



Macquarie Credit Union

working together

2006 Annual Report

Macquarie Credit Union Limited
Incorporating Post - Tel Credit Union & Country Energy Credit Union
AFSL No 241132 ABN 85 087 650 253



CHAIRMAN'S REPORT

Membership and Financial Performance

We welcomed 546 new members into our credit union during the past year, giving a total of 5,128 at 30th June 2006.

An excellent financial result was achieved once again, with a gross surplus of \$568,874, which was reduced to \$402,969 after paying tax of \$165,905. This represents a return on average assets of 0.68%, an increase of 4.6% on last year's result and above the average of all credit unions in Australia.

Assets increased by \$4.2 million to \$61.9 million, an increase of 7.2% over the year.

New Products and Services

The past year has been one mainly of consolidation, however in our ongoing attempt to make our already extensive range of products and services even better, we did announce some new initiatives.

Five new loan products were introduced giving members an even wider range to choose from. These coupled with the extra flexibility in savings products now available, give our members access to almost any type of loan or deposit product they could imagine.

Access to member's accounts was also improved during the year with the introduction of Bank@Post. This service allows all members to access their accounts by way of withdrawals or deposits at any participating post office, or post office agency.

We also negotiated with the Dubbo City Council to install an ATM at the completely refurbished Dubbo City airport. This along with our ATM at the Dubbo Base Hospital, gives all members of the community access to their accounts at two significant places of congregation in Dubbo.

With Internet banking, Telephone banking, Visa Cards, Redicards, BPay, cheque books, travellers cheques, Cash Passport Card and now giroPost, our members have a great variety of channels through which to access their accounts from anywhere at any time.

Challenges

Our Hawthorn Street branch was subject to an armed robbery in early May 2006. Five members of our staff were held at knifepoint and a significant amount of money was taken. It was only the level headedness and the calm manner in which the affected staff dealt with this very traumatic situation that prevented any physical injury. Their detailed co-operation with the police, along with help of the community of Dubbo, led to the capture and charging of the alleged offender within 24 hours.

I would like to place on record my sincerest thanks to those staff members involved, for the professional manner in which they dealt with this very difficult situation. I would also like to thank all other members of the staff for the magnificent support they have given to those staff, and to all credit union members, in keeping normal services available in the hectic days following the robbery. To me this underlines the very high standard we have in our staff, something we as members sometimes take for granted.

Loyalty Programme

In August 2005 we introduced a new fee structure based on a loyalty programme. It basically says that the more business you transact with your credit union, the more benefits you receive. It is structured in a way that each member is able to decide how much they will pay in transaction fees. It has been very well received by all members, many commenting that it is the fairest system they have seen.

Smart Members

It is pleasing to see that our members are not only smart financially, but also have the wood on other credit union members when it comes to picking rugby league results. One of our long time members and former director, Alex Klaassens won last year's credit union NRL footy tipping competition, beating over 1,600 credit union members from around the state for the coveted trophy. Congratulations Alex.

Board Changes

Craig Giffen resigned last year to relocate his family to the sunny Queensland coast. Craig had contributed significantly to our credit union since he became a director more than five years ago. As well as completing the Australasian Credit Union Institute of Directors Diploma Course, he was appointed Deputy Chairman in 2003. Thank you Craig for all your help and work on behalf of all members.

Three new directors have been appointed to the board to fill Craig's position and two other vacancies that had been created as a result of Phil Alchin and Rod Smith's resignations previously.

John Millar, General Manager of Orana Gardens Aged Care, as well as President of the Dubbo branch of the RSL was appointed toward the end of 2005. Soon after Averil Gillham, who is the Accountant of the School of Rural Health attached to the University of Sydney here in Dubbo, was also appointed to the Board. Both John and Averil have extensive experience in management positions as well as specific technical expertise. Added to this they are both locals who are passionate long time supporters of our credit union.

More recently the board appointed Ray Mills to replace Craig Giffen. Ray works in an administrative management position with the Dubbo City Council and also brings many years of experience to the board table. I welcome all three new directors to their respective positions and am sure our credit union will be very well served by their appointments.

In April this year, long standing Director Rod Allan resigned due to extensive work commitments. Rod had been a Director for almost ten years and had made a significant contribution to the Board during that time. His common sense approach and particular expertise in information technology will be sorely missed.

I am sure all members join with me in thanking Rod for his contribution to our credit union.

Acknowledgments

The continued success of our credit union is due to the hard work and untiring effort of many people.

The management and staff have once again shown that no matter what is thrown at them, they

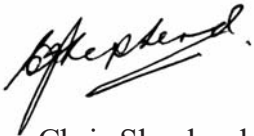
just keep getting better. Our members are so lucky to have such a wonderful group of people looking after their every financial need.

The management and staff of the many employer organisations from whom our members are drawn also help in the smooth running of our credit union. In particular the volunteer representatives in those organisations who provide such an important link to our staff, I especially thank you for your continued support.

To my fellow directors I also thank you for your efforts in striving to even higher goals during the past year. Our credit union is grateful to have such a talented and dedicated group of people willing to donate their time and effort for the continued betterment of our credit union.

Finally to all the members, I say thank you for your continued patronage. It is after all your credit union, and will only continue to grow whilst it receives your support.

I see only good times ahead for the Macquarie Credit Union.

A handwritten signature in black ink, appearing to read "C Shepherd". The signature is written in a cursive style with a long horizontal stroke at the end.

Chris Shepherd
Chairman

GENERAL MANAGER'S REPORT

It seems each year we comment on the challenges of competition, legislation and regulation and the 2005-2006 year was no different (and 2006-2007 appears to be shaping up the same way). Nevertheless, your credit union continues to meet these challenges and has completed another successful year of operation.

Last year I introduced the “plain English” version of our balance sheet and profit & loss information, to provide members with an easy to read, high level summary of the year’s results. The feedback received indicated that this should be a regular feature of my report. Please remember that the following information is intended to provide a snapshot of the credit union’s financial performance. Full details of the credit union’s financial results are contained in the following pages.

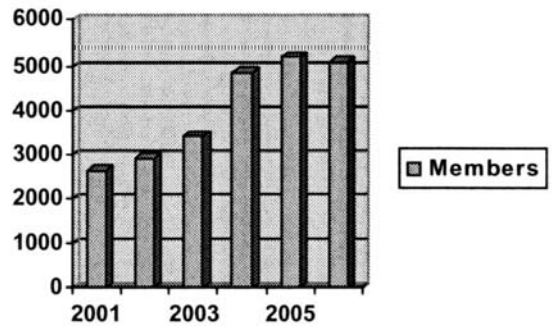
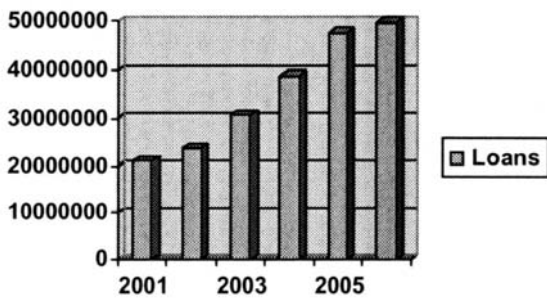
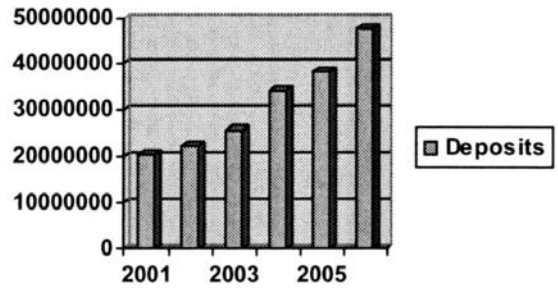
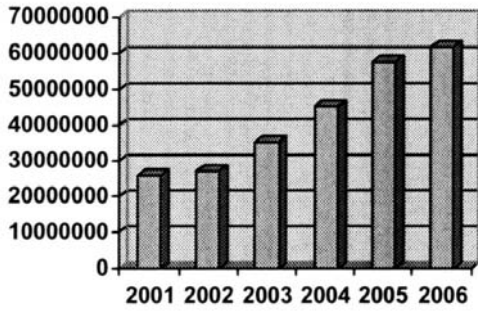
Balance Sheet

ASSETS				LIABILITIES			
What the Credit Union Owns				What the Credit Union Owes			
	2004	2005	2006		2004	2005	2006
	\$K	\$K	\$K		\$K	\$K	\$K
Member Loans	38,881	47,571	49,694	Member Deposits	36,627	43,054	48,157
Cash & Investments	5,570	9,348	11,395	Sundry Creditors	1,936	7,854	6,516
Plant & Equipment	68	150	148	Provisions	83	73	95
Other	673	736	752	Other	66	7	-
				Members Reserves/Equity	6,480	6,817	7,221
Total Assets	45,192	57,805	61,989	Total Liabilities	45,192	57,805	61,989

Profit and Loss Account

WHAT WE EARNED	2004	2005	2006
	\$K	\$K	\$K
Interest – member loans	2,835	3,376	3,969
Interest - investments	316	250	527
Transfer from provisions	40	0	0
Other income – commissions, fees etc	199	474	361
Total Income	3,390	4,100	4,879
WHAT WE SPENT			
Interest – member deposits	1,044	1,375	1,840
Interest – borrowings	100	217	400
Member service costs (ATMs, Cheques, EFTPOS etc)	341	400	331
Computer costs (data processing etc)	228	226	242
Staff costs	599	741	760
General expenses	482	665	737
Total Operating Costs	2,794	3,624	4,316
Operating Profit Before Tax	596	476	569
Income Tax Expense	177	138	165
Net Profit After Tax	419	337	402

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



I would like to thank all my staff for their enthusiasm and support throughout the year. I would particularly like to acknowledge the courage of the staff directly involved in the robbery and the compassion and understanding of all staff after the event.

On behalf of the staff I would like to thank all members for their continuing support of the Credit Union.

Bob Malcolm
General Manager

MACQUARIE CREDIT UNION LIMITED

ABN 85 087 650 253

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006**

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

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MACQUARIE CREDIT UNION LIMITED
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DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2006.

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 (resigned 24 April 2006)	J Millar (appointed 25 July 2005)
TE Bacon	R Mills (appointed 22 May 2006)
B Glawson	PM Nolan
C Giffin (resigned 31 January 2006)	CJ Shepherd
A Gillham (appointed 19 December 2005)	

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 Limited for the past two years as the General Manager of the Credit Union. 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 Union's activities during the year.

OPERATING RESULTS

The amount of profit of the Credit Union for the financial year after providing for income tax was \$402,969 (2005: \$336,783).

DIVIDENDS RECOMMENDED

The Credit Union's constitution does allow the payment of a dividend, but the Directors of the Credit Union have elected not to pay a dividend for the year ended 30 June 2006.

REVIEW OF OPERATIONS

Macquarie Credit Union Limited has experienced a successful year of operation. The after tax surplus of \$402,969 is a sound performance in the light of ever increasing competition, particularly in the home loan and deposit markets.

Membership and asset growth have met expectations for the past year and we look forward to continuing growth over the coming twelve months.

ENVIRONMENTAL ISSUES

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

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

DIRECTORS' REPORT
(Continued)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS) the Credit Union's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 32 to this report.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year, that have 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

During the next financial year the Directors do not expect any significant changes in the operations or services of the Credit Union which will affect the results of the Credit Union.

Further information as to future developments, prospects and business strategies of the Credit Union have not been included in this report as the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the interests of the Credit Union.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments) by reason of a contract made by the Credit Union or a related corporation with a Director or with a firm of which he or she is a member, or with an entity in which he or she 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 \$288.

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.

INFORMATION ON DIRECTORS

The Directors in office at the date of this report are:

Mr C J Shepherd	-	Chairman
<i>Experience:</i>	-	Appointed Chairman 23/10/86
	-	Board Member since 19/04/71
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr T E Bacon	-	Director
<i>Experience:</i>	-	Board Member since 1/11/03
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

DIRECTORS' REPORT
(Continued)

INFORMATION ON DIRECTORS (Continued)

A Gillham	-	Director
<i>Experience:</i>	-	Board Member since 19/12/05
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr B Glawson	-	Director
<i>Experience:</i>	-	Board Member since 24/02/99
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr J Millar	-	Director
<i>Experience:</i>	-	Board Member since 25/07/05
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr J R Moss	-	Director
<i>Experience:</i>	-	Board Member since 1/11/03
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr P M Nolan	-	Director
<i>Experience:</i>	-	Board Member since 1/11/03
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union
Mr R Mills	-	Director
<i>Experience:</i>	-	Board Member since 22/05/06
<i>Interest in Shares:</i>	-	One ordinary share in the Credit Union

GENERAL BOARD ATTENDANCE

During the financial year the following meetings of Directors were held. Attendances were:

	Board Meetings Eligible to Attend	Board Meetings Attended	Audit Committee Meetings Eligible to Attend	Audit Committee Meetings Attended
RJ Allan	9	6	-	-
TE Bacon	11	9	3	3
C Giffin	6	4	3	2
B Glawson	11	9	-	-
JR Moss	11	9	4	4
PM Nolan	11	10	4	4
CJ Shepherd	11	11	4	4
A Gillham	6	6	1	1
J Millar	10	7	1	1
R Mills	2	1	-	-

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

DIRECTORS' REPORT
(Continued)

NON-AUDIT SERVICES

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

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


The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:

	\$
Taxation services	2,230
Preparation of financial statements	3,500
	<u>\$5,730</u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 5 of the financial report.

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

Chris Shepherd 

John Moss 

Dated at Dubbo this 30th day of August 2006.



ALAN MORSE & CO
Chartered Accountants

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

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

Alan Morse & Co

ALAN MORSE & CO
CHARTERED ACCOUNTANTS

36 Darling Street
Dubbo
Dated: 23 August 2006

JM SHANKS
PARTNER



ALAN MORSE & CO
Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACQUARIE CREDIT UNION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for Macquarie Credit Union Limited for the year ended 30 June 2006.

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 and of its performance as represented by the results of its 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)



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

Audit Opinion

In our opinion, the financial report of Macquarie Credit Union Limited 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 2006 and of 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

36 Darling Street
Dubbo
Dated: 30 August 2006

JM SHANKS
PARTNER

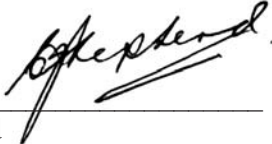
MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

DIRECTORS' DECLARATION

The Directors of Macquarie Credit Union Limited declare that:

1. The financial report and notes set out on pages 9 to 43 are in accordance with the Corporations Act 2001; and
 - 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 2006 and of the performance for the year ended on that date of the Credit Union.
2. The General Manager has declared that:
 - i) 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; and
 - ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - iii) 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 30th August 2006 for and on behalf of the Directors by:


Chris Shepherd


John Moss

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Interest revenue	3	4,517,803	3,680,063
Interest expense	4	<u>(2,240,062)</u>	<u>(1,591,919)</u>
Net interest revenue		2,277,741	2,088,144
Other revenue	3	361,019	203,560
Impairment losses on loans and advances	4	(137,211)	(29,931)
Employee benefits expense	4	(760,337)	(741,358)
Occupancy expense	4	(73,472)	(71,910)
Depreciation and amortisation expense	4	(73,905)	(29,607)
Other expenses	4	<u>(1,024,961)</u>	<u>(943,655)</u>
Profit before income tax expense		568,874	475,243
Income tax expense	5	<u>(165,905)</u>	<u>(138,460)</u>
Profit for the year		<u>402,969</u>	<u>336,783</u>

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
ASSETS			
Cash and liquid assets	7	11,394,809	9,347,621
Accrued receivables	8	201,874	259,977
Loans and advances	9	49,693,880	47,571,328
Other investments	10	178,048	215,319
Property, plant and equipment	11	147,978	105,308
Intangibles	12	95,687	44,539
Deferred tax assets	13	271,410	251,414
Other assets	14	5,562	9,630
TOTAL ASSETS		61,989,248	57,805,136
LIABILITIES			
Deposits and short term borrowings	15	48,156,760	43,053,573
Payables and other liabilities	16	617,150	715,489
Interest bearing liabilities	17	5,898,903	7,139,189
Tax liabilities	18	-	6,576
Provisions	19	95,227	72,070
TOTAL LIABILITIES		54,768,040	50,986,897
NET ASSETS		\$7,221,208	\$6,818,239
EQUITY			
Reserves	20	4,538,555	4,538,555
Retained profits	21	2,682,653	2,279,684
TOTAL EQUITY		\$7,221,208	\$6,818,239

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Retained Profits	General Reserve	Asset Revaluation Reserve	Credit Losses Reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2004	2,682,901	3,780,091	18,464	-	6,481,456
Transfer from retained profits to credit losses reserve	(740,000)	-	-	740,000	-
Profit for the year	336,783	-	-	-	336,783
At 30 June 2005	<u>2,279,684</u>	<u>3,780,091</u>	<u>18,464</u>	<u>740,000</u>	<u>6,818,239</u>
Profit for the year	402,969	-	-	-	402,969
At 30 June 2006	<u>\$2,682,653</u>	<u>\$3,780,091</u>	<u>18,464</u>	<u>\$740,000</u>	<u>\$7,221,208</u>

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on loans		3,968,924	3,375,757
Interest on investments		527,147	250,145
Other non-interest income		456,468	152,749
Interest paid on members' savings		(1,839,693)	(1,219,709)
Interest paid on other finance		(406,062)	(217,321)
Payments to suppliers and employees		(1,937,137)	(1,665,706)
Income tax paid		(192,477)	(187,461)
Members' loan repayments		13,613,369	9,217,269
Members' loans' disbursed		(15,872,923)	(17,932,810)
Net cash used in operating activities	28.3	(1,682,384)	(8,227,087)
CASH FLOWS FROM INVESTING ACTIVITIES			
Consideration received on disposal of property, plant and equipment		9,318	6,281
Net movement in investments		37,062	76,633
Purchase of property, plant and equipment		(179,709)	(118,096)
Net cash used in investing activities		(133,329)	(35,182)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	5,481,466
Repayment of borrowings		(1,108,460)	-
Net movement in member savings		5,103,187	6,426,454
Net cash provided by financing activities		3,994,727	11,907,920
NET INCREASE/(DECREASE) IN CASH HELD		2,179,014	3,645,651
Cash at beginning of year		9,215,795	5,570,144
CASH AT END OF YEAR	28.2	\$11,394,809	\$9,215,795

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial report of Macquarie Credit Union Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the 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 Statement of Compliance

Macquarie Credit Union Limited has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First Time Adoption of Australian equivalents to International Financial Reporting Standards, adjustments to the Credit Union's accounts resulting from the introduction to AIFRS have been applied retrospectively to the 2005 comparative figures. These accounts are the first financial statements of Macquarie Credit Union Limited to be prepared in accordance with Australian equivalents to IFRS.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 32 to this report.

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.

1.2 Income Tax

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

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

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

MACQUARIE CREDIT UNION LIMITED
ABN 85 087 650 253

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Income Tax (Continued)

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

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

1.3 Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

The depreciable amount of all fixed assets including 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%
Office furniture and fittings	33.3%
Motor vehicles	22.0%

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

1.4 Intangible Assets

Under AIFRS, items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets, not as part of property, plant and equipment. Computer software is amortised over the expected useful life of the software at 33.3% per year.

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.5 Loans to Members

(i) Basis of Inclusion

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans 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 loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful.

(ii) Interest Earned

Term Loans - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft - The loan interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the 3rd day of each month.

Non-Accrual Loan Interest - while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or, where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors. Australian Prudential Regulation Authority (APRA) has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 90 days for an overlimit overdraft facility.

(iii) Loan Origination Fees and Discounts

Loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

1.6 Loan Impairment

(i) Specific Provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. Losses expected from future losses are not recognised, no matter how likely the future event is likely to occur. The amount provided for doubtful debts is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears.

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.6 Loan Impairment (Continued)

(ii) Reserve for Credit Losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The reserve is based on estimation of potential risk in the loan portfolio based upon:

- The level of security taken as collateral.
- The concentration of loans taken by employment type.

1.7 Bad Debts Written Off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for doubtful debts if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the income statement.

1.8 Equity Investments

Investments in shares are classified as available for sale financial instruments.

Investments in shares, which do not have a ready market and are not capable of being reliably valued, are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

All investments are in Australian currency.

1.9 Members' Deposits

(i) Basis for Determination

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest Payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.10 Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Credit Union in respect of services provided by employees up to the reporting date.

Upon transition to AIFRS the provision for annual leave was reviewed with entitlements not expected to be used within 12 months being measured at the present value of the estimated future cash outflows.

Contributions are made by the Credit Union to an employee's superannuation fund 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.

1.11 Cash and Liquid Assets

Cash and liquid assets comprise cash on hand and at call deposits with banks or financial institutions, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.12 Impairment of Assets

At each reporting date, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assigning a value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.12 Impairment of Assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

1.13 Provisions

Provisions are recognised when the Credit Union has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

1.14 Goods and Services Tax

As a financial institution the Credit Union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to Goods and Services Tax (GST) collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

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

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet.

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

1.15 Comparative Amounts

When the presentation or classification of items in the financial report is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

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 - 2006</i>			
Deposits with financial institutions	9,633,333	548,879	5.7%
Loans and advances (other than Commercial loans)	47,204,001	3,788,506	8.0%
Commercial loans	2,000,950	180,418	9.0%
	58,838,284	4,517,803	
<i>Interest revenue - 2005</i>			
Deposits with financial institutions	5,904,167	304,306	5.2%
Loans and advances (other than Commercial loans)	40,917,263	3,230,655	7.9%
Commercial loans	1,620,833	145,102	8.9%
	48,442,263	3,680,063	
<i>Borrowing costs - 2006</i>			
Customer deposits	47,756,962	1,834,000	3.8%
Short-term borrowings	6,519,046	406,062	6.2%
	54,276,008	2,240,062	
<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%
	41,887,836	1,591,919	
	2006		2005
	\$		\$

3. REVENUE FROM ORDINARY ACTIVITIES

Interest revenue	\$4,517,803	\$3,680,063
Non-interest revenue		
Dividends received	19,482	14,287
Fees and commissions		
- Fees and charges	103,541	8,814
- Commissions	186,415	133,514
Bad debts recovered	25,599	5,049
Other Revenue	25,982	41,896
	\$361,019	\$203,560

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
4. PROFIT FROM OPERATIONS		
Profit from operations before income tax expense has been determined after recognising the following expenses:-		
Borrowing costs	<u>\$2,240,062</u>	<u>\$1,591,919</u>
Impairment losses		
- Doubtful debts – term debtor	209	5,174
- Bad debts written off directly against profit	<u>137,002</u>	<u>24,757</u>
	<u>\$137,211</u>	<u>\$29,931</u>
Depreciation and amortisation		
- Office equipment	10,454	5,378
- Office furniture	4,764	4,328
- Motor vehicles	14,256	5,884
- EDP hardware	23,496	4,003
- Amortisation of intangible assets	<u>20,935</u>	<u>10,014</u>
	<u>\$73,905</u>	<u>\$29,607</u>
Occupancy expenses	<u>\$73,472</u>	<u>\$71,910</u>
Employee benefits expense		
- Salaries	592,228	592,583
- Superannuation contributions	52,888	54,206
- Annual leave	9,253	32,236
- Long service leave	12,857	(21,854)
- Sick leave	1,047	1,673
- Other	<u>92,064</u>	<u>82,514</u>
	<u>\$760,337</u>	<u>\$741,358</u>
Other expenses		
- Fees and commissions	276,536	260,175
- Loans administration	163,278	139,349
- Data processing	222,378	212,291
- General administration	<u>362,769</u>	<u>331,840</u>
	<u>\$1,024,961</u>	<u>\$943,655</u>

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
5. INCOME TAX EXPENSE		
The components of income tax expense comprise:		
Provision for income tax	165,950	128,003
Decrease/(increase) in deferred tax assets	(45)	10,457
	\$165,905	\$138,460
The prima facie tax on operating profit before income tax is reconciled to income tax as follows:		
Prima facie tax on operating profit @ 30% (2005 – 30%)	170,662	142,746
Add tax effect of non allowable items	1,088	-
Less tax effect of:		
- Rebateable fully franked dividends	(5,845)	(4,286)
Income tax expense attributable to operating profit	\$165,905	\$138,460
6. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditors of the Credit Union for:		
- Audit of the financial statements	24,563	18,120
- Audit of the APRA returns	3,938	4,198
- Other services	5,730	8,610
	\$34,231	\$30,928
7. CASH AND LIQUID ASSETS		
Imprest accounts	200,023	247,621
Deposits at call	1,194,786	-
Interest earning deposits	10,000,000	9,100,000
	\$11,394,809	\$9,347,621
8. ACCRUED RECEIVABLES		
Members clearing accounts	128,123	183,518
Interest receivable	73,751	76,459
	\$201,874	\$259,977

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
9. LOANS AND ADVANCES		
Overdrafts	606,418	527,256
Visa	557,030	473,344
Term loans	48,590,432	46,630,728
	<hr/>	<hr/>
	49,753,880	47,631,328
Provision for impaired loans	(60,000)	(60,000)
	<hr/>	<hr/>
	\$49,693,880	\$47,571,328
	<hr/>	<hr/>

9.1 Maturity Analysis

Overdrafts	606,418	527,256
Visa	557,030	473,344
Not longer than 3 months	1,154,208	1,218,382
Longer than 3 months but less than 12 months	3,392,500	3,537,325
Longer than 1 year but less than 5 years	13,098,729	14,536,645
Longer than 5 years	30,944,995	27,338,376
	<hr/>	<hr/>
	\$49,753,880	\$47,631,328
	<hr/>	<hr/>

9.2 Security Dissection

Secured by mortgage over real estate	37,430,507	35,227,380
Partly secured by goods mortgage	8,572,545	8,515,027
Wholly unsecured	3,750,828	3,888,921
	<hr/>	<hr/>
	\$49,753,880	\$47,631,328
	<hr/>	<hr/>

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the quality of the security on a portfolio basis is as follows:

	2006	2005
	\$	\$
Security held as mortgages against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	\$37,430,507	35,227,380
	<hr/>	<hr/>

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

9. LOANS AND ADVANCES (Continued)

9.3 Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

	2006	2005
	\$	\$
i) Geographical Area		
Dubbo	21,633,336	21,902,918
Wellington	5,087,756	4,947,653
Gilgandra	3,991,172	3,904,414
Warren	1,795,589	1,998,124
Narromine	1,423,852	1,293,525
Cobar	1,367,932	1,385,776
Nyngan	894,942	1,014,395
Coonamble	994,473	849,040

ii) There are no members who individually have a loan and overdraft facility, which represents in total 10% or more of capital (2005 – Nil).

	2006	2005
	\$	\$
9.4 Movement in the Provision		
Opening balance	60,000	60,000
Bad debts written off against provision	(60,000)	(24,757)
Loans provided for during the year	60,000	24,757
	\$60,000	\$60,000

9.5 Impairment of Loans and Advances

Impaired loans at balance date

Balance of the impaired loans	\$48,720	\$141,012
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Loans upon which interest is not being accrued

Loans with provision for impairment	47,006	90,389
Less: Specific provision	(27,815)	(64,307)
	19,191	26,082
Loans with no provision for impairment	1,715	50,623
	20,906	76,705
Total non-accrual loans	20,906	76,705

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
9. LOANS AND ADVANCES (Continued)		
9.5 Impairment of Loans and Advances (Continued)		
Assets acquired via enforcement of security	\$31,025	-
Interest and other revenue recognised as revenue earned during the year	\$2,610	\$11,896
Interest and other revenue accrued but not recognised as revenue (i.e. forgone) in the year	\$8,730	\$13,155

Key assumptions in determining impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses.

	2006	2005
	\$	\$
10. OTHER INVESTMENTS		
Shares held with Special Service Providers		
- Primary shares	19	20
- Commercial shares	155,855	194,819
Shares – at market value		
- Listed	20,367	18,464
Shares – at cost		
- Unlisted	42,074	42,074
	218,315	255,377
Less: Provision for diminution – unlisted shares	(40,267)	(40,058)
	\$178,048	\$215,319

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

10. OTHER INVESTMENTS (Continued)

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services. The shares are not able to be traded and are not redeemable.

The financial reports of CUSCAL record that the net tangible asset backing of these shares exceeds their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the nature of services supplied a market value if not able to be determined readily.

The Credit Union is not intending, nor is it able to dispose of these shares as the services supplied by the company relate to the day to day activities of the Credit Union.

	2006	2005
	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture - at cost	73,181	73,181
Less: provision for depreciation	(61,630)	(56,866)
	11,551	16,315
Office equipment - at cost	74,509	57,580
Less: provision for depreciation	(47,034)	(40,525)
	27,475	17,055
Motor vehicles - at cost	70,395	62,022
Less: provision for depreciation	(12,920)	(5,884)
	57,475	56,138
EDP hardware - at cost	157,887	133,602
Less: provision for depreciation	(106,410)	(117,802)
	51,477	15,800
	\$147,978	\$105,308

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

2006 2005
\$ \$

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Beginning balance \$	Additions \$	Disposals WDV \$	Depreciation expense \$	Carrying amount at end of year \$
Office furniture	16,315	-	-	(4,764)	11,551
Office Equipment	17,055	20,972	(98)	(10,454)	27,475
Motor Vehicles	56,138	28,062	(12,469)	(14,256)	57,475
EDP hardware	15,800	58,592	581	(23,496)	51,477
Totals	105,308	107,626	(11,986)	(52,970)	147,978

2006 2005
\$ \$

12. INTANGIBLES

EDP Software	217,378	145,295
Accumulated amortisation	(121,691)	(100,756)
	\$95,687	\$44,539

Movement in carrying amounts for each class of intangibles between the beginning and end of the current financial year.

	Beginning balance \$	Additions \$	Transfers between classifications \$	Disposals WDV \$	Amortisation expense \$	Carrying amount at end of year \$
EDP Software	44,539	72,084	-	-	(20,935)	95,687

2006 2005
\$ \$

13. DEFERRED TAX ASSETS

Deferred tax assets	251,459	251,414
Prepaid income tax	19,951	-
	\$271,410	\$251,414

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
14. OTHER ASSETS		
Prepayments	\$5,562	\$9,630
	<hr/>	<hr/>
15. DEPOSITS AND SHORT TERM BORROWINGS		
Term deposits	26,641,673	25,151,512
Call deposits	21,467,389	17,853,265
Withdrawable shares	47,698	48,796
	<hr/>	<hr/>
	\$48,156,760	\$43,053,573
	<hr/>	<hr/>
15.1 Maturity Analysis		
On call	15,616,185	17,902,061
Not longer than 3 months	8,206,805	5,564,954
Longer than 3 and not longer than 12 months	24,333,770	19,586,558
	<hr/>	<hr/>
	\$48,156,760	\$43,053,573
	<hr/>	<hr/>
15.2 Concentration of Deposits		
i) There are no members who individually have deposits, which represent 10% or more of total liabilities (2005: Nil).		
ii) Details of the geographic concentration of the deposits are set out below. This information is derived from residential postcodes.		
	2006	2005
	\$	\$
Geographical Area		
Dubbo	26,723,033	25,791,167
Wellington	2,629,049	2,683,045
Gilgandra	2,623,625	2,680,628
Nyngan	2,391,896	2,385,117
Narromine	1,740,430	1,272,512
Coonamble	1,286,733	1,365,282
Warren	1,258,312	1,525,829
Cobar	1,195,753	1,160,814
16. PAYABLES AND OTHER LIABILITIES		
Payables and accrued expenses	95,342	76,787
Accrued interest payable	440,055	445,748
Members' clearing accounts	81,753	192,954
	<hr/>	<hr/>
	\$617,150	\$715,489
	<hr/>	<hr/>

MACQUARIE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

	2006	2005
	\$	\$
17. INTEREST BEARING LIABILITIES		
Bank overdraft	-	131,826
Term loan	-	1,000,000
Deposits from other ADI	5,898,903	6,007,363
	<u>\$5,898,903</u>	<u>\$7,139,189</u>
18. TAX LIABILITIES		
Income tax	-	\$6,576
	<u>-</u>	<u>\$6,576</u>
19. PROVISIONS		
Employee entitlements	\$95,227	\$72,070
	<u>\$95,227</u>	<u>\$72,070</u>
20. RESERVES		
Reserve for credit losses	740,000	740,000
General reserve	3,780,091	3,780,091
Asset revaluation reserve	18,464	18,464
	<u>\$4,538,555</u>	<u>\$4,538,555</u>

20.1 Reserve for Credit Losses

This reserve records amounts previously set aside as a General provision on loans and advances and is maintained to comply with the Prudential Standards set down by APRA.

	2006	2005
	\$	\$
Balance at the beginning of the year	740,000	-
Transfer from retained profits	-	740,000
	<u>\$740,000</u>	<u>\$740,000</u>
Balance at end of year	<u>\$740,000</u>	<u>\$740,000</u>

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	2006	2005
	\$	\$
21. RETAINED PROFITS		
Retained profits at the beginning of the financial year	2,279,684	1,942,901
Net profit attributable to members	402,969	336,783
	2,682,653	2,279,684
Retained profits at the end of the financial year	\$2,682,653	\$2,279,684

Balance of franking credits 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 \$1,364,610 (2005 - \$1,198,660). Franking credits represent reserves upon which income tax has been paid.

22. DIRECTORS AND KEY MANAGEMENT DISCLOSURES

22.1 Names of Directors and other Key Management Personnel

During the course of the financial year the following were the key management persons of the Credit Union:

PG Alchin	R Mills
RJ Allan	PM Nolan
TE Bacon	CJ Shepherd
B Glawson	R Malcolm
C Giffin	M Bow
A Gillham	L Bourne
JR Moss	C Parker
J Millar	B Wright

22.2 Key Management Personnel Compensation

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

Key Management Persons (KMP) have been taken to comprise the Directors and the five members of the executive management team during the financial year, responsible for the day to day financial and operational management of the Credit Union.

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22. DIRECTORS AND KEY MANAGEMENT DISCLOSURES (Continued)

22.2 Key Management Personnel Compensation (Continued)

The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

	2006	2005
	\$	\$
Salary and fee	286,232	272,602
Superannuation contributions	25,320	24,114
Non-monetary	30,587	29,130
	\$342,139	\$325,846

Compensation includes all employee benefits (as defined in AASB 119 *Employee Benefits*). Employee benefits are all forms of consideration paid, payable or provided by the Credit Union, or on behalf of the Credit Union, in exchange for services rendered to the Credit Union.

Compensation includes:

- (i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (ii) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (iii) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- (iv) termination benefits; and
- (v) share-based payment.

22.3 Loans to Key Management Persons

Loans provided to key management persons are on conditions no more favourable than those extended to members. Security has been obtained for these loans in accordance with the Credit Union's lending policy.

There is no provision for impairment in relation to any loan extended to key management persons. No loan impairment expense in relation to these loans has been recognised during the year.

	2006	2005
	\$	\$
Aggregate value of loans and overdrafts to Directors and other Key Management Personnel at balance date	\$131,994	\$331,658

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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

	2006	2005
	\$	\$
22. DIRECTORS AND KEY MANAGEMENT DISCLOSURES (Continued)		
22.3 Loans to Key Management Persons (Continued)		
Aggregate value of loans disbursed to Directors and Key Management Personnel during the year	<u>\$11,737</u>	<u>\$66,843</u>
Aggregate value of revolving credit facilities limits granted or increased to Directors and Key Management Personnel during the year	<u>-</u>	<u>-</u>
Interest earned on loans and revolving credit facilities to Directors and Key Management Personnel during they year	<u>\$16,053</u>	<u>\$23,608</u>
22.4 Savings of Key Management Personnel		
Total value of term and savings deposits from Directors and Key Management Personnel at balance date	<u>\$698,756</u>	<u>\$121,455</u>
Total interest paid on deposits to Directors and Key Management Personnel during the year	<u>\$10,781</u>	<u>\$1,563</u>
Directors and key management personnel 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.		
23. EXPENDITURE AND CREDIT COMMITMENTS		
23.1 Future Capital Commitments		
At 30 June 2006 the Credit Union has no future capital commitments (2005: Nil).		
23.2 Lease Expenditure Commitments		
	2006	2005
	\$	\$
Operating leases		
Within 1 year	63,229	34,482
1 to 2 years	50,981	26,898
2 to 5 years	119,820	18,559
	<u>\$234,030</u>	<u>\$79,939</u>

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FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

23. EXPENDITURE AND CREDIT COMMITMENTS (Continued)

23.3 Outstanding Loan Commitments

Loans approved by the Board but not funded as at 30 June 2006 amounted to \$1,009,345 (2005: \$1,254,110).

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.

23.4 Unfunded Loan Facilities

Loan facilities to members for overdrafts approved but unfunded at 30 June 2006 amounted to \$2,373,002 (2005: \$1,964,300). Total facilities increased by \$571,550 during the year (2005: increase of \$494,400). There are no restrictions to withdrawal of the funds provided normal payments are maintained.

23.5 Other

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of the members. The Credit Union applies the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

2006 **2005**
\$ \$

24. STANDBY BORROWING FACILITIES

The Credit Union has gross borrowing facilities with CUSCAL of:

Loan facility

Gross	1,600,000	1,600,000
Current borrowing	-	(500,000)
	\$1,600,000	\$1,100,000

Loan facility – TWT Fund

Gross	-	1,000,000
Current borrowing	-	(500,000)
	-	\$500,000

Overdraft facility

Gross	300,000	300,000
Current borrowing	-	(110,354)
	\$300,000	\$189,646

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24. STANDBY BORROWING FACILITIES (Continued)

There are no restrictions as to withdrawal of these funds.

The borrowing facilities are secured by a fixed and floating charge over the assets of the Credit Union.

25. CONTINGENT LIABILITIES

Credit Union Financial Support System

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

An Industry Support Contract made on 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 2006 was nil (2005: Nil).

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

26. ECONOMIC DEPENDENCY

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

CUSCAL Limited

This entity supplies financial banking services to the Credit Union and is an approved Special Service Provider for the provision of financial intermediation services. The Credit Union has invested all of its high quality liquid assets and operating liquid assets with the entity to maximise return on funds and to comply with the Emergency Liquidity Support requirements under the Prudential Standards.

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

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 Australia Pty Limited

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

Combined Financial Processing Pty Limited (CFP)

This entity provides computing services to the Credit Union.

First Data Resources Limited (FDR)

This company operates the switching computer used to link Redicards and Visa cards operated through Reditellers and other approved EFT suppliers to the Credit Union's EDP systems.

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NOTES TO THE FINANCIAL STATEMENTS
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27. SEGMENTAL REPORTING

The Credit Union operates predominantly in the finance industry within New South Wales.

28. STATEMENT OF CASH FLOWS

28.1 Cash flows presented on a net basis

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

- i) member deposits to and withdrawals from savings, money market and other deposit accounts;
- ii) sales and purchases of maturing certificates of deposit;

28.2 Reconciliation of cash

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

	2006	2005
	\$	\$
Cash on hand and at SSP's	1,394,809	247,621
Interest earning deposits	10,000,000	9,100,000
Less bank overdraft	-	(131,826)
	\$11,394,809	\$9,215,795

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

<i>Operating profit after tax</i>	402,969	336,783
Employee leave entitlements	23,157	(9,074)
Loss/(profit) on disposal of plant and equipment	2,668	876
Depreciation and amortisation	73,905	29,607
Provision for doubtful debts	209	5,174
(Increase)/decrease in deferred tax assets	(45)	10,457
(Increase) /decrease in prepayments	4,068	(9,630)
(Decrease) /increase in provision for income tax	(26,527)	(59,458)
(Decrease)/increase in payables	(98,339)	299,642
Decrease/(increase) in accrued receivables	58,103	(140,680)
	440,168	463,697
<i>Non-revenue operations</i>		
Movement in members loans	(2,122,552)	(8,690,784)
	(1,682,384)	(8,227,087)

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NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS

29.1 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	Balance Sheet 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 member's account on the last day of each month, and on the 3rd day for overdrafts.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
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 5.5% to 6.5%.
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 valued at market value. Dividend income is recognised when the dividends are received.	
Accrued Receivables	8	The carrying value of receivables is at their nominal amounts due.	
(ii) Financial liabilities			
Bank overdrafts	15	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's benchmark rate.
Payables and other liabilities	16	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	15	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

29. FINANCIAL INSTRUMENTS (Continued)

29.2 Net Fair Values

Net fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities.

	Total carrying amount in the balance sheet		Aggregate net fair value	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and liquid assets	11,394,809	9,347,621	11,394,809	9,347,621
Accrued receivables	201,874	259,977	201,874	259,977
Other investments	178,048	215,319	178,048	215,319
Loans and advances	49,693,880	47,571,328	49,645,159	47,487,369
Total financial assets	61,468,611	57,394,245	61,419,890	57,310,286
	Total carrying amount in the balance sheet		Aggregate net fair value	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Financial liabilities</i>				
Deposits and short term borrowings	48,156,760	43,053,573	48,156,760	43,053,573
Payables and other liabilities	617,150	715,489	617,150	715,489
Interest bearing Liabilities	5,898,903	7,139,189	5,898,905	7,139,189
Total financial liabilities	54,672,813	50,908,251	54,672,813	50,908,251

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

Cash and liquid assets

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

Accrued receivables

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

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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

29. FINANCIAL INSTRUMENTS (Continued)

29.2 Net Fair Values (Continued)

Loan and other advances

For variable rate loans (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of net fair value.

Investments/securities

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Other financial liabilities

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a 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.

Receivables

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

Payables and other liabilities

The carrying amounts approximate fair value as they are short term in nature.

Members 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

29. FINANCIAL INSTRUMENTS (Continued)

29.3 Interest rate risk

The Credit Union's exposure to interest rate risks which is the risk that a financial instruments value will fluctuate as a result of changes in market rates and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:-

Financial instruments	Floating interest rate		1 year or less		Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 %	2005 %
(i) Financial assets										
Cash and liquid assets	1,194,786	-	10,000,000	9,100,000	200,023	247,621	11,394,809	9,347,621	5.7	5.2
Accrued receivables	-	-	-	-	201,874	259,977	201,874	259,977	-	-
Other investments	-	-	-	-	178,048	215,319	178,048	215,319	-	-
Loans and advances	49,693,880	47,571,328	-	-	-	-	49,693,880	47,571,328	8	7.9
Total financial assets	50,888,666	47,571,328	10,000,000	9,100,000	579,945	722,917	61,468,611	57,394,245		
(ii) Financial liabilities										
Deposits and short term borrowings	21,467,389	17,853,265	26,641,673	25,151,512	47,698	48,796	48,156,760	43,053,573	3.8	3.6
Payables and other liabilities	-	-	-	-	617,150	715,489	617,150	715,489	-	-
Interest bearing liability	-	3,131,826	5,898,903	4,007,363	-	-	5,898,903	7,139,189	6.2	-
Total financial liabilities	21,467,389	20,985,091	32,540,576	29,158,875	664,848	764,285	54,672,813	50,908,251		

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006
(Continued)

29. FINANCIAL INSTRUMENTS (Continued)

29.4 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 balance sheet. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

29.5 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 members.

30. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards issued or amended which are applicable to the Credit Union but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
AASB 108.31				
2005-5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-06	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per Share	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007

All other pending Standards issued between the previous financial report and the current reporting date have no application to the Credit Union.

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(Continued)

30. CHANGE IN ACCOUNTING POLICY (Continued)

AASB Amendment	AASB Standard Affected
AASB 108.30	
2004-3	AASB 1: First-time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 124: Related Party Disclosures
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates New Standard
2006-2	AASB 119: Employee Benefits: December 2004 AASB 1: First-time Adoption of AIFRS

31. COMPANY DETAILS

The registered office of the Credit Union is:-

Macquarie Credit Union Limited
23 Hawthorn Street
Dubbo NSW 2830

32. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Credit Union changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with AASB 1 – “First Time Adoption of Australian Equivalents to International Financial Reporting Standards” with 1 July 2004 as the date of transition.

An explanation of how the transition from superceded policies to AIFRS has affected the Credit Union’s financial position and financial performance is set out in the following tables.

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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

32. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Transitional Adjustments to AIFRS – Balance Sheet as at 1 July 2004

	Previous GAAP At 1 July 2004 \$	Adjustment \$	AIFRS At 1 July 2004 \$
ASSETS			
Cash and liquid assets	5,570,144	-	5,570,144
Accrued receivables	113,334	-	113,334
Loans and advances	38,880,544	-	38,880,544
Other investments	297,126	-	297,126
Property, plant and equipment	68,515	(9,178)	59,337
Intangible assets	-	9,178	9,178
Deferred tax assets	261,871	-	261,871
TOTAL ASSETS	45,191,534	-	45,191,534
CURRENT LIABILITIES			
Deposits and short term borrowings	36,627,119	-	36,627,119
Payables and other liabilities	409,884	-	409,884
Interest bearing liabilities	1,525,897	-	1,525,897
Tax liabilities	66,034	-	66,034
Provisions	82,588	(1,444)	81,144
TOTAL LIABILITIES	38,711,522	(1,444)	38,710,078
NET ASSETS	6,480,012	1,444	6,481,456
EQUITY			
Reserves	2,681,457	(738,556)	1,942,901
Retained profits	3,798,555	740,000	4,538,555
TOTAL EQUITY	6,480,012	1,444	6,481,456

Movements in reconciliation are as follows:

- Recognising EDP software as an intangible asset and transferring from property, plant and equipment; and
- Adjusting the provision for annual leave as described in Note 1.10 by discounting portion not expected to be utilised within 12 months.

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32. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Transitional Adjustments to AIFRS – Reconciliation of Equity at 30 June 2005

	Previous GAAP At 30 June 2005 \$	Adjustment \$	AIFRS At 30 June 2005 \$
ASSETS			
Cash and liquid assets	9,347,621	-	9,347,621
Accrued receivables	259,977	-	259,977
Loans and advances	47,571,328	-	47,571,328
Other investments	215,319	-	215,319
Property, plant and equipment	149,847	(44,539)	105,308
Intangible assets	-	44,539	44,539
Deferred tax assets	251,414	-	251,414
Other assets	9,630	-	9,630
TOTAL ASSETS	57,805,136	-	57,805,136
LIABILITIES			
Deposits and short term borrowings	43,053,573	-	43,053,573
Payables and other liabilities	715,489	-	715,489
Interest bearing liabilities	7,139,189	-	7,139,189
Tax liabilities	6,576	-	6,576
Provisions	72,936	(866)	72,070
Total liabilities	50,987,763	(866)	50,986,897
NET ASSETS	6,817,373	866	6,818,239
EQUITY			
Reserves	3,798,555	(739,134)	3,059,421
Retained profits	3,018,818	740,000	3,758,818
TOTAL EQUITY	6,817,373	866	6,818,239

Movements in reconciliation are as follows:

- Recognising EDP software as an intangible asset and transferring from property, plant and equipment;
- Adjusting the provision for annual leave as described in Note 1.10 by discounting portion not expected to be utilised within 12 months; and
- Recognition of Reserve for Credit Losses as described in Note 1.6 from Retained Profits

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32. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Transitional Adjustments to AIFRS – Reconciliation of Profit and Loss at 30 June 2005

	Previous GAAP At 30 June 2005 \$	Adjustment \$	AIFRS At 30 June 2005 \$
Interest revenue	3,680,063	-	3,680,063
Interest expense	(1,591,919)	-	(1,591,919)
	2,088,144	-	2,088,144
Other revenue	209,841	(6,281)	203,560
Impairment losses on loans and advances	(29,931)	-	(29,931)
Employee benefit expense	(740,780)	(578)	(741,358)
Occupancy expense	(71,910)	-	(71,910)
Depreciation and amortisation expense	(29,607)	-	(29,607)
Other expenses	(949,936)	6,281	(943,655)
Profit before income tax expense	475,821	(578)	475,243
Income tax expense	(138,460)	-	(138,460)
Profit for year	337,361	(578)	336,783

Movements in reconciliation are as follows:

- Adjusting employee benefits expense by the movement in the provision for annual leave as described in Note 1.10 by discounting portion not expected to be utilised within 12 months; and
- Reverting consideration received on the sale of property, plant and equipment to gain on sale of property, plant and equipment.

[End of Audited Financial Statements]

NOTES

NOTES

Registered Office

23 Hawthorn Street, PO Box 1618, Dubbo NSW 2830

Telephone: **1300 885 480**

Facsimile (02) 6882 6909

Telephone Banking: 1300 885 480

Email: info@macquariecu.com.au

Website: www.macquariecu.com.au

BSB Number: 802-126

Directors

C.J. Shepherd (Chairman)

J. Moss (Deputy Chairman)

B.L. Glawson

A. Gillham

T. Bacon

R. Mills

P. Nolan

J. Millar

Auditors

Alan Morse & Co.

36 Darling Street, Dubbo NSW 2830

Solicitor

Nelson, Keane & Hemingway

Church Street, Dubbo NSW 2830

Banker

Cuscal Ltd.

National Australia Bank, Sydney

Macquarie Credit Union Staffing List

Robert Malcolm	General Manager
Matthew Bow	Assistant General Manager
Brenda Wright	Senior Loans Officer
Cheriee Parker	Senior Loans Officer
Cathy Flanagan	Loans Officer
John Letfallah	Business Development Officer
Maree Wilson	Business Development Officer
Leanne Bourne	Office Supervisor
Margaret Moon	Member Service Officer
Caitlin O'Connor	Trainee Member Service Officer
Jill Graham	Member Service Officer
Anne Howey	Member Service Officer
Helen Yeo	Member Service Officer
Sonia Carruthers	Member Service Officer
Sally Mannix	Insurance Officer
Vicki Thompson	Casual
Lynne Williams	Casual