009</b>	<b>7,839</b>	<b>6,892</b>

## Reconciliation of the carrying amounts of each class of property, plant and equipment

	CONSOLIDATED			POLICE & NURSES CREDIT SOCIETY LTD		
	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
Carrying amount at 1 July 2009	1,171	1,920	3,091	1,171	1,812	2,983
Additions	3,373	3,307	6,680	3,373	3,202	6,575
Disposals	(1)	(212)	(213)	(1)	(132)	(133)
Depreciation expense	(660)	(1,889)	(2,549)	(660)	(1,873)	(2,533)
Carrying amount at 30 June 2010	<b>3,883</b>	<b>3,126</b>	<b>7,009</b>	<b>3,883</b>	<b>3,009</b>	<b>6,892</b>
Carrying amount at 1 July 2010	<b>3,883</b>	<b>3,126</b>	<b>7,009</b>	<b>3,883</b>	<b>3,009</b>	<b>6,892</b>
Additions	1,757	1,512	3,269	1,757	1,455	3,212
Disposals	-	(598)	(598)	-	(603)	(603)
Depreciation expense	(890)	(794)	(1,684)	(890)	(772)	(1,662)
Carrying amount at 30 June 2011	<b>4,750</b>	<b>3,246</b>	<b>7,996</b>	<b>4,750</b>	<b>3,089</b>	<b>7,839</b>

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>14. INVESTMENT PROPERTIES</b>				
<b>At fair value</b>				
Opening balance	24,595	25,296	-	-
Net transfer (to) from inventory	-	-	-	-
Net loss from fair value adjustment	(286)	(701)	-	-
Closing balance	24,309	24,595	-	-

## (a) Description of investment property

The investment property is the Jacaranda Gardens Retirement Village, which is 100% owned by the Group.

## (b) Amounts recognised in income statement for investment property

Other income - amenities fees and interest	1,143	1,020	-	-
Direct operating expenses from property that generated other income	(60)	(60)	-	-
Net loss on revaluation of investment property	(286)	(701)	-	-
	797	259	-	-

## (c) Valuation

### Valuation basis

The basis of the valuation of the investment property is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction. The 30 June 2011 valuation was based on a director's valuation. The valuation is on the basis that the property must be sold as a whole and continue to be operated as a retirement village. Additionally, it is a requirement of the lease contract entered into with the residents for the community facilities of the retirement village to be maintained.

The basis for the directors' valuation was a formal independent valuation prepared by Richard Noble & Company. The date of the valuation is 30 June 2011 and valued the retirement village at an amount of \$10.45 million.

### Assumptions underlying the formal valuation

The value of the investment property is attributable to the future amenities fee income. This value has been determined on an assessment of discounted cash flows over a period of 35 years (2010: 35 years). The discounted cash flows are based on the following assumptions:

- (i) unit values are based on a weighted average of \$405,000 (2010: \$385,000) per unit;
- (ii) escalation factor of 6% (2010: 6%) attributable to the unit values which is the market determined long-term growth rate for residential property, adjusted to reflect market conditions with no capital appreciation during 2011, a 3% capital appreciation in 2012 and 6% capital appreciation annually thereafter;
- (iii) unit re-leasing rate equivalent to a comparison of current residents to life expectancy tables produced by the Australian Bureau of Statistics for Western Australia, coupled with a market determined rate of re-leasing occurring for reasons other than death;
- (iv) rate of amenities fee income based on the length of anticipated occupancy;
- (v) discount rate of 12.75% (2010: 12.5%) per annum pre-tax; and
- (vi) current prevailing economic conditions.

The escalation factor and unit resale rate are based on historical external data and are not necessarily indicative of patterns that may occur. It is not possible to predict with accuracy the impact of future fluctuations in economic conditions on valuations in the future.

# Notes to the Financial Statements

30 JUNE 2011

## 14. INVESTMENT PROPERTIES (cont'd)

### c) Valuation (cont'd)

*Representation of valuation in financial statements*

The directors' valuation resulted in a net value of \$10.45 million (2010: \$9.9 million). This has been reflected in the financial statements as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Net value of property transferred from property, plant & equipment	13,815	13,815
Add: Transfer (to)/from inventories	2	2
Net gain from fair value adjustment	10,492	10,778
Investment property asset	24,309	24,595
Included in property plant and equipment	55	55
Add: Accrued Amenities fees (Other receivables)	5,563	4,770
Less: Lease loan sum liability (Note 19)	(19,477)	(19,477)
	10,450	9,943

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>15. OTHER FINANCIAL ASSETS</b>				
Investments in controlled entities	-	-	3,083	3,083

# Notes to the Financial Statements

30 JUNE 2011

CONSOLIDATED

	Interests in Controlled Entities		Shares Held in Controlled Entities		Shares Held in Controlled Entities	
	2011 %	2010 %	Held by the Society	Held by Other Controlled Entities	Held by the Society	Held by Other Controlled Entities
			2011 \$	2011 \$	2010 \$	2010 \$
<b>15. OTHER FINANCIAL ASSETS (cont'd)</b>						
All controlled entities are incorporated in Australia and are ultimately controlled by the Society. The controlled entities are as follows:						
Members Holding Company Pty Ltd	100	100	400,002	-	400,002	-
Advance Settlements Coy Pty Ltd	100	100	1	19,999	1	19,999
P&N Landreach Pty Ltd	100	100	1,900	-	1,900	-
Essential Service Homes Pty Ltd	100	100	10,000	-	10,000	-
P&N Management Pty Ltd	100	100	60,000	-	60,000	-
National Home Loans Pty Ltd	100	100	61,500	-	61,500	-
Jacaranda Gardens Retirement Village	100	100	-	-	-	-
Police & Nurses Financial Planning Pty Ltd	65	65	2,550,080	-	2,550,080	-
Pinnacle RMBS Warehouse Trust No 1	100	100	-	-	-	-
Pinnacle Series Trust 2010 – T1 (a)	100	-	-	-	-	-
			<b>3,083,483</b>	<b>19,999</b>	3,083,483	19,999

**(a) Pinnacle Series Trust 2010 – T1**

The Society launched a public term issue in November 2010. The Pinnacle Series Trust 2010-T1 acquired mortgages by the way of purchase from the Pinnacle RMBS Warehouse Trust No 1, another series trust constituted under the Master Trust Deed. The beneficial interest in the property of The Pinnacle Series Trust 2010-T1 is represented by one Income Unit and ten Capital Units all held by the Society. As a result of full ownership the Trust is consolidated as part of the Group and recognised in the Society.

The Trust issued notes which have been recognised as borrowings in the consolidated financial statements.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>16. INTANGIBLE ASSETS</b>				
Goodwill (i)				
At cost	1,572	1,572	-	-
Computer software (ii)				
At cost	18,930	17,515	18,930	17,515
Accumulated amortisation	(10,623)	(8,949)	(10,623)	(8,949)
	8,307	8,566	8,307	8,566
Client list (iii)				
At cost	1,861	1,861	-	-
Accumulated amortisation	(955)	(768)	-	-
	906	1,093	-	-
Total intangible assets	10,785	11,231	8,307	8,566
<b>Reconciliation of the carrying amounts of each class of intangible assets</b>				
(i) Goodwill				
Opening carrying amount	1,572	1,572	-	-
Closing carrying amount	1,572	1,572	-	-
(ii) Computer software				
Opening carrying amount	8,566	9,150	8,566	9,150
Additions	1,416	-	1,416	-
Amortisation charge *	(1,675)	(584)	(1,675)	(584)
Closing carrying amount	8,307	8,566	8,307	8,566
(iii) Client list				
Opening carrying amount	1,093	1,279	-	-
Amortisation charge *	(187)	(186)	-	-
Closing carrying amount	906	1,093	-	-

\* The amortisation charge is included in depreciation and amortisation in the income statement.

## (a) Impairment tests for goodwill

Goodwill acquired is in relation to Police & Nurses Financial Planning Pty Ltd. The recoverable value of the goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

## (b) Key assumptions used for value-in-use calculations

Management determined value-in-use based on past performance and its expectations for the future. The assumptions used reflect specific risks faced by Police & Nurses Financial Planning Pty Ltd. The value used in this calculation is based on discount rate of 13.00% (2010: 13.00%).

## (c) Impact of possible changes in key assumptions

Management does not consider a significant change in any of the key assumptions to be reasonably possible.

## (d) Impairment charge

The impairment tests for goodwill determined no charge for impairment was required.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>17. DEFERRED TAX ASSETS</b>				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts	762	628	762	628
Intangible assets – client list	286	230	-	-
Business related costs	135	85	116	65
Provisions	769	613	225	153
Depreciation	882	550	813	550
Accruals	431	468	364	453
	<b>3,265</b>	<b>2,574</b>	<b>2,280</b>	<b>1,849</b>
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	720	1,553	720	1,553
	<b>3,985</b>	<b>4,127</b>	<b>3,000</b>	<b>3,402</b>
Offset to/from deferred tax liabilities (Note 22)	<b>(3,985)</b>	<b>(4,127)</b>	<b>(1,892)</b>	<b>(1,712)</b>
Net deferred tax assets	-	-	<b>1,108</b>	1,690
 Movements:				
Opening balance	4,127	6,861	3,402	6,192
(Charged)/credited to the income statement (Note 4)	691	(4,287)	431	(4,343)
Credited/charged to equity	(833)	1,553	(833)	1,553
Closing balance	<b>3,985</b>	<b>4,127</b>	<b>3,000</b>	<b>3,402</b>
 <b>18. MEMBERS' DEPOSITS</b>				
Call deposits	575,713	540,377	576,400	540,517
Term deposits	1,177,854	1,139,287	1,177,854	1,139,287
Withdrawable shares (a)	620	565	620	565
Related parties (b)	1,781	970	1,781	970
	<b>1,755,968</b>	<b>1,681,199</b>	<b>1,756,655</b>	<b>1,681,339</b>

Interest is calculated on a daily balance outstanding.

(a) Withdrawable shares are member shares that are redeemable on demand, subject to certain conditions. There were 65,081 (2010: 59,744) member shares on issue at the end of the year.

(b) Deposits for related parties are in relation to key management personnel and their related entities.



# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>19. TRADE AND OTHER PAYABLES</b>				
Accrued interest payable	18,578	15,331	18,578	15,331
Securitised loan repayments payable	11,763	15,595	11,763	15,595
Lease loan sums (Note 14)	19,477	19,477	-	-
Other payables	22,976	22,314	18,100	19,250
	<b>72,794</b>	<b>72,717</b>	<b>48,441</b>	<b>50,176</b>
Trade and other payables other than lease loan sums are normally settled on 30 day terms.				
<b>20. BORROWINGS</b>				
Secured				
– Overdrafts from other ADIs (a)	1,406	3,304	1,406	3,304
– Loans from other ADIs (b)	14,206	15,365	-	-
– Notes payable	439,722	224,299	-	-
– Securitised borrowings	309,516	404,860	309,516	404,860
Unsecured	40,000	40,000	40,000	40,000
	<b>804,850</b>	<b>687,828</b>	<b>350,922</b>	<b>448,164</b>

(a) Interest charged on overdrafts from other ADIs is at the bank's benchmark rate. Details of the security over the bank overdrafts are set out in Note 26.

(b) Interest charged on loans from other ADIs is at the financial institutions floating rate. The securities for loans from other ADIs are described in Note 10.

## 21. PROVISIONS

Employee benefits	708	505	666	473
Make good	84	36	84	36
Refurbishment	1,774	1,459	-	-
	<b>2,566</b>	<b>2,000</b>	<b>750</b>	<b>509</b>

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>22. DEFERRED TAX LIABILITIES</b>				
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Receivables	2,146	2,412	-	569
Intangible assets - software	1,892	1,143	1,892	1,143
Inventory	1,501	1,376	-	-
Fair value adjustment to investment property	2,922	3,234	-	-
Capital works	412	342	-	-
	<b>8,873</b>	<b>8,507</b>	<b>1,892</b>	<b>1,712</b>
Offset to/from deferred tax assets (Note 17)	<b>(3,985)</b>	<b>(4,127)</b>	<b>(1,892)</b>	<b>(1,712)</b>
Net deferred tax liabilities	<b>4,888</b>	<b>4,380</b>	<b>-</b>	<b>-</b>
Movements:				
Opening balance	8,507	7,655	1,712	1,436
Charged/(credited) to the income statement (Note 4)	366	(2,625)	180	(3,202)
Charged to equity	-	3,477	-	3,477
Closing balance	<b>8,873</b>	<b>8,507</b>	<b>1,892</b>	<b>1,712</b>
<b>23. RESERVES AND RETAINED EARNINGS</b>				
<b>Reserves</b>				
General reserve (a)	175,000	160,000	175,000	160,000
Share capital reserve (b)	686	667	686	667
Cash flow hedges (c)	<b>(1,680)</b>	<b>(3,623)</b>	<b>(1,680)</b>	<b>(3,623)</b>
	<b>174,006</b>	<b>157,044</b>	<b>174,006</b>	<b>157,044</b>
<b>Retained earnings</b>				
Balance at beginning of year	38,444	29,932	25,482	26,145
Increase in investment of Jacaranda Gardens Retirement Village	-	475	-	-
Profit for the year	12,817	23,124	14,321	14,423
Total available for appropriation	51,261	53,531	39,803	40,568
Aggregate of amounts transferred to reserves	<b>(15,019)</b>	<b>(15,087)</b>	<b>(15,019)</b>	<b>(15,087)</b>
Balance at end of year	<b>36,242</b>	<b>38,444</b>	<b>24,784</b>	<b>25,482</b>

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>23. RESERVES AND RETAINED EARNINGS (cont'd)</b>				
<b>(a) General reserve</b>				
Balance at beginning of year	160,000	145,000	160,000	145,000
Transfer from retained profits	15,000	15,000	15,000	15,000
Balance at end of year	175,000	160,000	175,000	160,000

## Nature and purpose of general reserve

The general reserve ensures that sufficient capital is retained by the Society to comply with the capital adequacy requirements set by the Australian Prudential Regulation Authority. The reserve is eligible to be included as Tier 1 capital and meets the minimum level of capital adequacy as required under Prudential Standards 111 and 110 for Authorised Deposit-Taking Institutions.

## (b) Share capital reserve

Balance at beginning of year	667	580	667	580
Transfer from retained profits	19	87	19	87
Balance at end of year	686	667	686	667

## Nature and purpose of share capital reserve

The share capital reserve reflects the share capital created on redemption of members' withdrawal shares. Under section 254K of the *Corporations Act 2001*, these redemptions must be made from retained profits. This reserve is also eligible to be included as Tier 1 capital.

## (c) Cash flow hedges

Balance at beginning of year	(3,623)	(8,113)	(3,623)	(8,113)
Revaluation – net	1,943	4,490	1,943	4,490
Balance at end of year	(1,680)	(3,623)	(1,680)	(3,623)

## Nature and purpose of hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in Note 1(q). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>24. NOTES TO THE CASH FLOW STATEMENTS</b>				
<b>(a) Reconciliation of the profit after tax to the net cash flows from operations</b>				
Profit after income tax	12,835	23,172	14,321	14,423
Depreciation and amortisation	3,546	3,319	3,299	3,086
Bad and doubtful debts	2,222	3,164	2,222	3,164
Bad debts recovered	(436)	(307)	(436)	(307)
Loss/(gain) on disposal of property, plant and equipment	(386)	-	(386)	(6)
Dividend received	(905)	(361)	(905)	(1,361)
Increase in provisions	566	270	241	3
(Increase)/decrease in loan interest receivable	(906)	(218)	(906)	(218)
(Increase)/decrease in other receivables	(5,627)	(8,822)	(9,306)	329
(Increase)/decrease in debtors from sale of land	424	(67)	-	-
Increase in inventory	(1,146)	(3,467)	-	-
Movement due to revaluation of inventory to fair value	-	(14,652)	-	-
Increase/(decrease) in member interest payable	3,547	5,254	3,547	5,254
Decrease in accrued expenses and trade and other payables	1,966	(2,266)	18	(4,235)
Increase/(decrease) in current tax liabilities	531	6,652	424	6,680
Increase/(decrease) in deferred tax asset	-	-	402	2,790
Increase/(decrease) in deferred tax liabilities	(325)	1,661	(652)	(1,649)
Increase in sundry debtors and prepayments	(153)	(1,440)	(7,496)	(3,722)
Fair value adjustment to investment property	286	701	-	-
(Increase)/decrease in tax related amount receivable	-	-	3,398	(3,691)
Decrease in tax related amount payable	-	-	(205)	(340)
Net cash inflow from operating activities	16,039	12,593	7,580	20,200
<b>(b) Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents balance comprises:				
- Cash (Note 5)	20,939	20,145	4,025	12,077
- Bank overdraft (Note 20)	(1,406)	(3,304)	(1,406)	(3,304)
Closing cash and cash equivalents balance	19,533	16,841	2,619	8,773

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>25. EXPENDITURE COMMITMENTS</b>				
<b>(a) Capital expenditure commitments</b>				
Estimated capital expenditure contracted for at balance date but not provided for				
– payable not later than one year	621	382	621	382
<b>(b) Lease expenditure commitments</b>				
Operating leases (non-cancellable)				
– not later than 1 year	4,732	4,245	4,732	4,245
– later than 1 and not later than 5 years	14,924	13,509	14,924	13,509
– later than 5 years	7,735	9,565	7,735	9,565
Aggregate lease expenditure contracted for at balance date	27,391	27,319	27,391	27,319
<b>(c) Land development commitments</b>				
Estimated land development commitments contracted for at balance date but not provided for				
– payable not later than one year	327	1,774	-	-
<b>(d) Financial commitments</b>				
Financial commitments contracted for at balance date				
– payable not later than one year	2,000	-	-	-

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>26. CONTINGENT LIABILITIES, CREDIT COMMITMENTS AND FINANCING FACILITIES</b>				
Credit related commitments				
Approved but undrawn loans and credit limits	<b>178,336</b>	197,565	<b>178,336</b>	197,565

The Society has entered into the following financing arrangements with:

- i. Credit Union Services Corporation (Australia) Limited and VISA International Services Association to participate in the "VISA Card Programme".
- ii. Credit Union Services Corporation (Australia) Limited to participate in the "Redinet Scheme".
- iii. Credit Union Services Corporation (Australia) Limited to participate in the:
  - Standby Credit Facility: \$45,000,000 (Unused as at 30 June 2011)
  - Derivatives Guarantee Facility: \$3,000,000 (\$400,000 used as at 30 June 2011)
  - Overdraft: \$2,000,000 (Unused as at 30 June 2011)

Under the terms of the above agreements, the Society has executed an equitable mortgage of a fixed and floating charge over all its assets and undertakings except for those assets provided as security for the borrowing facilities set out below. The charge is to secure all monies owing by the Society to the above named organisations. The above facilities are subject to annual review and may be drawn at any time. The facilities may be withdrawn if terms and conditions of the agreements are breached by the Society.

- iv. Bank of Western Australia Limited - fully fluctuating overdraft facility: \$5,000,000. This facility was unused at 30 June 2011. This facility may be drawn at any time and may be terminated by the bank without notice.
- v. Credit Union Financial Support System Limited - with effect from 1 July 1999, Police & Nurses Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all Credit Unions who are 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.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>27. KEY MANAGEMENT PERSONNEL DISCLOSURES</b>				
Total key management personnel remuneration	<b>2,466,544</b>	2,370,070	<b>2,466,544</b>	2,370,070
Short-term employee benefits	<b>2,081,922</b>	1,947,194	<b>2,081,922</b>	1,947,194
Post-employment benefits	<b>328,194</b>	197,481	<b>328,194</b>	197,481
Termination Benefits	<b>56,428</b>	225,395	<b>56,428</b>	225,395
	<b>2,466,544</b>	2,370,070	<b>2,466,544</b>	2,370,070

Persons who had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, during the financial year are considered to be key management personnel. Included in the total key management personnel remuneration is directors' remuneration (including superannuation contributions) of \$372,692 (2010: \$363,650)

As members of the Society, the key management personnel and their related entities have available to them all of the services under normal member terms and conditions. These loans outstanding to key management personnel and their related entities as at 30 June 2011 amounted to \$251,777 (2010: \$307,144). During the year loan advances amounted to \$15,856 (2010: \$295,051) and repayments amounted to \$76,833 (2010: \$1,042,998). Interest on these loans amounted to \$5,983 (2010: \$34,495). All of these loans are secured, except loan balances of \$38 (2010: \$4,368).

In addition, to encourage recruitment and retention of employees, the Society offers staff discounts primarily in relation to home loans (up to certain limits), to which a discount to the market interest rate of up to 0.75% is offered. As employees of the Society, key management personnel that are not directors can access these discounts. The total of these loans outstanding as at 30 June 2011 amounted to \$2,877,194 (2010: \$3,135,956). During the year loan advances amounted to \$670,728 (2010: \$1,577,159) and repayments amounted to \$729,198 (2010: \$2,316,100). Interest on these loans amounted to \$173,675 (2010: \$209,569). All of these loans are secured, except loan balances of \$4,376 (2010: \$10).

The terms and conditions in respect of all loans to key management personnel and their related entities have not been breached.

All key management personnel and their related entities have placed deposits with the Society during the year under normal member terms and conditions. The balance of these deposits as at 30 June 2011 amounted to \$1,792,718 (2010: \$1,372,789). During the year additional deposits amounted to \$3,643,438 (2010: \$4,836,688) and withdrawals amounted to \$3,351,162 (2010: \$4,163,468). Interest on these deposits amounted to \$49,550 (2010: \$20,486).

Each current key management person holds one member share in the Society.



# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>28. AUDITOR'S REMUNERATION</b>				
(a) Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity - PricewaterhouseCoopers:				
– statutory financial reports audit services	150	123	118	130
– other assurance services	66	70	61	65
	<b>216</b>	193	<b>179</b>	195
(b) Remuneration for other services:				
Auditor of the parent entity - PricewaterhouseCoopers:				
– income tax advice	58	23	46	(6)
– GST advice	1	9	-	9
– fringe benefits tax advice	12	14	8	12
– other	117	37	117	33
	<b>188</b>	83	<b>171</b>	48
Total auditor's remuneration	<b>404</b>	276	<b>350</b>	243

# Notes to the Financial Statements

30 JUNE 2011

## 29. INTERESTS IN JOINT VENTURES

### Jointly controlled assets

A controlled entity has entered into the following joint venture activities, all of which are subject to joint control:

#### *Wanneroo North Joint Venture*

The controlled entity has a 14.29% participating interest in this joint venture to develop a subdivision of land for residential housing and is entitled to 14.29% of its output.

#### *Eagle Bay Joint Venture*

The controlled entity has a 33.33% participating interest in this joint venture to develop a subdivision of land for residential housing and is entitled to 33.33% of its output.

The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in Note 1(b), under the following classifications:

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
Trade and other receivables	4,925	4,922
Inventories (land held for sale)	6,243	5,629
Share of assets employed in joint ventures	11,168	10,551

# Notes to the Financial Statements

30 JUNE 2011

## 30. RELATED PARTY DISCLOSURES

The Society charges its controlled entities for occupancy and other costs.

The Society acts as banker for some of the subsidiaries in the wholly owned group, with cash transactions being undertaken on behalf of the subsidiaries and adjusted for through amounts payable/receivable to/from the Society. All inter-company balances are non-interest bearing. Some subsidiaries maintain separate deposit accounts with the Society under normal commercial terms.

The Society transacted with its wholly-owned Australian controlled entities under the accounting tax sharing agreement described in Note 4.

	POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010
	\$'000	\$'000
Aggregate amounts included in the determination of profit before income tax that resulted from transactions with entities in the wholly-owned group:		
Interest revenue	5,249	1,371
Interest expense	25,009	3,130
Dividend revenue	-	1,000
Aggregate amounts receivable from entities in the wholly-owned group at balance date	28,804	27,333

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT

The Society and Group have exposure to the following risks from their use of financial instruments:

- market risk
- liquidity risk
- credit risk

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit & Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Society and the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's and Group's activities. The Society and Group, through their training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Committee oversees how management monitors compliance with the Society's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society and the Group. The Audit & Risk Committee is assisted in its oversight role by Internal Auditors. The Internal Auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

### (a) Market Risk Management – Objectives and Policies

Market risk exposure is the risk that the fair value or future cash flows from banking activities will fluctuate because of changes in market rates. The Society's only exposure is to changes in interest rates as it does not have any dealings in foreign currencies, commodities or equity products. The Society does not have a trading book and uses derivatives to minimise exposures arising out of normal banking activities as part of its hedging strategy. The Society applies a 'Value at Risk' methodology (VaR) to its non-trading portfolio to estimate the market risk of positions taken and the maximum losses expected based upon a number of assumptions for various changes in market conditions.

The largest risk exposure is the repricing risk associated with the Society's fixed rate lending and fixed term deposit portfolios, though these are off-set with the risk being largely removed through the utilisation of derivative contracts provided by third parties which swap the longer fixed rate exposures for short-term variable rate exposures.

The Society manages limits and controls its market risk through its Assets and Liabilities Committee reporting via the Chief Executive Officer to the Board. The Society calculates its VaR and compares this result with limits set and approved by the Board. The Society structures the levels of market risk it accepts by placing limits on the amount of exposure in different time periods and the overall exposure. Such risks are governed by the Market Risk Policy and monitored on an ongoing basis with annual reviews by the Board.

Significant policies and processes for managing risk include:

- adherence to market risk policy,
- independent interest rate sensitivity analysis,
- independent VaR and market risk exposure review on a quarterly basis,
- limits in relation to VaR and market risk exposures,
- independent duration and gap analysis; and
- independent hedging review and recommendations.

There have been no changes to the Society's market risk policies from the prior year.

The Society's market risk exposure is considered to be consistent with what are normal acceptable industry levels for an entity without a trading book and hence it is considered that the market risk is low.

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

### Interest rate sensitivity analysis

The following table illustrates the impact on the Group and Society of a 100bp change in interest rates. It is assumed that the change is parallel across the yield curve.

	CONSOLIDATED					POLICE & NURSES CREDIT SOCIETY LTD				
	+100bp		-100bp			+100bp		-100bp		
	Carrying Amount	Income Statement	Other Movements in Equity	Income Statement	Other Movements in Equity	Carrying Amount	Income Statement	Other Movements in Equity	Income Statement	Other Movements in Equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>										
Cash and cash equivalents	20,939	17	-	(17)	-	4,025	17	-	(17)	-
Due from banks	280,248	2,614	-	(2,614)	-	280,248	2,614	-	(2,614)	-
Loans (i)	2,438,625	22,676	-	(22,676)	-	2,438,625	22,676	-	(22,676)	-
Derivatives	(2,400)	-	307	-	(307)	(2,400)	-	307	-	(307)
Overdrafts	(1,406)	(14)	-	14	-	(1,406)	(14)	-	14	-
Members' deposits (ii)	(1,755,968)	(5,774)	-	5,774	-	(1,756,655)	(5,774)	-	5,774	-
Borrowings	(804,850)	(5,637)	-	5,637	-	(350,922)	(2,501)	-	2,501	-
Due to controlled entities						(439,912)	(3,136)	-	3,136	-
<b>Total Increase/(Decrease)</b>	<b>175,188</b>	<b>13,882</b>	<b>307</b>	<b>(13,882)</b>	<b>(307)</b>	<b>171,603</b>	<b>13,882</b>	<b>307</b>	<b>(13,882)</b>	<b>(307)</b>
<b>2010</b>										
Cash and cash equivalents	20,145	27	-	(27)	-	12,077	27	-	(27)	-
Due from banks	247,704	2,477	-	(2,477)	-	247,704	2,477	-	(2,477)	-
Loans (i)	2,273,912	20,497	-	(20,497)	-	2,273,912	20,497	-	(20,497)	-
Derivatives	(5,176)	-	2,195	-	(2,195)	(5,176)	-	2,195	-	(2,195)
Overdrafts	(3,304)	(33)	-	33	-	(3,304)	(33)	-	33	-
Members' deposits (ii)	(1,681,199)	(5,411)	-	5,411	-	(1,681,339)	(5,411)	-	5,411	-
Borrowings	(684,524)	(6,803)	-	6,803	-	(444,860)	(4,499)	-	4,499	-
Due to controlled entities						(227,892)	(2,304)	-	2,304	-
<b>Total Increase/(Decrease)</b>	<b>167,558</b>	<b>10,754</b>	<b>2,195</b>	<b>(10,754)</b>	<b>(2,195)</b>	<b>171,122</b>	<b>10,754</b>	<b>2,195</b>	<b>(10,754)</b>	<b>(2,195)</b>

- (i) 1% shift applied to the value of variable loans held at year end calculated on \$2,267,636,784 (2010: \$2,049,673,316). The remaining balance represents fixed rate loans for 2011/2012, which are not subject to interest rate movements for the period.
- (ii) 1% shift applied to the value of variable deposits held at year end calculated on \$577,407,972 (2010: \$541,135,138). The remaining balance represents fixed rate deposits for 2011/2012, which are not subject to interest rate movements for the period.

# Notes to the Financial Statements

30 JUNE 2011	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
<b>31. FINANCIAL RISK MANAGEMENT (cont'd)</b>	<b>2011</b>	2010	<b>2011</b>	2010
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Fair value estimation - interest rate swaps (liability)	<b>2,400</b>	5,176	<b>2,400</b>	5,176

The fair value of interest rate swaps is calculated as the present value of the estimated cash flows using the forward interest rates quoted in active markets. These fall into disclosure within level 1 of AASB7's fair value measurement hierarchy.

## **(b) Liquidity Risk Management – Objectives and Policies**

Liquidity risk is the risk that the Society is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Society manages limits and controls its liquidity risk through its Assets and Liabilities Committee reporting via the Chief Executive Officer to the Board. The Society structures the levels of liquidity risk it accepts by placing minimum limits on the amount of liquidity held. Such risks are governed by policies and monitored on an ongoing basis with annual reviews by the Board.

The Society sets aside a portfolio of high quality liquid assets at all times. The Society's liquid assets are predominantly short-term deposits.

There have been no changes to the Society's liquidity risk policies from the prior year.

### ***Financing Arrangements***

The Society also maintains \$45.0 million (2010: \$45.0 million) of CUSCAL standby facilities to support its liquidity arrangements. Additional liquidity support is available in the form of \$7.0 million (2010: \$7.0 million) of overdraft facilities, of which \$2.0 million (2010: \$2.0 million, un-drawn) is with CUSCAL and \$5.0 million (2010: \$5.0 million, un-drawn) is with Bankwest. Both these facilities were undrawn as at 30 June 2011.

The Society also utilises Bridges funding facilities via CUSCAL. This facility has a limit of \$40.0 million, of which \$Nil (2010: \$Nil) remained undrawn at 30 June 2011. Also maintained by the Society is the Entourage securitisation facility with The Royal Bank of Scotland of \$318.8 million (2010: \$417.8 million), of which \$Nil (2010: \$Nil) was available at 30 June 2011. The securitisation facility with ANZ under the Pinnacle RMBS Warehouse Trust of \$500.0 million (2010: \$500.0 million), of which \$295.1 million (2010: \$277.6 million) was available at 30 June 2011. In November 2010 the Society launched an inaugural public term RMBS issue of \$275m, Pinnacle Series Trust 2010-T1. The issue consisted of notes backed by a pool of first ranking residential mortgages originated by Police & Nurses Credit Society.

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

The Group and the Society had access to the following undrawn borrowing facilities at 30 June 2011.

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Floating Rate</b>				
Expiring within 1 year (overdrafts and standby facilities)	52,000	52,000	52,000	52,000
	52,000	52,000	52,000	52,000

	CONSOLIDATED				POLICE & NURSES CREDIT SOCIETY LTD			
	On Demand \$'000	Less Than 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	On Demand \$'000	Less Than 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000
<b>Maturities of Financial Liabilities</b>								
<b>2011</b>								
Overdrafts	1,406	-	-	-	1,406	-	-	-
Borrowings	-	40,000	530,652	232,792	-	40,000	309,516	-
Members' deposits	576,333	761,404	396,055	22,176	577,020	761,404	396,055	22,176
	577,739	801,404	926,707	264,868	578,426	801,404	705,571	22,176
<b>2010</b>								
Overdrafts	3,304	-	-	-	3,304	-	-	-
Borrowings	-	40,000	228,055	416,470	-	40,000	-	404,860
Members' deposits	541,622	814,637	314,624	10,316	541,762	814,637	314,624	10,316
	544,926	854,637	542,679	426,786	545,066	854,637	314,624	415,176



# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

### (c) Credit Risk Management – Objectives and Policies

Credit risk is the risk of a counterparty failing to meet contractual obligations as they fall due.

Credit risk may arise from both lending activities to members and liquidity investments in banks.

The Society maintains significant management and controls in its operations to cover credit risk. The Society's credit risk management and control is centralised in a Credit Committee which reports to the Chief Executive Officer, the Asset and Liability Committee and the Board on a monthly basis.

Lending activities to members cover both secured and unsecured retail lending and secured commercial lending. The Society maintains policies, credit decision-making systems and processes to ensure appropriate analysis is undertaken to mitigate credit risk.

To determine credit quality, the Society has implemented a credit risk grading system. The credit risk grading system highlights changes in the Society's credit risk profile and trends in asset quality. Retail loans with similar risk characteristics are managed on a portfolio basis. In relation to the home loan portfolio, credit quality is closely aligned to the Basel II Standardised approach to credit risk. Within the commercial loan portfolio each exposure is graded on an individual basis. All credit exposures are regularly monitored to ensure that any deterioration in credit quality is identified and appropriately managed. Where recoverability is in doubt, loans are individually managed and appropriate provisions are raised.

The Society manages and monitors credit concentration risk through exposure limits based on the risk profile of various loan portfolios, industry, security and exposures to various counterparties. Policies are also in place to manage large exposures to an individual counterparty or group.

There have been no changes to the Society's credit risk policies from the prior year.

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Concentration of loans</b>				
The loan portfolio of the Society does not include any loan which represents 10% or more of capital.				
The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:				
Western Australian state government employees	579,225	625,828	476,228	564,665
Other	1,861,940	1,650,177	1,964,937	1,711,340
	<b>2,441,165</b>	<b>2,276,005</b>	<b>2,441,165</b>	<b>2,276,005</b>
<b>Concentration of deposits</b>				
Western Australian State government employees	304,038	288,015	303,820	288,155
Other	1,451,930	1,393,184	1,452,835	1,393,184
	<b>1,755,968</b>	<b>1,681,199</b>	<b>1,756,655</b>	<b>1,681,339</b>

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

	Maximum Exposure to Credit Risk		Credit Risk Rating									
			Grade 1 (Low)		Grade 2 (Sound)		Grade 3 (Stable)		Grade 4 (Moderate)		Grade 5 (Acceptable)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Derivatives</b>	<b>(2,400)</b>	<b>(5,176)</b>	<b>(2,400)</b>	<b>(5,176)</b>	-	-	-	-	-	-	-	-
<b>Fully Performing Loans</b>												
Home Loans	1,351,385	1,301,409	830,162	885,351	470,578	342,536	50,645	73,523	-	-	-	-
Secured Overdrafts	51,748	53,390	50,991	52,768	756	574	-	48	-	-	-	-
Commercial Loans	85,322	99,558	-	-	5,276	-	13,987	15,357	21,795	28,955	44,264	55,246
Personal Loans	76,786	72,005	-	-	-	-	-	-	76,786	72,005	-	-
Unsecured Overdrafts and Credit Cards	16,044	15,243	-	-	-	-	-	-	-	-	16,045	15,243
<b>Total Fully Performing Loans</b>	<b>1,581,285</b>	<b>1,541,605</b>	<b>881,153</b>	<b>938,119</b>	<b>476,610</b>	<b>343,110</b>	<b>64,632</b>	<b>88,928</b>	<b>98,581</b>	<b>100,960</b>	<b>60,309</b>	<b>70,489</b>
<b>Past Due Loans</b>												
Home Loans												
1-7 days	26,380	26,082	12,013	14,386	7,417	7,198	6,950	4,498	-	-	-	-
8-30 days	26,920	36,132	10,325	17,449	5,416	10,326	11,180	8,357	-	-	-	-
31-60 days	10,726	10,258	4,439	4,289	2,764	2,705	3,521	3,263	-	-	-	-
61-89 days	4,065	3,736	1,635	1,728	1,731	536	699	1,472	-	-	-	-
Total	68,091	76,208	28,412	37,852	17,328	20,765	22,350	17,590	-	-	-	-
Fair Value Security Held (1)	171,487	131,172										
Secured Overdrafts												
1-7 days	165	-	166	-	-	-	-	-	-	-	-	-
8-30 days	639	789	524	523	115	266	-	-	-	-	-	-
31-60 days	-	-	-	-	-	-	-	-	-	-	-	-
61-89 days	106	-	106	-	-	-	-	-	-	-	-	-
Total	910	789	796	523	115	266	-	-	-	-	-	-
Fair Value Security Held (1)	1,386	3,124										
Commercial Loans												
1-7 days	840	-	-	-	-	-	-	-	-	-	840	-
8-30 days	5,136	-	-	-	-	-	-	-	412	-	4,724	-
31-89 days	1,459	-	-	-	-	-	-	-	628	-	831	-
Total	7,435	-	-	-	-	-	-	-	1,040	-	6,395	-
Fair Value Security Held (2)	10,399	-										
Personal Loans												
1-7 days	2,179	2,635	-	-	-	-	-	-	2,179	2,635	-	-
8-30 days	1,367	1,823	-	-	-	-	-	-	1,367	1,823	-	-
31-89 days	370	625	-	-	-	-	-	-	370	625	-	-
Total (3)	3,916	5,083	-	-	-	-	-	-	3,916	5,083	-	-
Unsecured Overdrafts and Credit Cards												
1-7 days	4,953	4,521	-	-	-	-	-	-	-	-	4,953	4,521
8-30 days	137	202	-	-	-	-	-	-	-	-	137	202
31-89 days	252	623	-	-	-	-	-	-	-	-	252	623
Total	5,342	5,346	-	-	-	-	-	-	-	-	5,342	5,346
<b>Total Past Due Loans</b>	<b>85,694</b>	<b>87,426</b>	<b>29,208</b>	<b>38,375</b>	<b>17,443</b>	<b>21,031</b>	<b>22,350</b>	<b>17,590</b>	<b>4,956</b>	<b>5,083</b>	<b>11,737</b>	<b>5,346</b>

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

	Maximum Exposure to Credit Risk		Credit Risk Rating									
			Grade 1 (Low)		Grade 2 (Sound)		Grade 3 (Stable)		Grade 4 (Moderate)		Grade 5 (Acceptable)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Impaired Loans</b>												
Home Loans												
90 days plus	12,257	8,060	-	-	-	-	-	-	-	-	-	-
<i>Fair Value Security Held (1)</i>	22,856	8,438	-	-	-	-	-	-	-	-	-	-
Secured Overdrafts												
90-180 days	395	210	-	-	-	-	-	-	-	-	-	-
<i>Fair Value Security Held (1)</i>	495	1,154	-	-	-	-	-	-	-	-	-	-
Commercial Loans												
90 days plus	16,487	9,237	-	-	-	-	-	-	-	-	-	-
<i>Fair Value Security Held (2)</i>	17,210	8,742	-	-	-	-	-	-	-	-	-	-
Personal Loans												
90 days plus	657	1,027	-	-	-	-	-	-	-	-	-	-
Unsecured Overdrafts and Credit Cards												
90 days plus	271	408	-	-	-	-	-	-	-	-	-	-
<b>Total Impaired Loans</b>	<b>30,067</b>	<b>18,942</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Securitised Loans</b>	<b>744,126</b>	<b>627,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Loans Portfolio</b>	<b>2,441,174</b>	<b>2,275,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Interest Bearing Receivables</b>												
Interest Earning Deposits-Banks	209,077	177,503	209,077	177,503	-	-	-	-	-	-	-	-
Interest Earning Deposits-Other ADIs	71,171	70,201	71,171	70,201	-	-	-	-	-	-	-	-
Accrued Interest Receivable	2,802	1,895	2,802	1,895	-	-	-	-	-	-	-	-
<b>Total Other Interest Bearing Receivables</b>	<b>283,050</b>	<b>249,599</b>	<b>283,050</b>	<b>249,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (1) Home loans are secured by registered mortgages over residential properties. Lenders mortgage insurance contracts are entered into in terms of the Society's lending policy to manage credit risk in the home lending portfolio.
- (2) Commercial loans are secured by registered mortgages over commercial or residential properties. Certain commercial loans on watch list are included in Grade 5.
- (3) Personal loans are provided on both a secured or unsecured basis. Secured loans are secured by a goods mortgage over motor vehicles.

# Notes to the Financial Statements

30 JUNE 2011

## 31. FINANCIAL RISK MANAGEMENT (cont'd)

### (d) Capital Management

The Society maintains an appropriate level of capital commensurate with the level and extent of risks to which the Society is exposed from its activities. The purpose of capital is to absorb losses from loans, investments and general operations. Capital also functions as a cushion against credit risk, liquidity risk, interest rate risk, operational risk and other risks. Capital allows for operational growth and is designed to maintain the confidence of depositors and creditors. The Society has in place an Internal Capital Adequacy Assessment Process "ICAAP" that includes:

- adequate systems and procedures in place to identify, assess, measure, monitor and manage the risks arising from its activities on a continuous basis to ensure that capital is held at a level consistent with the Society's risk profile; and
- a capital management plan, consistent with the overall business plan, for managing its capital levels as a buffer against the risks involved in the Society's activities on an ongoing basis. The capital management plan which not only measures current capital requirements after the consideration of risk but also projects forwards (one to three years), managing the balance sheet within the Society's risk parameters.

The capital management plan includes a capital management strategy which includes the capital target for providing a buffer against risk, how the target is to be met and the means for sourcing additional capital. The overall objective of having a capital management strategy is for the Board and management to create value for the Society's shareholders while maintaining a sound and viable business through the effective management of its risks. The actual level of capital adequacy is calculated every month and reported to the Board, to ensure compliance with the minimum capital ratio. The actual level of capital adequacy is also calculated every quarter and reported to APRA.

The Society is required by APRA to measure and report capital on a risk weighted basis in accordance with the requirements of the Prudential Standards. This risk weighted approach measures the ratio of actual eligible capital held against a risk weighted balance for all on and off balance sheet risk positions as well as for other non balance sheet risk positions.

During the year APRA amended the Prudential Standards to reflect new international risk based capital measurement practises commonly known as Basel II. This change results in a difference in the measurement of the capital ratio of the consolidated entity, as defined by the Australian Prudential Standards, to include the Society and subsidiaries involved in financial service activities (referred to as level 2) and the Society for the current financial year compared to the prior financial year.

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2011	2010	2011	2010
Capital Adequacy ratio as reported to APRA at 30 June	15.20%	15.39%	15.53%	15.72%

# Notes to the Financial Statements

30 JUNE 2011

## 32. BUSINESS COMBINATIONS

### (a) Summary of acquisition

On 20 April 2010 P & N Landreach Pty Ltd, a subsidiary of the parent entity, acquired an additional 25% interest in the Two Rocks Joint Venture in which the entity previously held a 75% interest in the Joint Venture. The total interest held in Two Rocks Joint Venture from 20 April 2010 is a controlling interest of 100% and therefore has dissolved the joint venture and the total interest has been consolidated into the results of the Group from this date.

The acquired business contributed net profit of \$14,728,607 to the Group for the period from 20 April 2010 to 30 June 2010. If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been \$20,354,064 and \$14,061,603, respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the intangible assets had applied from 1 July 2009, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	20 April 2010 acquisition (100%)
Purchase consideration	\$'000
Cash paid (refer to (b) below in relation to 20 April 2010 acquisition)	6,000
Fair value of net assets in previously held interest	18,000
Total purchase consideration	24,000
Fair value of net identifiable assets acquired (refer to (c) below)	24,000
Goodwill (refer to (c) below)	-

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(b) Purchase consideration</b>		
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	6,000
Less: Balances acquired		
Cash	-	108
Net outflow of cash	-	5,892

# Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 66 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Society's and Group's financial position as at 30 June 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
  
- (b) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**E L SMITH**  
Director



**P M GABB**  
Director

Perth WA  
29 August 2011

# Independent Audit Report



## Independent auditor's report to the members of Police & Nurses Credit Society Ltd

### Report on the financial report

We have audited the accompanying financial report of Police & Nurses Credit Society Ltd (the Society), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Police & Nurses Credit Society Ltd (the Society) and Police & Nurses Credit Society Ltd (the Group). The Group comprises the Society and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Society are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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





*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 Police & Nurses Credit Society Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Society's and the Group's financial position as at 30 June 2011 and of their 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report Police & Nurses Credit Society Ltd for the year ended 30 June 2011 included on Police & Nurses Credit Society Ltd's web site. The Society's directors are responsible for the integrity of the Police & Nurses Credit Society Ltd web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Douglas Craig*

**Douglas Craig**  
Partner

Perth WA  
29 August 2011

**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Notes



## Police & Nurses Head Office

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Perth WA 6000  
PO Box 8609  
Perth BC WA 6849  
**Tel: 13 25 77**

### Branches

#### Belmont

Shop 120, Belmont Forum Shopping Centre,  
227 Belmont Avenue

#### Booragoon

Suite 10 Riseley Corporate Centre,  
135 Riseley Street

#### Bunbury

Shop 46, Bunbury Forum Shopping Centre,  
Sandridge Road

#### Cannington

Shop 1047A, Westfield Carousel Shopping Centre,  
1382 Albany Highway

#### Fremantle

Shop 2, Woolstores Shopping Centre.  
Cnr Queen Street & Cantonment Street

#### Innaloo

Shop 1100, Westfield Innaloo Shopping Centre.  
Ellen Stirling Boulevard

#### Joondalup

Shop 62, Lakeside Joondalup Shopping Centre,  
420 Joondalup Drive

#### Maddington

Shop 61, Centro Maddington Shopping Centre,  
Attfield Street

#### Mandurah

Shop 62, Centro Mandurah Shopping Centre,  
Mandurah Bypass Road

#### Midland

Shop T49, Midland Gate Shopping Centre,  
Great Eastern Highway

#### Morley

Shop 82, Centro Galleria Shopping Centre,  
Cnr Old Collier & Walter Roads

#### Ocean Keys

Shop 56, Ocean Keys Shopping Centre,  
Ocean Keys Boulevard

#### Perth

246 Adelaide Terrace

#### Rockingham

Shop 64, Rockingham City Shopping Centre,  
Read Street

#### Success

Shop 229, Cockburn Gateway Shopping Centre,  
Beeliar Drive

#### Warwick

Shop 80A, Centro Warwick Shopping Centre,  
Cnr Erindale & Beach Roads

#### Whitfords

Shop 158, Westfield Whitford City Shopping Centre,  
Marmion Avenue

#### Melbourne – Nurses First Branch

Ground Floor, 250 Victoria Parade,  
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