

CHAIRMAN'S REPORT

Membership and Financial Performance

Membership climbed steadily throughout the year to 5,258, an increase of 369 or 7.5%.

Assets increased by \$12.6 million to \$57.8 million, a 21.8% increase for the year. This was mainly driven by a very strong demand for housing finance.

A gross surplus of \$475,821 was achieved for the year, which was reduced to \$337,361 after paying tax of \$138,460. This is a return on average assets of 0.65%. Whilst this is in line with most other credit unions, it is somewhat less than we had budgeted for. This was largely due to the greater than expected growth in housing loan demand during the year.

Senior Management Changes

Our General Manager Terry Scolari resigned in October to take up a position as General Manager with CSR and Rinker Employees Credit Union based in Sydney. Terry had been our general manager for almost six years, and had been instrumental in the huge growth in the credit union during that period. He was also a driving force behind the successful merger of Post-Tel Credit Union with Macquarie. We were very sorry to lose such a dynamic manager, but we wish Terry well in his new role.

Our Assistant General Manager Elayne O'Dea retired in January after 25 years in the credit union industry. Elayne had been the Manager of Post-Tel Credit Union for many years and was instrumental in the smooth merger of Post-Tel and Macquarie Credit Unions in late 2003. We wish Elayne a very happy and healthy retirement.

The board appointed Bob Malcolm as our new general manager. Bob commenced duties in December and has settled in well. Bob has extensive experience in the credit union industry, having filled several senior management roles in different organisations, including General Manager of two credit unions in Victoria. We welcome Bob to our credit union and feel sure he will enhance our credit union's already bright future.

We had to look no further than our own back yard to find our new assistant general manager. Matt Bow was previously the financial controller of Fletcher's International, and commenced with us in November. Matt's wide experience of financial dealings on a large scale has stood him in good stead for his important role with our credit union. I also welcome Matt aboard our great credit union, and am certain his drive and enthusiasm will be of great benefit well into the future.

Board Changes

Two directors resigned during the year. Our former deputy chairman Phil Alchin accepted a promotion in his job and relocated to Moree. Phil had been a director for almost nine years. Rod Smith, who had been a director for three years, resigned to allow him to devote more time to his business interests and young family. I would like to thank both Phil and Rod for their outstanding contribution to our credit union over the years.

New Products

The long awaited introduction of B-Pay took place in December. It has been warmly embraced by our members, and the list of users grows longer by the day.

Our new web site launched in July 2004 has proved an outstanding success. It provides members with an easy to use reference for any dealings with their credit union. A new addition is the inclusion of our newsletters. All forms can be accessed from the site, and the online loan form is proving very popular. I would encourage all members to have a look at the web site if they have not yet done so.

Our business development officer in Port Macquarie, Maree Wilson, has clocked up 12 months in that area now and has been working hard to bring the many advantages of belonging to their own credit union to the many staff of Country Energy in that area. The results of that hard work is evident in the increasing number of new members joining from that area, and indeed from all parts of the state.

Co-operation

Once again I would like to thank all those who work so hard to ensure the continued success and growth of our great credit union. The management of the employer organisations and the volunteer representatives spread far and wide help to make the operation of the credit union that much easier.

The staff have had a difficult year in losing two of their most trusted and experienced senior staff, but have carried on in the finest tradition and maintained the high level of service that our credit union has become renown for. Thank you all for being so professional and continuing to help our members reap the many benefits they are entitled to.

I must also thank my fellow directors for their dedication and deliberation throughout the year. They have displayed a high degree of willingness to ensure that the right decisions were made, and in particular their efforts in the selection of our new senior staff and the future direction of our credit union have been of the highest order. All members can be confident that the future of their credit union is in good hands.

Chris Shepherd
Chairman

GENERAL MANAGER'S REPORT

As my first report as General Manager of the Credit Union I thought I would incorporate a "Plain English" financial statement. Statutory financial reporting standards require extremely lengthy and detailed financial reports, making it difficult for many people to read and achieve a clear understanding of what it all means.

The following information is by no means intended to replace that information but simply to provide members with a snapshot of our financial performance in an easy to read and understand format.

Balance Sheet

ASSETS				LIABILITIES			
What the Credit Union Owns				What the Credit Union Owes			
	2003	2004	2005		2003	2004	2005
	\$K	\$K	\$K		\$K	\$K	\$K
Member Loans	30,797	38,881	47,571	Member Deposits	27,147	36,627	43,054
Cash & Investments	4,100	5,570	9,348	Sundry Creditors	3,101	1,936	7,854
Plant & Equipment	68	68	150	Provisions	77	83	73
Other	470	673	736	Other	39	66	7
				Members Reserves/Equity	5,071	6,480	6,817
Total Assets	35,435	45,192	57,805	Total Liabilities	35,435	45,192	57,805

Profit and Loss Account

WHAT WE EARNED			
	2003	2004	2005
	\$K	\$K	\$K
Interest – member loans	2,181	2,835	3,376
Interest - investments	178	316	250
Transfer from provisions	0	40	0
Other income – commissions, fees etc	125	199	474
Total Income	2,484	3,390	4,100

WHAT WE SPENT			
	2003	2004	2005
	\$K	\$K	\$K
Interest – member deposits	821	1,044	1,375
Interest – borrowings	69	100	217
Member service costs (ATMs, Cheques, EFTPOS etc)	213	341	400
Computer costs (data processing etc)	167	228	226
Staff costs	416	599	741
General expenses	311	482	665

Total Operating Costs	1,997	2,794	3,624
Operating Profit Before Tax	487	596	476
Income Tax Expense	146	177	138
Net Profit After Tax	341	419	337

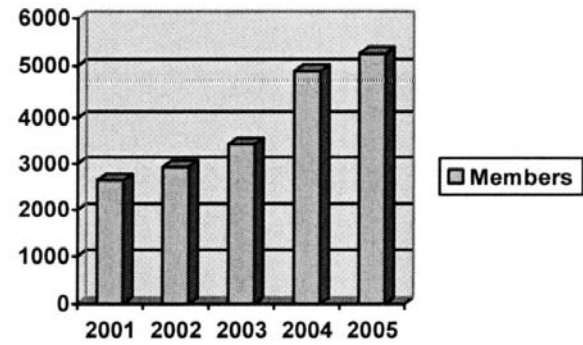
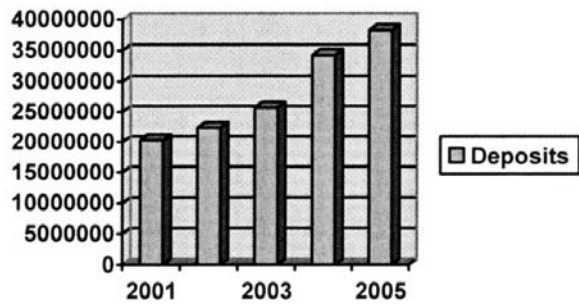
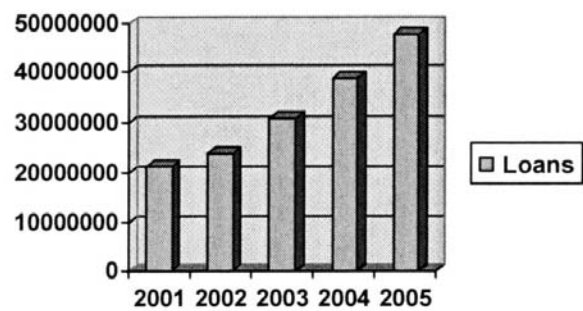
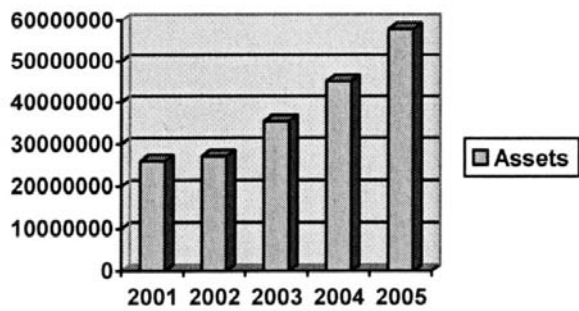
In August we changed the way we apply transaction fees to member accounts. As I stated in my advice to members this was to encourage members to change their transaction habits and assist the credit union in managing member transaction costs. These costs totalled almost \$400,000 this financial year.

With a little effort members will still be able to conduct fee free banking with Macquarie Credit Union. I would also like to remind members about the other areas where they can save with the Credit Union:

• No home loan application fees	• No annual credit card fees
• No personal loan application fees	• No monthly account keeping fees
• No monthly admin fees on loan accounts	• Free access to internet & phone banking

The following graphs provide a simple picture of how the Credit Union has performed over the past few years.

On behalf of the staff I would like to thank all members for their ongoing support of Macquarie Credit Union and look forward to another great year for the organization.



Bob Malcolm
General Manager

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

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MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2005.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

PG Alchin (resigned 23 July 2005)	JR Moss
RJ Allan	PM Nolan
TE Bacon	CJ Shepherd
B Glawson	RA Smith (resigned 29 March 2005)
C Giffin	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Robert Malcolm. Mr Malcolm has worked for Macquarie Credit Union Ltd for the past seven months as the General Manager. He was appointed company secretary on 13 December 2004.

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the constitution. There were no significant changes in the nature of the Credit Unions activities during the year.

OPERATING RESULTS

The amount of profit of the Credit Union for the financial year after providing for income tax was \$337,361 (2004 - \$419,369).

DIVIDENDS RECOMMENDED

The Credit Union's constitution prevents the payment of a dividend and accordingly the Directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

The Macquarie Credit Union has experienced a successful year of operation. The after tax surplus of \$337,361 was a solid effort considering the competitive home loan and deposit markets and the subsequent tightening of our interest margin.

Notwithstanding, membership and asset growth have been excellent for the 12 months and we look forward to continuing growth next year.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' REPORT
(Continued)

ENVIRONMENTAL ISSUES

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

With the recent changes to our transaction fees, the credit union will be reviewing its loan and term deposit products to ensure the best possible value to members from our financial services.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Credit Union or a related corporation with a Director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

INDEMNIFYING OFFICERS AND AUDITOR

The Credit Union has a Directors' and Officers' liability insurance policy covering all Directors. The premium paid in respect of this policy in force at the date of this report was \$1,459.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, for the auditor of the Credit Union.

NON-AUDIT SERVICES

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

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

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' REPORT
(Continued)

The following fees for non-audit services were paid/payable to the external auditor during the year ended 30 June 2005

	\$
Taxation services	950
Preparation of financial report	3,400
	<hr/>
	4,350
	<hr/>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 5 of the financial report.

INFORMATION ON DIRECTORS

The directors in office at the date of this report are:-

Mr C J Shepherd

Experience:

Interest in Shares:

- Chairman
- Appointed Chairman 23/10/86
- Board Member since 19/04/71
- One ordinary share in the Credit Union

Mr C Giffin

Experience:

Interest in Shares:

- Deputy Chairman
- Appointed Deputy Chairman 1/12/03
- Board Member since 28/08/00
- One ordinary share in the Credit Union

Mr R J Allan

Experience:

Interest in Shares:

- Director
- Board Member since 25/10/96
- One ordinary share in the Credit Union

Mr T E Bacon

Experience:

Interest in Shares:

- Director
- Board Member since 1/11/03
- One ordinary share in the Credit Union

Mr B Glawson

Experience:

Interest in Shares:

- Director
- Board Member since 24/02/99
- One ordinary share in the Credit Union

Mr J R Moss

Experience:

Interest in Shares:

- Director
- Board Member since 1/11/03
- One ordinary share in the Credit Union

Mr P M Nolan

Experience:

Interest in Shares:

- Director
- Board Member since 1/11/03
- One ordinary share in the Credit Union

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' REPORT

(Continued)

GENERAL BOARD AND AUDIT COMMITTEE ATTENDANCE

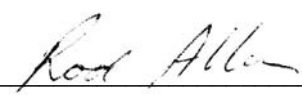
	Board Meetings Eligible to Attend	Attended	Audit Meetings Eligible to Attend	Attended
PG Alchin	12	-	-	-
RJ Allan	12	8	-	-
TE Bacon	12	12	2	2
C Giffin	12	4	2	-
B Glawson	12	10	-	-
JR Moss	12	10	2	2
PM Nolan	12	10	2	2
CJ Shepherd	12	12	2	2
RA Smith	9	1	-	-

The attendances have been effected by 3 board members taking extended leave during the financial year from Board commitments. They were PG Alchin, RA Smith and C Giffin.

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



Director



Director

Dated at Dubbo this 22nd day of August 2005.



ALAN MORSE & CO

Chartered Accountants

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MACQUARIE CREDIT UNION LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there has been:

- i) no contraventions of the auditors independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- i) no contraventions of any applicable code of professional conduct in relation to the audit.

Alan Morse & Co

ALAN MORSE & CO
CHARTERED ACCOUNTANTS

PP BURGETT
PARTNER

36 Darling Street
Dubbo
Dated: 15 August 2005



ALAN MORSE & CO
Chartered Accountants

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MACQUARIE CREDIT UNION LTD**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Macquarie Credit Union Ltd for the year ended 30 June 2005.

The directors of the Credit Union are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Credit Union. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Credit Union's financial position, their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 5 of the financial report has not changed as at the date of providing our audit opinion.



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)





ALAN MORSE & CO
Chartered Accountants

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MACQUARIE CREDIT UNION LTD**
(Continued)

Audit Opinion

In our opinion, the financial report of Macquarie Credit Union Ltd is in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the Credit Union's financial position as at 30 June 2005 and its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Alan Morse & Co

ALAN MORSE & CO
CHARTERED ACCOUNTANTS

PP BURGETT
PARTNER

36 Darling Street
Dubbo
Dated: 23 August 2005

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

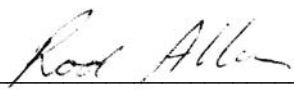
DIRECTORS' DECLARATION

The Directors of the Credit Union declare that:

1. The financial report and notes set out on pages 9 to 36 are in accordance with the Corporations Act 2001;
 - i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the Credit Union.
2. The General Manager has declared that:
 - a) the financial records for the Credit Union for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed at Dubbo on 22nd August 2005 for and on behalf of the Directors by:

Director 

Director 

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
Interest revenue	3	3,680,063	3,166,790
Borrowing costs	4	<u>(1,591,919)</u>	<u>(1,143,141)</u>
Net interest revenue		2,088,144	2,023,649
Other revenue from ordinary activities	3	209,841	183,674
Bad and doubtful debts expense	4	(29,931)	(11,741)
Employee benefits expense	4	(740,780)	(599,193)
Occupation expenses		(71,910)	(84,790)
Depreciation and amortisation expenses	4	(29,607)	(39,338)
Other expenses from ordinary activities	4	<u>(949,936)</u>	<u>(876,252)</u>
Profit from ordinary activities before income tax expense		475,821	596,009
Income tax expense relating to ordinary activities	5	<u>(138,460)</u>	<u>(176,640)</u>
Net profit from ordinary activities after income tax attributable to members of the Credit Union	19	337,361	419,369
Increase/(decrease) in asset revaluation reserve	20	-	9,772
Increase/(decrease) in general reserve	20	-	980,091
Total revenues, expenses and valuation adjustments recognised directly in Equity		<u>337,361</u>	<u>1,409,232</u>
Total changes in equity		<u>\$337,361</u>	<u>\$1,409,232</u>

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Notes	2005 \$	2004 \$
ASSETS			
Cash and liquid assets	7	9,347,621	5,570,144
Accrued receivables	8	259,977	119,297
Loans and advances	9	47,571,328	38,880,544
Other investments	10	215,319	297,126
Property, plant and equipment	11	149,847	68,515
Other assets	12	9,630	-
Deferred tax assets	13	251,414	261,871
		<u>57,805,136</u>	<u>45,197,497</u>
TOTAL ASSETS			
 LIABILITIES			
Deposits and short term borrowings	14	43,053,573	36,627,119
Payables and other liabilities	15	715,489	415,847
Interest bearing liabilities	16	7,139,189	1,525,897
Tax liabilities	17	6,576	66,034
Provisions	18	72,936	82,588
		<u>50,987,763</u>	<u>38,717,485</u>
TOTAL LIABILITIES			
NET ASSETS		<u>\$6,817,373</u>	<u>\$6,480,012</u>
 EQUITY			
Retained profits	19	3,018,818	2,681,457
Reserves	20	3,798,555	3,798,555
		<u>\$6,817,373</u>	<u>\$6,480,012</u>
TOTAL EQUITY			

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on loans		3,375,757	2,835,448
Interest on investments		250,145	315,730
Other income		152,749	199,401
Interest paid on members' savings		(1,219,709)	(1,024,229)
Interest and other costs of finance		(217,321)	(99,569)
Payments to suppliers and employees		(1,665,706)	(1,647,086)
Tax paid		(187,461)	(178,684)
		<hr/>	<hr/>
Net cash provided by (used in) operating activities	27.2	488,454	401,011
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		6,281	20,096
Members' loan repayments		9,217,269	11,892,165
Net sales/(purchases) of investments		76,633	3,119,456
Members' loans disbursed		(17,932,810)	(15,833,189)
Purchase of property, plant and equipment		(118,096)	(56,368)
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		(8,750,723)	(857,840)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in members' savings		6,426,454	3,201,284
Proceeds from borrowings		5,481,466	-
Repayment of borrowings		-	(1,274,103)
		<hr/>	<hr/>
Net cash provided by (used in) financing activities		11,907,920	1,927,181
		<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH HELD			
		3,645,651	1,470,352
Cash at beginning of year		5,570,144	4,099,792
		<hr/>	<hr/>
CASH AT END OF YEAR	27.3	<u>\$9,215,795</u>	<u>\$5,570,144</u>

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for the entity, Macquarie Credit Union Ltd as an individual entity. Macquarie Credit Union Ltd is a financial institution, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The following is a summary of material accounting policies adopted by the Credit Union in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

1.1 Income Tax

The Credit Union adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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

1.2 Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Property, Plant and Equipment (Continued)

Plant and Equipment (Continued)

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Credit Union commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Office equipment	33.3% - 50.0%
EDP equipment	33.3%
EDP software	33.3%
Office furniture and fittings	33.3%
Motor vehicles	22.0%

Assets with a cost less than \$500 are not capitalised.

1.3 Loans and Advances

Loans and advances are recognised at their recoverable amount after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

All housing loans are secured by registered mortgages. Security for the remaining loans is assessed individually in accordance with the Credit Union's prescribed policies.

The amount provided for impaired loans is determined by management and the board. Prudential Standards require a minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears and the security held.

From 1 July 2002, the Credit Union was required to apply AASB1044 – Provisions, Contingent Liabilities and Contingent Assets. The standard prescribes recognition, measurement, presentation and disclosure requirements for provisions. These criteria are different to those applied in previous years based on APRA requirements. The effect of the application of this standard resulted in an amount of \$509,000 being adjusted against retained profits at 1 July 2002. This is in accordance with the transitional requirements outlined by the standard.

MACQUARIE CREDIT UNION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.3 Loans and Advances (Continued)

As determined by management and the board of directors, bad debts are written off from time to time when it is reasonable to expect that the recovery of the debt is unlikely. Write-offs for bad debts are recognised as expenses in the statement of financial performance, or against the provision for impairment.

1.4 Receivables Due from other Financial Institutions

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

1.5 Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to financial assets. Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.

All revenue received arises from the operating activities of the Credit Union.

Fees and commissions are recognised as revenues on an accrual basis at the time services are rendered to customers. Yield-related loan fees are recognised over the term of the loan.

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

1.6 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Credit Union will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

1.7 Investments

Investments are carried at cost or at Directors' valuation. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 Members' Deposits

Members' deposits are brought to account at the gross value of the outstanding balance. Interest on deposits is brought to account on an accruals basis. Interest accrued at balance date is shown as part of members' deposits.

1.9 Employee Benefits

Provision is made for the Credit Union's liability for employee benefits arising from the services rendered by employees to balance date.

Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Credit Union to employee superannuation funds and are charged as expenses when incurred. The Credit Union has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

1.10 Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

1.11 Goods and Services Tax (GST)

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

1.12 Comparative Figures

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

1.13 Adoption of Australian Equivalents to International Financial Reporting Standards

The Credit Union is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Credit Union's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of AIFRS transition adjustments will be made retrospectively against retained earnings at 1 July 2004.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.14 Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

The Credit Union's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the Credit Union's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1- First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the Credit Union's conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard setters to the current AIFRS or the interpretation of the AIFRS requirements changes from the continuing work of the Credit Union's AIFRS committee.

- (i) Investments – Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:
- held to maturity, measured at amortised cost;
 - held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
 - loans and receivables, measured at amortised cost; and
 - available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

Under the new Standards all investments will be required to be measured at fair value with all changes in value being recognised in the profit and loss account. For investments in instruments which do not have any trading market, such as shareholdings in CUSCAL and CFP, information will need to be obtained to determine the appropriate details to be reported.

- (ii) Income Tax – Currently, the Credit Union adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income or future income tax benefit. Under AASB:112: Income Taxes, the Credit Union will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effect of the timing and permanent differences between taxable income and accounting profit. No material impact is expected in the financial report.

MACQUARIE CREDIT UNION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

1.14 Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

- (iii) Impairment of Assets – Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the ‘cash generating unit’ level. A ‘cash generating unit’ is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflow from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset’s use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often. After assessing impairment in relation to the Credit Union, it was found that no material impact is expected in the financial report.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are monthly averages, and are representative of the Credit Union’s operations during the period.

	Average Balance \$	Interest \$	Average Rate %
<i>Interest revenue - 2005</i>			
Deposits with financial institutions	5,904,167	304,306	5.1%
Loans and advances (other than commercial loans)	40,917,263	3,230,655	7.9%
Commercial loans	1,620,833	145,102	8.9%
	<u>48,442,263</u>	<u>3,680,063</u>	
<i>Interest revenue - 2004</i>			
Deposits with financial institutions	6,254,167	331,342	5.3%
Loans and advances (other than commercial loans)	33,552,630	2,717,763	8.1%
Commercial loans	1,320,326	117,685	8.9%
	<u>41,127,123</u>	<u>3,166,790</u>	
<i>Borrowing costs - 2005</i>			
Customer deposits	38,265,819	1,374,598	3.6%
Short-term borrowings	3,622,017	217,321	6.0%
	<u>41,887,836</u>	<u>1,591,919</u>	
<i>Borrowing costs - 2004</i>			
Customer deposits	34,207,931	1,043,572	3.1%
Short-term borrowings	1,778,018	99,569	5.6%
	<u>35,985,949</u>	<u>1,143,141</u>	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
3. REVENUE FROM ORDINARY ACTIVITIES		
Interest Revenue	<u>\$3,680,063</u>	<u>\$3,166,790</u>
Non-Interest Revenue		
Commissions	142,328	115,306
Bad debts recovered	5,049	5,926
Other revenue	<u>56,183</u>	<u>42,346</u>
Total Non-Interest Revenue	203,560	163,578
Proceeds on sale of property plant and equipment	<u>6,281</u>	<u>20,096</u>
Other Revenue from Ordinary Activities	<u>\$209,841</u>	<u>\$183,674</u>
4. PROFIT FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax expense has been determined after:		
Expenses		
<i>Borrowing costs</i>	<u>\$1,591,919</u>	<u>\$1,143,141</u>
Bad debts		
Bad debts written off	24,757	45,687
Provision for impairment	-	(40,000)
	<u>24,757</u>	<u>5,687</u>
<i>Doubtful debts - term debtor</i>	<u>5,174</u>	<u>6,054</u>
	<u>\$29,931</u>	<u>\$11,741</u>
<i>Employee benefits expense</i>		
Salaries	592,583	448,228
Superannuation contributions	54,206	61,878
Annual leave	31,658	(1,538)
Long service leave	(21,854)	4,445
Sick leave	1,673	14,145
Other	<u>82,514</u>	<u>72,035</u>
	<u>\$740,780</u>	<u>\$599,193</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
4. PROFIT FROM ORDINARY ACTIVITIES (Continued)		
Expenses (Continued)		
<i>Depreciation</i>		
Office equipment	5,378	3,647
Office furniture and fittings	4,328	3,454
Motor vehicles	5,884	13,176
EDP hardware	4,003	10,785
EDP software	10,014	8,276
	<u>\$29,607</u>	<u>\$39,338</u>
 <i>Other expenses from ordinary activities</i>		
Fees and commissions	260,175	231,605
Loans administration	139,349	109,780
Data processing	212,291	208,542
General administration	338,121	326,325
	<u>\$949,936</u>	<u>\$876,252</u>
 5. INCOME TAX		
The prima facie tax on operating profit is reconciled to the income tax provided as follows:		
Prima facie tax on operating profit @ 30% (2004:30%)	142,746	178,803
Tax effect of permanent differences:		
- Rebateable fully franked dividends	<u>(4,286)</u>	<u>(2,163)</u>
Income tax expense attributable to operating profit	<u>\$138,460</u>	<u>\$176,640</u>
The income tax expense comprises amounts set aside as:		
- Income tax payable on current year profits	128,003	203,942
- Future income tax benefit	10,457	(27,302)
	<u>\$138,460</u>	<u>\$176,640</u>

MACQUARIE CREDIT UNION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
6. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditors of the Credit Union for:		
- Audit of the financial statements	18,120	15,600
- Other services	8,610	9,700
	<u>\$26,730</u>	<u>\$25,300</u>
7. CASH AND LIQUID ASSETS		
Imprest accounts	247,621	150,209
Deposits at call	-	1,219,935
Interest earning deposits	9,100,000	4,200,000
	<u>\$9,347,621</u>	<u>\$5,570,144</u>
8. ACCRUED RECEIVABLES		
Interest receivable	76,459	22,298
Member clearing accounts	183,518	96,999
	<u>\$259,977</u>	<u>\$119,297</u>
9. LOANS AND ADVANCES		
Overdrafts	527,256	520,458
Visa	473,344	241,431
Term loans	46,630,728	38,178,655
	<u>47,631,328</u>	<u>38,940,544</u>
General provision for impairment	(60,000)	(60,000)
Loans and advances (net)	<u>\$47,571,328</u>	<u>\$38,880,544</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
9. LOANS AND ADVANCES (Continued)		
9.1 Maturity Analysis		
Overdrafts	527,256	520,458
Visa	473,344	241,431
Not longer than 3 months	12,068	17,115
Longer than 3 months but less than 12 months	330,778	355,554
Longer than 12 month but less than 5 years	11,194,450	11,391,320
Longer than 5 years	<u>35,093,432</u>	<u>26,414,666</u>
	<u>\$47,631,328</u>	<u>\$38,940,544</u>

9.2 Concentration of Risk

- i) There are no members who have a loan which represents 10% or more of liabilities (2004 nil).
- ii) Details of loans which represent, in aggregate, 10% or more of equity are set out below. This information is based on residential postcodes.

	2005	2004
	\$	\$
Geographical Area		
Dubbo	21,902,918	17,296,870
Wellington	4,947,653	4,110,676
Gilgandra	3,904,414	3,394,976
Warren	1,998,124	2,157,018
Narromine	1,293,525	1,240,018
Cobar	1,385,776	1,201,445
Nyngan	1,014,395	957,404
Coonamble	849,040	765,482

9.3 Transactions with Directors and Director Related Entities

- i) The aggregate loans and overdrafts to all directors and their spouses at 30 June 2005 amounted to \$128,624 (2004 - \$139,656). No provision for impairment applies to these loans.
- ii) During the year loans and overdrafts disbursed to directors and their spouses amounted to \$10,000 (2004 - \$33,793).
- iii) All loans to Directors and related persons are approved on the same terms and conditions which apply to members generally. There are no loans guaranteed or secured by the Credit Union in respect of the Directors and related persons.

MACQUARIE CREDIT UNION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
9. LOANS AND ADVANCES (Continued)		
9.4 Provisions for Impairment		
<i>General provision for impairment</i>		
Opening balance	60,000	60,000
Increase through acquisition of entity	-	40,000
Provision no longer required	-	(40,000)
	\$60,000	\$60,000
<i>Bad and doubtful debt expense comprises</i>		
General provision for impairment	-	(40,000)
Bad debts written off	24,757	45,687
	\$24,757	\$5,687
9.5 Impairment of Loans and Advances		
All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification is described below.		
<i>Non-accrual loans</i>		
Balances with provisions for impairment	\$83,959	\$89,877
<i>Restructured loans</i>		
Balances at 30 June	-	-
<i>Non-accrual and restructured loans</i>		
Interest revenue earned	\$7,024	\$5,575
Interest revenue forgone	\$7,715	\$8,374
<i>Past due loans</i>		
Balance at 30 June	\$50,952	\$26,455
<i>Assets acquired via security enforcement</i>		
No assets were acquired during the year by security enforcement (2004 - Nil).		

“Non-accrual loans” are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and the interest being charged is less than the Credit Union’s average cost of funds.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

9. LOANS AND ADVANCES (Continued)

9.5 Impairment of Loans and Advances (Continued)

“Restructured loans” arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities and the anticipated yield following restructuring is equal to or greater than the entity’s average cost of funds. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

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

“Past-due loans” are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

	2005	2004
	\$	\$
10. OTHER INVESTMENTS		
Shares held with Special Service Providers		
- Primary shares	20	20
- Commercial shares	194,819	259,759
Shares – at cost		
- Unlisted	42,074	53,852
	<u>236,913</u>	<u>313,631</u>
Less: Provision for diminution – unlisted shares	(40,058)	(34,969)
	<u>196,855</u>	<u>278,662</u>
Listed shares – at market value	18,464	18,464
	<u>196,855</u>	<u>278,662</u>
Total other investments	<u>\$215,319</u>	<u>\$297,126</u>
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture - at cost	73,181	67,104
Less: provision for depreciation	(56,866)	(52,538)
	<u>16,315</u>	<u>14,566</u>
Office equipment - at cost	57,580	51,243
Less: provision for depreciation	(40,525)	(39,956)
	<u>17,055</u>	<u>11,287</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT (Continued)		
Motor vehicles - at cost	62,022	40,850
Less: provision for depreciation	(5,884)	(14,004)
	56,138	26,846
EDP hardware - at cost	133,602	120,437
Less: provision for depreciation	(117,802)	(113,799)
	15,800	6,638
EDP software - at cost	145,295	99,920
Less: provision for depreciation	(100,756)	(90,742)
	44,539	9,178
Total Property, Plant and Equipment	\$149,847	\$68,515

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

	Office Furniture	Office Equipment
	\$	\$
Balance at the beginning of year	14,566	11,287
Additions	6,077	11,146
Depreciation expense	(4,328)	(5,378)
Disposals	-	-
	\$16,315	\$17,055
	Motor Vehicles	EDP Hardware
	\$	\$
Balance at the beginning of year	26,846	6,638
Additions	42,333	13,165
Depreciation expense	(5,884)	(4,003)
Disposals	(7,157)	-
	\$56,138	\$15,800

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	EDP Software	Total
	\$	\$
Balance at the beginning of year	9,178	68,515
Additions	45,375	118,096
Depreciation expense	(10,014)	(29,607)
Disposals	-	(7,157)
	<u>\$44,539</u>	<u>\$149,847</u>

12. OTHER ASSETS

	2005	2004
	\$	\$
Prepayments	\$9,630	-
	<u>\$9,630</u>	<u>-</u>

13. DEFERRED TAX ASSETS

Future income tax benefits	\$251,414	\$261,871
	<u>\$251,414</u>	<u>\$261,871</u>

The future income tax benefit is made up of the estimated tax benefits arising from timing differences.

14. DEPOSITS AND SHORT TERM BORROWINGS

Term deposits	25,151,512	19,628,444
Call deposits	17,853,265	16,953,363
Withdrawable shares	48,796	45,312
	<u>\$43,053,573</u>	<u>\$36,627,119</u>

14.1 Maturity analysis

On call	17,902,061	16,998,676
Not longer than 3 months	5,564,954	9,734,734
Longer than 3 months but less than 12 months	19,586,558	9,893,709
	<u>\$43,053,573</u>	<u>\$36,627,119</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

14. DEPOSITS AND SHORT TERM BORROWINGS (Continued)

14.2 Concentration of Deposits

- i) There are no members who have deposits which represent 10% or more of liabilities. (2004 – Nil).
- ii) Details of deposits which represent 10% or more of equity are set out below. This information is derived from records of payroll deductions and residential postcodes.

	2005	2004
	\$	\$
Geographical Area		
Dubbo	25,791,167	17,523,670
Wellington	2,683,045	2,724,454
Gilgandra	2,680,626	2,502,528
Nyngan	2,385,117	2,268,553
Warren	1,525,829	1,440,369
Coonamble	1,365,282	1,301,021
Cobar	1,160,814	1,266,135
Narromine	1,272,512	825,469

14.3 Transactions with Directors and Director Related Parties

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

	2005	2004
	\$	\$

15. PAYABLES AND OTHER LIABILITIES

Payables and accrued expenses	76,787	89,082
Accrued interest payable	445,748	290,859
Member clearing accounts	192,954	35,906
	<u>\$715,489</u>	<u>\$415,847</u>

16. INTEREST BEARING LIABILITIES

Bank overdraft	131,826	-
Term loan	1,000,000	500,000
Deposits from other ADI's	6,007,363	1,025,897
	<u>\$7,139,189</u>	<u>\$1,525,897</u>

16.1 Maturity analysis

Not longer than 3 months	3,131,826	1,525,897
Longer than 3 months but less than 12 months	4,007,363	-
	<u>\$7,139,189</u>	<u>\$1,525,897</u>

MACQUARIE CREDIT UNION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
17. TAX LIABILITIES		
Income tax	\$6,576	\$66,034
18. PROVISIONS		
Employee benefits	\$72,936	\$82,588
19. RETAINED PROFITS		
Retained profits at the beginning of the financial year	2,681,457	2,262,088
Net profit attributable to members	337,361	419,369
Retained profits at the end of the financial year	\$3,018,818	\$2,681,457

Balance of franking account held by the Credit Union after adjustments for credits that will arise from the payment of income tax payable as at the end of the financial year is \$1,198,660 (2004 - \$1,070,657). Franking credits represent reserves upon which income tax has been paid.

Since the Credit Union constitution prevents a dividend being declared these credits are not presently available to members.

	2005	2004
	\$	\$
20. RESERVES		
General	3,780,091	3,780,091
Asset revaluation	18,464	18,464
	\$3,798,555	\$3,798,555
<i>Asset Revaluation</i>		
Movements during the year		
Opening balance	18,464	8,692
Revaluation of listed shares	-	9,772
Closing balance	\$18,464	\$18,464

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

	2005	2004
	\$	\$
20. RESERVES (Continued)		
<i>General</i>		
Movements during the year		
Opening balance	3,780,091	2,800,000
Equity through merger with Post-Tel Credit Union Ltd	-	980,091
Closing balance	\$3,780,091	\$3,780,091

21. DIRECTORS AND RELATED PARTY DISCLOSURES

21.1 Directors' Names

The Directors of the Credit Union during the year were:

PG Alchin (resigned 23 July 2005)	JR Moss
RJ Allan	PM Nolan
TE Bacon	CJ Shepherd
C Giffin	RA Smith (resigned 29 March 2005)
B Glawson	

21.2 Remuneration

The aggregate remuneration (excluding reimbursement of expenses) received by directors in the year was \$Nil (2004 - \$Nil). There are no payments made to superannuation funds for the benefit of directors.

21.3 Other

Financial transactions with Directors and related parties are conducted on the same terms and conditions as applicable to members generally as reported in Note 9 and 14.

22. EXPENDITURE COMMITMENTS AND CREDIT COMMITMENTS

22.1 Future Capital Commitments

The Credit Union has no future capital commitments as at 30 June 2005 (2004: \$Nil)

22.2 Future Lease Rental Commitments

Operating lease payments under existing lease arrangements for accommodation are payable over the following periods:

	2005	2004
	\$	\$
Within 1 year	34,482	48,859
1-2 years	26,898	34,653
2-5 years	18,559	50,427
	\$79,939	\$133,939

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

22. EXPENDITURE COMMITMENTS AND CREDIT COMMITMENTS (Continued)

22.3 Outstanding Loan Commitments

The loans approved by the board but not funded as at 30 June 2005 amount to \$1,254,110 (2004 - \$2,019,028).

The withdrawal of these funds is at the discretion of the board subject to available liquid funds. It is anticipated all of the commitment will be paid within 12 months.

22.4 Unfunded Loan Facilities

Loan facilities to members for overdrafts and line of credit loans approved but unfunded at 30 June 2005, amounted to \$1,964,300 (2004 - \$1,708,612). Net increase in limits during the year totalled \$494,400. There are no restrictions to withdrawal of the funds provided normal repayments are maintained.

	2005	2004
	\$	\$
23. STANDBY BORROWING FACILITIES		
The Credit Union has gross borrowing facilities with CUSCAL of:		
Loan Facility		
Gross	600,000	600,000
Current borrowing	-	-
	<u>\$600,000</u>	<u>\$600,000</u>
Net available		
Loan Facility – TWT Fund		
Gross	1,000,000	1,000,000
Current borrowing	(1,000,000)	(500,000)
	<u>\$-</u>	<u>\$500,000</u>
Net available		
Overdraft Facility		
Gross	300,000	300,000
Current borrowing	(110,354)	-
	<u>\$189,646</u>	<u>\$300,000</u>
Net available		

There are no restrictions as to withdrawal of these funds.

The borrowing facility is secured by a fixed and floating charge over the Credit Union's assets.

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NOTES TO THE FINANCIAL STATEMENTS
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24. CONTINGENT LIABILITIES

24.1 Credit Union Financial Support System

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

The balance of the debt at 30 June 2005 was nil (2004: nil).

There are no other contingent liabilities at balance date or the date of this report.

The Credit Union is a participant in the Credit Union financial support system (CUFSS). The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

25. ECONOMIC DEPENDENCY

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

Credit Union Services Corporation (Australia) Limited - (CUSCAL)

This entity supplies financial banking services to the Credit Union for the provision of financial intermediation services. The Credit Union has invested all of its high quality liquid assets (HQLA) and operating liquid assets (OLA) with the entity to maximise return on funds.

This entity also supplies the Credit Union rights to members' cheques and Visa cards in Australia and provides services in the form of settlement with bankers for members' cheques and Visa card transactions and the production of Visa cards for use by members.

Ultradata Pty Ltd

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

Combined Financial Processing Pty Ltd (CFP)

This entity provides computing services to the Credit Union.

26. SEGMENTAL REPORTING

The Credit Union operates predominantly in the finance industry within New South Wales. The operations comprise the acceptance of deposits and the making of loans to members. Specific segments of related deposits and loans are set out in Notes 9 and 14 respectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

27. STATEMENT OF CASH FLOWS

27.1 Cash Flows Presented on a Net Basis

Cash arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- i) customer deposits in and withdrawals from savings and other deposit accounts;
- ii) sales and purchases of maturing certificates of deposit.

27.2 Reconciliation of Net Cash Provided by Operating Activities to Operating Profit after Income Tax

	2005	2004
	\$	\$
Operating profit after tax	337,361	419,369
Bad debts written off	24,757	45,687
Employee leave entitlements	(9,652)	(44,464)
Provision for bad debts	-	(40,000)
Depreciation	29,607	39,338
Loss on sale of property, plant and equipment	876	6,992
Provision for doubtful debts	5,174	6,054
(Increase) / decrease in future income tax benefit	10,457	(27,189)
Increase / (decrease) in provision for income tax	(59,458)	25,245
Increase / (decrease) in accrued interest payable	154,889	19,343
Increase / (decrease) in payables	144,753	26,816
(Increase) / decrease in other receivables	(140,680)	(76,180)
(Increase)/decrease in other assets	(9,630)	-
	\$488,454	\$401,011
27.3 Reconciliation of Cash		
Cash on hand and at SSPs	247,621	1,370,144
Term deposits	9,100,000	4,200,000
Less bank overdraft	(131,826)	-
	\$9,215,795	\$5,570,144
Cash as per Statement of Cash Flows	\$9,215,795	\$5,570,144

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

28. FINANCIAL INSTRUMENTS

28.1 Terms, conditions and accounting policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Loans and Advances	9	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis. Loan interest is calculated on daily balances and charged in arrears on the last day of the month.
Loans and Advances – related parties	9	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.	All loans disbursed are approved on the same terms and conditions which apply to all members.
Short-term deposits	7	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Short-term deposits have an average maturity of 30 days and effective interest rates of 4.5% to 5.5% (2004:4.5% to 5.5%).
Unlisted shares	10	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	-
Listed shares	10	Listed shares are carried at market value. Dividend income is recognised when the dividends are received.	-
Accrued receivables	8	The carrying value of receivables are carried at their nominal amounts due.	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

28. FINANCIAL INSTRUMENTS (Continued)

28.1 Terms, conditions and accounting policies (Continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(ii) Financial liabilities			
Payables and other liabilities	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30 day terms.
Deposits and short term borrowings	14	Deposits are recorded at the principal amount	Details of maturity terms are set out in note 14. Interest is calculated on the daily balance.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

(Continued)

28. FINANCIAL INSTRUMENTS (Continued)

28.2 Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Non interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
(i) Financial assets	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Cash and liquid assets	-	1,219,935	9,100,000	4,200,000	247,621	150,209	9,347,621	5,570,144	5.1	4.9
Accrued receivables	-	-	-	-	259,977	119,297	259,977	119,297	-	-
Loans and advances - related parties/entities	128,624	139,656	-	-	-	-	128,624	139,656	7.9	8.1
Other investments	-	-	-	-	215,319	297,126	215,319	297,126	-	-
Loans and advances	47,442,704	38,740,888	-	-	-	-	47,442,704	38,740,888	7.9	8.1
Total financial assets	47,571,328	40,100,479	9,100,000	4,200,000	722,917	566,632	57,394,245	44,861,103		
(ii) Financial liabilities										
Deposits and short term borrowings	17,853,265	16,953,363	25,151,512	19,628,444	48,796	45,312	43,053,573	36,627,119	3.6	3.1
Payables and other liabilities	-	-	-	-	715,489	415,847	715,489	415,847	-	-
Interest bearing liabilities	3,131,826	1,525,897	4,007,363	-	-	-	7,139,189	1,525,897	-	5.6
Total financial liabilities	20,985,091	18,479,260	29,158,875	19,628,444	764,285	461,159	50,908,251	38,568,863		

There are no financial assets and financial liabilities with fixed interest rates with terms in excess of one year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

(Continued)

28. FINANCIAL INSTRUMENTS (Continued)

28.3 Net fair values

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

	Total carrying amount in the statement of financial position		Aggregate net fair value	
	2005 \$	2004 \$	2005 \$	2004 \$
Financial assets				
Cash and liquid assets	9,347,621	5,570,144	9,347,621	5,570,144
Accrued receivables	259,977	119,297	259,977	119,297
Loans and advances-related parties	128,624	139,656	128,624	139,656
Other investments	215,319	297,126	215,319	297,126
Loans and advances	47,442,704	38,740,888	47,358,745	38,714,433
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	\$57,394,245	\$44,867,111	\$57,310,286	\$44,840,656
Financial liabilities				
Deposits and short term borrowings	43,053,573	36,627,119	43,053,573	36,627,119
Payables and other liabilities	715,489	415,847	715,489	415,847
Interest bearing liabilities	7,139,189	1,525,897	7,139,189	1,525,897
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	\$50,908,251	\$38,568,863	\$50,908,251	\$38,568,863

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

Cash and liquid assets and due from other financial institutions: The carrying amount approximates fair value because of their short-term to maturity or are receivable on demand.

Accrued receivables: The carrying amounts approximate fair value because they are short term in nature.

Unlisted shares and deposits: Securities are carried at net market/net fair value.

Loan and advances: The fair values of loans receivable excluding impaired loans, are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Payables and other liabilities: The carrying amounts approximate fair value as they are short term in nature.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005
(Continued)

28. FINANCIAL INSTRUMENTS (Continued)

28.3 Net fair values (Continued)

Deposits: This includes interest and unrealised expenses payable for which the carrying amount is considered to be reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities. The fair value of deposits at call is the amount payable on demand at the reporting date.

28.4 Credit risk exposures

The Credit Union's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

28.5 Concentrations of credit risk

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers. Loans to members by geographical area is detailed in note 9. There are also a number of industry groups with payroll transactions with the Credit Union. Specific information about these industries is not readily available.

28.6 Securitisation

The Credit Union has an agreement with a mortgage provider whereby it acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The Credit Union also manages a loan portfolio on behalf of the trust. The Credit Union bears no credit risk exposure in respect of these loans.

29. COMPANY DETAILS

The registered office of the Credit Union is:-

Macquarie Credit Union Ltd
23 Hawthorn Street,
DUBBO NSW 2830

End of audited financial statements.

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