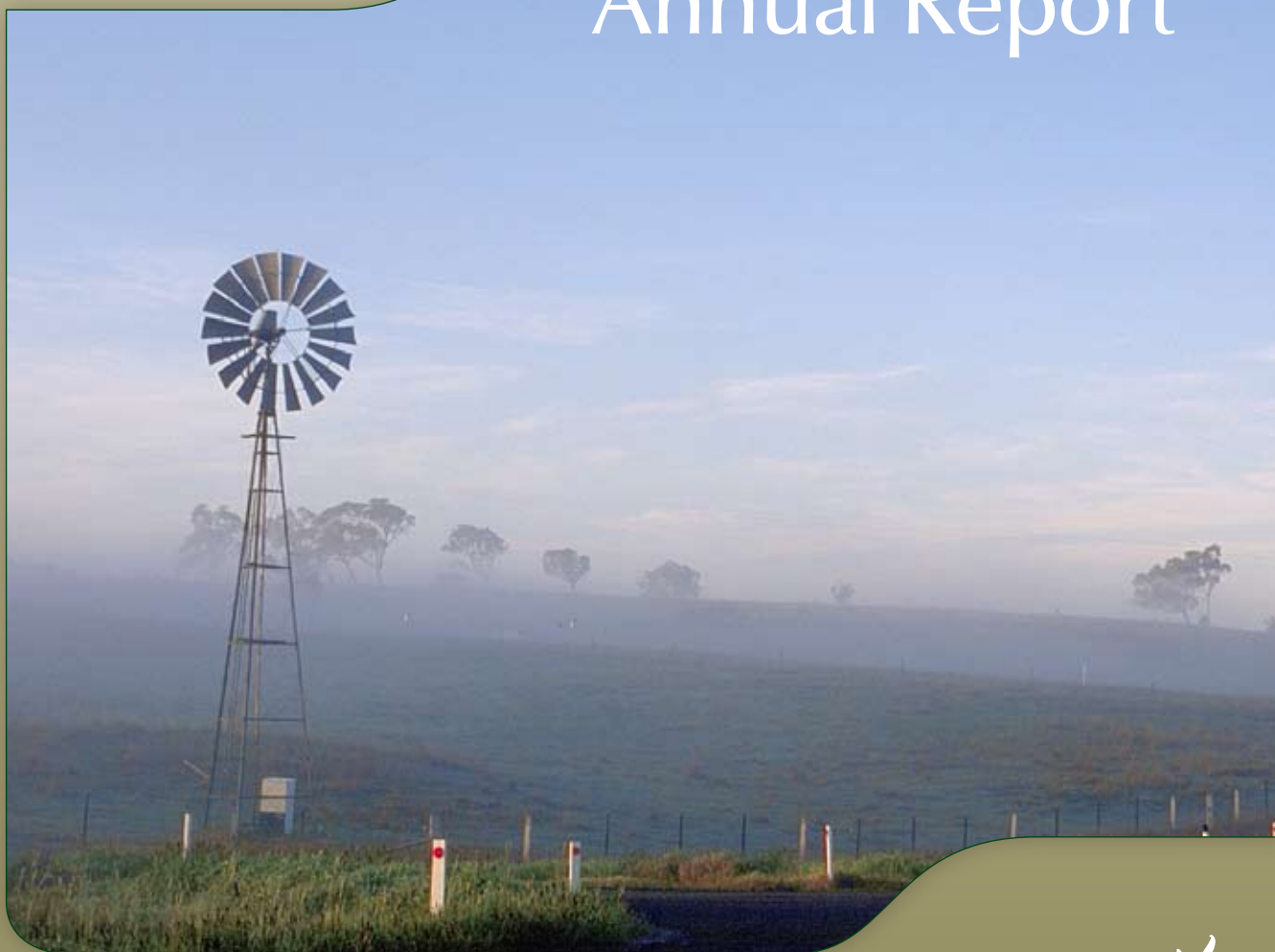


2007

# Annual Report



*Working together*



ABN 85 087 650 253 | AFSL 241132 | BSB 802 126

## **OUR MISSION**

**“To provide friendly, personal and efficient financial services to our members at the lowest possible cost”**

**Providing financial services to our members at the lowest Possible cost is something that this credit union prides itself in achieving.**

# CHAIRMAN'S REPORT

## Membership and Financial Performance

Your credit union continued its growth path by welcoming 270 new members into our credit union during the past year, an increase of just over 5%.

An excellent financial result was achieved once again, with a gross surplus of \$693,491, which was reduced to \$499,935 after paying tax of \$193,556. This represents a net return on average assets of 0.8%, an increase of 17.6% on last year's result and above the average of all credit unions in Australia.

Assets increased by \$2.1 million to \$64.1 million, an increase of 3.5 % over the year.

## Change of Banking System

By far the biggest challenge for the staff during the past year was the change from the Corvis banking system to the new Ultradata banking system. Staff training and preparation was very intensive for the 12 months leading up to the changeover in February 2007. Anybody who has been involved in changing computer systems would appreciate just how traumatic such a change can be.

The changeover took place early in February 2007, and was completed without any major problems at all. In fact, the Ultradata team who helped carry out the changeover commented that the Macquarie changeover was the smoothest they had experienced in more than a dozen they had been involved with at the time. This was due entirely to the dedication and detailed preparation by all staff. The fact that members weren't inconvenienced and in most cases were unaware of the huge transformation that took place during the changeover is a testament to the professionalism of the operation.

All staff deserve congratulations for the very smooth transition and the professional manner in which they conducted themselves.

## Office Extensions

The Board had been looking for some time for a way to give members a more efficient way to access their credit union. With our growth over the past few years, and the split in resources having to maintain the two offices in Dubbo, it became obvious that there was a better way of organising our operations.

After considerable research and discussions, it was decided to enlarge our Hawthorn Street office by some 50%, and when that was completed, to close the Talbragar Street office in order to centralise all staff in the one place and provide a more consistent service to all members.

The new Hawthorn Street branch was officially opened in December 2006. The Board thought it would be appropriate to ask the longest continuous members of both Macquarie Credit Union and the former Post-Tel Credit Union to jointly perform the opening.

Macquarie member Jock Dunn, a Director of Macquarie for over 20 years and Chairman for 18 of those years was selected.

And former Post-Tel member Allen Barry, who was also a Director of Post-Tel for some time represented the Post-Tel Credit Union.

To have these two members, who between them have over 80 years of membership, perform the opening was a great honour and demonstration of the loyalty our members have shown over the years.

The Talbragar Street office was closed in November 2006 and all staff now work in much more suitable surroundings in the Hawthorn Street office. Many members have commented on the improved parking available at Hawthorn Street as well as the speedy and personal service (which has always been a feature of our operation).

## Community Service

During the year your credit union participated in the fund raising dinner and auction conducted by the Dubbo Base Hospital to raise funds for the neonatal unit at the hospital.

We donated an Adam Gilchrist autographed shirt and mini bat to be auctioned. During the auction we purchased a painting by renowned local artist Polly Kimmorley to hang in our newly renovated office.

The staff also wanted to assist a specific community service programme, and as a result decided to help out the Meals on Wheels service in Dubbo. All staff, from the General Manager down, take it in turns to deliver Meals on Wheels one day a month.

## Board Changes

In August 2006 the Board appointed David Rootes to fill the vacancy created by the resignation of Rod Allan earlier in the year. David works for Country Energy in Dubbo and is an information technology expert as well as having extensive experience in commercial and business applications for computers and associated technology. He has also been a strong supporter of Macquarie Credit Union for many years. We are indeed very fortunate to have secured his services on the Board, and I feel sure his presence will add considerable value to Board discussions.

In March 2007 our Deputy Chairman John Moss resigned from the Board. John had accepted a senior position on the staff of Orana Credit Union, and whilst still committed to the advancement of Macquarie Credit Union, felt his new position created a potential conflict of interest.

John has a long association with credit unions in Dubbo, being a director of Post-Tel credit union for many years, and was Chairman of that credit union when Post-Tel and Macquarie merged in 2003. John was instrumental in the smooth merger operation, and has been a tower of strength to the Board in the ensuing years since the merger.

I am sure all members join with me in thanking John for his contribution to the credit union movement in Dubbo, and Post-Tel and Macquarie Credit Unions in particular.

## Corporate Governance

Changes to the corporate governance requirements for all approved deposit taking institutions over recent times have led to your directors and senior staff being involved in many specific training and educational programmes. This along with stricter requirements and responsibilities on persons seeking to become directors of a credit union, has ensured that only people with a suitable background and qualifications are now eligible to become directors of credit unions.

Members can be comfortable in the knowledge that the directors of your credit union are not only passionate about the continued advancement of Macquarie Credit Union, but that they have the highest level of training and qualifications to carry out their duties.

## Acknowledgments

The success of our credit union continues to be the result of the hard work and untiring efforts of many people.

The management and staff have once again shown what a professional and dedicated group of people they are. Many complimentary items of correspondence received from members over the past 12 months in particular bears testimony to their efficient and personal service. In times when competition is fierce, there is no substitute for friendly, personal service. That combined with the unbeatable range of products and services Macquarie offers its members, will continue to place our credit union at the top of the pile.

The management and staff of the many employer organisations from whom our members are drawn continue to help in the smooth running of our credit union. In particular the volunteer representatives throughout the state 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 during the past twelve months in keeping our credit union one step ahead of our competition. Our credit union is indeed fortunate to have such a passionate and dedicated group of people willing to donate their time and effort for the financial improvement of all our members.

Finally to all our members, I say thank you for your continuing support of your credit union. It is easy to become complacent at times, but I am sure that when the benefits of being a member of our great credit union are compared to those of other financial institutions, all our members realise just how well off they are to be able to be a member of Macquarie Credit Union.

I look forward with you all to an even better year in 2008.



**Chris Shepherd**  
Chairman

# GENERAL MANAGERS REPORT

The ever present challenges of new legislation, changing regulation and the highly competitive environment within which we operate have been successfully met by your credit union again this year.

As has become a feature of our annual report our 'plain English' accounts appear below. This statement is only intended to provide a snapshot of the credit union's financial performance, it is not a formal part of the annual accounts. 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			
	2005	2006	2007		2005	2006	2007
	\$K	\$K	\$K		\$K	\$K	\$K
Member loans	47,571	49,694	55,632	Members deposits	43,054	48,157	48,773
Cash & Investments	9,348	11,395	7,471	Sundry creditors	7,854	6,516	7,445
Plant & Equipment	150	148	209	Provisions	73	95	115
Other	736	752	820	Other	7	—	79
				Members reserves / equity	6,817	7,221	7,721
<b>Total assets</b>	<b>57,805</b>	<b>61,989</b>	<b>64,132</b>	<b>Total liabilities</b>	<b>57,805</b>	<b>61,989</b>	<b>64,132</b>

## Profit and Loss Account

What we earned			
	2005	2006	2007
	\$K	\$K	\$K
Interest – member loans	3,376	3,969	4,379
Interest – investments	250	527	591
Transfer from provisions	0	0	0
Other income – commissions, fees etc	474	361	375
<b>Total income</b>	<b>4,100</b>	<b>4,879</b>	<b>5,345</b>
What we spent			
Interest – member deposits	1,375	1,840	2,100
Interest – borrowings	217	400	375
Member service costs (ATMs, Cheques, EFTPOS etc)	400	331	339
Computer costs (data processing etc)	226	242	202
Staff costs	741	760	836
General expenses	665	737	800
<b>Total operating costs</b>	<b>3,624</b>	<b>4,316</b>	<b>4,652</b>
Operating profit before tax	476	569	693
Income tax expense	138	165	194
<b>Net profit after tax</b>	<b>337</b>	<b>402</b>	<b>499</b>

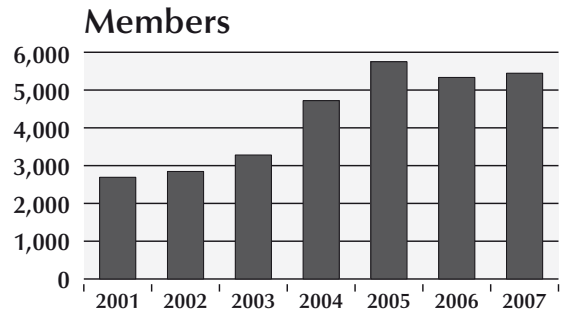
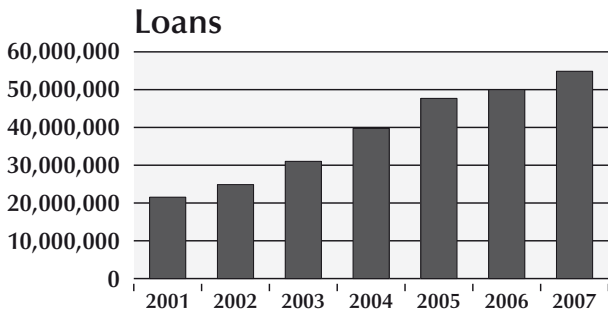
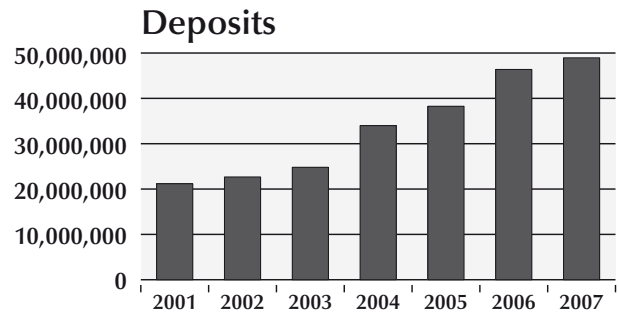
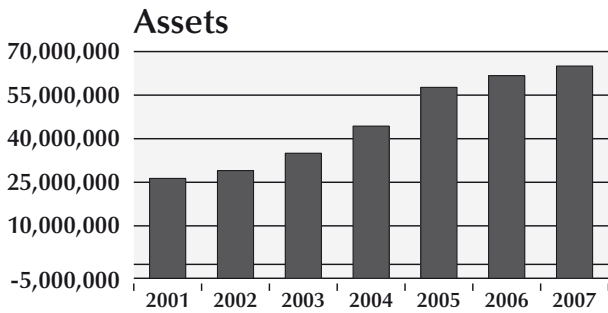
## Member Service

Your credit union prides itself on the consistent, professional level of service provided by our dedicated staff. We are always striving to improve our service and appreciate feedback from members to assist us with this process. This can be done at any time, however there will be a formal opportunity by way of a member survey in the coming months.

As you can see on page 5 the credit union subsidised member transaction facilities (member service costs) to almost \$340,000 in the last financial year. This is an important aspect of our service to ensure that basic banking facilities remain affordable for our members.

## Performance over Time

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. As mentioned in the Chairman's report the credit union completed a couple of major projects during the year and these projects created significant extra workload at different times throughout the year.

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

Bob Malcolm  
General Manager

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MACQUARIE CREDIT UNION LIMITED  
ABN 85 087 650 253

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2007

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# DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2007.

## DIRECTORS

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

**TE Bacon**

**RK Mills**

**B Glawson**

**PM Nolan**

**A Gillham**

**DAJ Rootes**  
(appointed 30 August 2006)

**JR Moss**  
(resigned 19 March 2007)

**CJ Shepherd**

**J Millar**

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 three years as the General Manager of the Credit Union. He was appointed company secretary on 13 December 2004.

## PRINCIPAL ACTIVITIES

The principal 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 \$499,935 (2006: \$402,969).

## 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 2007.

## REVIEW OF OPERATIONS

The Credit Union has experienced another very successful year of operation. The after tax profit of \$499,935 was an excellent result in a highly competitive environment.

The past twelve months has seen the amalgamation of our Dubbo offices and the introduction of a new banking system. Notwithstanding all this change solid business growth has been achieved.

## 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 financial year.

## 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 \$307.

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:

<b>Mr C J Shepherd</b>	<b>Chairman</b>
Experience	Appointed Chairman 23/10/86 Board Member since 19/04/71
Interest in Shares	One ordinary share in the Credit Union

<b>Mr T E Bacon</b>	<b>Director</b>
Experience	Board Member since 1/11/03
Interest in Shares	One ordinary share in the Credit Union

<b>Ms A Gillham</b>	<b>Director</b>
Experience	Board Member since 19/12/05
Interest in Shares	One ordinary share in the Credit Union

<b>Ms B Glawson</b>	<b>Director</b>
Experience	Board Member since 24/02/99
Interest in Shares	One ordinary share in the Credit Union

<b>Ms J Millar</b>	<b>Director</b>
Experience	Board Member since 25/07/05
Interest in Shares	One ordinary share in the Credit Union

<b>Mr D A J Rootes</b>	<b>Director</b>
Experience	Board Member since 30/08/06
Interest in Shares	One ordinary share in the Credit Union

<b>Mr P M Nolan</b>	<b>Director</b>
Experience	Board Member since 1/11/03
Interest in Shares	One ordinary share in the Credit Union

<b>Mr R K Mills</b>	<b>Director</b>
Experience	Board Member since 22/05/06
Interest in Shares	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 and Risk Committee Meetings Eligible to Attend	Audit and Risk Committee Meetings Attended
TE Bacon	11	7	3	2
B Glawson	11	7	–	–
JR Moss	7	5	2	2
PM Nolan	11	11	3	3
CJ Shepherd	11	9	–	–
A Gillham	11	10	3	2
J Millar	11	8	3	3
RK Mills	11	8	–	–
DAJ Rootes	10	9	–	–

## PROCEEDINGS ON BEHALF OF CREDIT UNION

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

The Credit Union was not a party to any such proceedings during the year.

## 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board. The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	\$
Taxation services	1,050
Preparation of financial statements	4,250
	\$5,300

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found below.

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



**Chris Shepherd**



Paul Nolan

Dated at Dubbo this 21st day of August 2007.

# AUDITOR'S DECLARATION

## 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 2007 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.

MORSE GROUP

36 Darling Street  
Dubbo  
Dated: 14 August 2007


**J M SHANKS**  
PARTNER

# DIRECTORS' DECLARATION

The Directors of Macquarie Credit Union Limited declare that:

1. The financial report and notes set out on pages 15 to 46 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 2007 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.



**Chris Shepherd**



**Paul Nolan**

Dated at Dubbo this 21st day of August 2007.

# FINANCIAL STATEMENTS

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
Interest revenue	3	4,970,900	4,517,803
Interest expense	4	(2,475,044)	(2,240,062)
<b>Net interest revenue</b>		<b>2,495,856</b>	<b>2,277,741</b>
Other revenue	3	375,058	361,019
Impairment losses on loans and advances	4	(39,131)	(137,211)
Employee benefits expense	4	(835,742)	(760,337)
Occupancy expense	4	(112,656)	(73,472)
Depreciation and amortisation expense	4	(131,392)	(73,905)
Other expenses	4	(1,058,502)	(1,024,961)
Profit before income tax expense		693,491	568,874
Income tax expense	5	(193,556)	(165,905)
<b>Profit for the year</b>		<b>\$499,935</b>	<b>\$402,969</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Retained Profits	Asset Revaluation Reserve	Credit Losses Reserve	Total
		\$	\$	\$
<b>Balance at 1 July 2005</b>	<b>6,059,775</b>	<b>18,464</b>	<b>740,000</b>	<b>6,818,239</b>
Profit for the year	402,969	–	–	402,969
<b>At 30 June 2006</b>	<b>6,462,744</b>	<b>18,464</b>	<b>740,000</b>	<b>7,221,208</b>
Profit for the year	499,935	–	–	499,935
<b>At 30 June 2007</b>	<b>\$6,962,679</b>	<b>\$18,464</b>	<b>\$740,000</b>	<b>\$7,721,143</b>

**BALANCE SHEET  
AS AT 30 JUNE 2007**

	Notes	2007 \$	2006 \$
<b>ASSETS</b>			
Cash and liquid assets	7	7,470,531	11,394,809
Accrued receivables	8	112,207	201,874
Loans and advances	9	55,632,394	49,693,880
Other investments	10	178,029	178,048
Property, plant and equipment	11	208,684	147,978
Intangibles	12	250,861	95,687
Deferred tax assets	13	266,524	271,410
Other assets	14	13,172	5,562
<b>TOTAL ASSETS</b>		<b>64,132,402</b>	<b>61,989,248</b>
<b>LIABILITIES</b>			
Deposits and short term borrowings	15	48,772,939	48,156,760
Payables and other liabilities	16	684,420	617,150
Interest bearing liabilities	17	6,760,459	5,898,903
Tax liabilities	18	78,628	–
Provisions	19	114,813	95,227
<b>TOTAL LIABILITIES</b>		<b>56,411,259</b>	<b>54,768,040</b>
<b>NET ASSETS</b>		<b>\$7,721,143</b>	<b>\$7,221,208</b>
<b>EQUITY</b>			
Reserves	20	758,464	758,464
Retained profits	21	6,962,679	6,462,744
<b>TOTAL EQUITY</b>		<b>\$7,721,143</b>	<b>\$7,221,208</b>



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest on loans		4,379,141	3,968,924
Interest on investments		619,308	527,147
Other non-interest income		454,258	456,468
Interest paid on members' savings		(2,043,024)	(1,839,693)
Interest paid on other finance		(374,808)	(406,062)
Payments to suppliers and employees		(2,001,948)	(1,937,137)
Income tax paid		(110,042)	(192,477)
Members' loan repayments		15,501,792	13,613,369
Members' loans' disbursed		(21,479,437)	(15,872,923)
<b>Net cash used in operating activities</b>	28.3	(5,054,760)	(1,682,384)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Consideration received on disposal of property, plant and equipment		–	9,318
Net movement in investments		19	37,062
Purchase of property, plant and equipment		(347,272)	(179,709)
<b>Net cash used in investing activities</b>		(347,253)	(133,329)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,500,000	–
Repayment of borrowings		(638,444)	(1,108,460)
Net movement in member savings		616,179	5,103,187
<b>Net cash provided by financing activities</b>		1,477,735	3,994,727
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(3,924,278)</b>	<b>2,179,014</b>
Cash at beginning of year		11,394,809	9,215,795
<b>CASH AT END OF YEAR</b>	28.2	<b>\$7,470,531</b>	<b>\$11,394,809</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2007

### 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, including Australian Accounting 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 Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### 1.2 Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using 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.

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 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

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.

## 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 last day of the 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 of Directors 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.

### (ii) Reserve for Credit Losses

In addition to the above specific provision, the Board of Directors 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.

## 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.

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.

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.

## 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 %
<b>Interest revenue - 2007</b>			
Deposits with financial institutions	9,714,375	591,759	6.1%
Loans and advances (other than Commercial loans)	49,482,449	4,174,573	8.4%
Commercial loans	2,308,116	204,568	8.9%
	<b>61,504,940</b>	<b>4,970,900</b>	
<b>Interest revenue - 2006</b>			
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%
	<b>58,838,284</b>	<b>4,517,803</b>	
<b>Borrowing costs - 2007</b>			
Customer deposits	48,625,307	2,100,236	4.3%
Short-term borrowings	5,511,882	374,808	6.8%
	<b>54,137,189</b>	<b>2,475,044</b>	
<b>Borrowing costs - 2006</b>			
Customer deposits	47,756,962	1,834,000	3.8%
Short-term borrowings	6,519,046	406,062	6.2%
	<b>54,276,008</b>	<b>2,240,062</b>	

	2007	2006
	\$	\$
<b>3. Revenue from ordinary operations</b>		
<b>Interest revenue</b>	<b>\$4,970,900</b>	<b>\$4,517,803</b>
<b>Non-interest revenue</b>		
Dividends received	25,719	25,446
Fees and commissions		
Fees and charges	128,053	111,295
Commissions	146,129	189,835
Bad debts recovered	37,105	25,599
Other revenue	38,052	8,844
<b>Total non-interest revenue</b>	<b>\$375,058</b>	<b>\$361,019</b>

#### 4. Profit from operations

Profit from operations before income tax expense has been determined after recognising the following expenses:-

<b>Borrowing costs</b>	<b>\$2,475,044</b>	<b>\$2,240,062</b>
<b>Impairment losses</b>		
Doubtful debts – term debtor	–	209
Bad debts written off directly against profit	39,131	137,002
	<b>\$39,131</b>	<b>\$137,211</b>
<b>Depreciation and amortisation</b>		
Office equipment	18,285	10,454
Office furniture	16,878	4,764
Motor vehicles	23,238	14,256
EDP hardware	28,714	23,496
Amortisation of intangible assets	44,277	20,935
	<b>\$131,392</b>	<b>\$73,905</b>
<b>Occupancy expenses</b>	<b>\$112,656</b>	<b>\$73,472</b>
<b>Employee benefits expense</b>		
Salaries	649,286	592,228
Superannuation contributions	68,418	52,888
Annual leave	28,233	9,253

	2007	2006
	\$	\$
<b>4. Profit from operations (continued)</b>		
<b>Employee benefits expense (continued)</b>		
Long service leave	(7,241)	12,857
Sick leave	(1,405)	1,047
Other	98,451	92,064
	<b>\$835,742</b>	<b>\$760,337</b>
<b>Other expenses</b>		
Fees and commissions	289,259	276,536
Loans administration	130,976	163,278
Data processing	229,287	222,378
General administration	408,980	362,769
	<b>\$1,058,502</b>	<b>\$1,024,961</b>

#### 5. Income Tax Expense

The components of income tax expense comprise:

Provision for income tax	208,624	165,950
(Increase)/decrease in deferred tax assets	(15,068)	(45)
	<b>\$193,556</b>	<b>\$165,905</b>

The prima facie tax on operating profit before income tax is reconciled to income tax as follows:

Prima facie tax on operating profit @ 30% (2006 – 30%)	208,047	170,662
Add tax effect of non allowable items	785	1,088
Less tax effect of:		
Rebateable fully franked dividends	(7,716)	(5,845)
Capital profits not subject to income tax	(7,560)	–
Income tax expense attributable to operating profit	<b>\$193,556</b>	<b>\$165,905</b>

The applicable weighted average effective tax rate is 28% (2006 - 29%)

#### 6. Auditor's Remuneration

Amounts received or due and receivable by the auditors of the Credit Union for:

Audit of the financial statements	27,632	24,563
Audit of the APRA returns	4,200	3,938
Other services	5,300	5,730
	<b>\$37,132</b>	<b>\$34,231</b>



	2007	2006
	\$	\$
<b>7. Cash and liquid assets</b>		
Imprest accounts	287,829	200,023
Deposits at call	682,702	1,194,786
Interest earning deposits	6,500,000	10,000,000
	<b>\$7,470,531</b>	<b>\$11,394,809</b>

<b>8. Accrued Receivables</b>		
Members clearing accounts	66,005	128,123
Interest receivable	46,202	73,751
	<b>\$112,207</b>	<b>\$201,874</b>

<b>9. Loans and Advances</b>		
Overdrafts	601,078	606,418
Visa	600,338	557,030
Term loans	54,490,978	48,590,432
	<b>55,692,394</b>	<b>49,753,880</b>
Provision for impaired loans	(60,000)	(60,000)
	<b>\$55,632,394</b>	<b>\$49,693,880</b>

<b>9.1 Maturity Analysis</b>		
Overdrafts	601,078	606,418
Visa	600,338	557,030
Not longer than 3 months	996,286	1,154,208
Longer than 3 months but less than 12 months	3,471,436	3,392,500
Longer than 1 year but less than 5 years	13,629,181	13,098,729
Longer than 5 years	36,394,075	30,944,995
	<b>\$55,692,394</b>	<b>\$49,753,880</b>

<b>9.2 Security Dissection</b>		
Secured by mortgage over real estate	42,849,558	37,430,507
Partly secured by goods mortgage	8,756,018	8,572,545
Wholly unsecured	4,086,818	3,750,828
	<b>\$55,692,394</b>	<b>\$49,753,880</b>

2007	2006
\$	\$

## 9.2 Security Dissection (continued)

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.

Security held as mortgages against real estate is on the basis of:

<b>Loan to valuation ratio of less than 80%</b>	<b>\$42,849,558</b>	<b>\$37,430,507</b>
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## 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.

### i) Geographical Area

New South Wales	54,121,261	48,627,952
Queensland	957,063	511,040
Other States and Territories	614,070	614,888

	<b>\$55,692,394</b>	<b>\$49,753,880</b>
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ii) There are no members who individually have a loan and overdraft facility, which represents in total 10% or more of capital (2006 – Nil).

## 9.4 Movement in the Provision

Opening balance	60,000	60,000
Bad debts written off against provision	(39,131)	(60,000)
Loans provided for during the year	39,131	60,000
	<b>60,000</b>	<b>60,000</b>

## 9.5 Impairment of Loans and Advances

### Impaired loans at balance date

Balance of the impaired loans	\$78,924	\$48,720
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### Loans upon which interest is not being accrued

Loans with provision for impairment	78,924	47,006
Less: Specific provision	(33,211)	(27,815)
	45,713	19,191
Loans with no provision for impairment	–	1,715

<b>Total non-accrual loans</b>	<b>\$45,713</b>	<b>\$20,906</b>
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	2007	2006
	\$	\$
<b>9.5 Impairment of Loans and Advances (continued)</b>		
Assets acquired via enforcement of security	<b>\$20,998</b>	<b>\$31,025</b>
Interest and other revenue recognised as revenue earned during the year	<b>\$301</b>	<b>\$2,610</b>
Interest and other revenue accrued but not recognised as revenue (i.e. forgone) in the year	<b>\$1,176</b>	<b>\$8,730</b>

#### **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.

<b>10. Other Investments</b>		
Shares held with Special Service Providers		
Primary shares	–	19
Ordinary shares	155,855	155,855
Shares – at market value		
Listed	20,367	20,367
Shares – at cost		
Unlisted	16,874	42,074
	193,096	218,315
Less: Provision for diminution – unlisted shares	(15,067)	(40,267)
	<b>\$178,029</b>	<b>\$178,048</b>

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.

2007

2006

11. Property, Plant and Equipment		
Office furniture - at cost	138,059	73,181
Less: provision for depreciation	(78,508)	(61,630)
	<b>59,551</b>	<b>11,551</b>
Office equipment - at cost	98,430	74,509
Less: provision for depreciation	(65,319)	(47,034)
	<b>33,111</b>	<b>27,475</b>
Motor vehicles - at cost	110,340	70,395
Less: provision for depreciation	(36,158)	(12,920)
	<b>74,182</b>	<b>57,475</b>
EDP hardware - at cost	176,964	157,887
Less: provision for depreciation	(135,124)	(106,410)
	<b>41,840</b>	<b>51,477</b>
	<b>\$208,684</b>	<b>\$147,978</b>

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	Depreciation expense	Carrying amount at end of year
	\$	\$	\$	\$	\$
Office furniture	11,551	64,878	–	(16,878)	59,551
Office equipment	27,475	23,921	–	(18,285)	33,111
Motor vehicles	57,475	39,945	–	(23,238)	74,182
EDP hardware	51,477	19,077	–	(28,714)	41,840
<b>Totals</b>	<b>147,978</b>	<b>147,821</b>	<b>–</b>	<b>(87,115)</b>	<b>208,684</b>

	2007	2006
	\$	\$
<b>12. Intangibles</b>		
EDP software	416,829	217,378
Accumulated amortisation	(165,968)	(121,691)
	<b>\$250,861</b>	<b>\$95,687</b>

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

	Beginning balance	Additions	Disposals	Depreciation expense	Carrying amount at end of year
	\$	\$	\$	\$	\$
EDP software	95,687	199,451	–	(44,277)	250,861

	2007	2006
	\$	\$
<b>13. Deferred Tax Assets</b>		
Deferred tax assets	266,524	251,459
Prepaid income tax	–	19,951
	<b>\$266,524</b>	<b>\$271,410</b>

<b>14. Other Assets</b>		
Prepayments	<b>\$13,172</b>	<b>\$5,562</b>

<b>15. Deposits and Short Term Borrowings</b>		
Term deposits	27,079,202	26,641,673
Call deposits	21,644,757	21,467,389
Withdrawable shares	48,980	47,698
	<b>\$48,772,939</b>	<b>\$48,156,760</b>

<b>15.1 Maturity Analysis</b>		
On call	21,693,737	15,616,185
Not longer than 3 months	12,268,774	8,206,805
Longer than 3 and not longer than 12 months	14,810,428	24,333,770
	<b>\$48,772,939</b>	<b>\$48,156,760</b>

	2007 \$	2006 \$
<b>15.2 Concentration of Deposits</b>		
i) There are no members who individually have deposits, which represent 10% or more of total liabilities (2006: Nil).		
ii) Details of the geographic concentration of the deposits are set out below.		
Geographical Area		
New South Wales	47,127,953	46,433,195
Other States and Territories	1,644,986	1,723,565
	<b>48,772,939</b>	<b>48,156,760</b>
<b>16. Payables and Other Liabilities</b>		
Payables and accrued expenses	111,001	95,342
Accrued interest payable	497,267	440,055
Members' clearing accounts	76,152	81,753
	<b>\$684,420</b>	<b>\$617,150</b>
<b>17. Interest Bearing Liabilities</b>		
Term loan	1,500,000	–
Deposits from other ADI	5,260,459	5,898,903
	<b>\$6,760,459</b>	<b>\$5,898,903</b>
<b>18. Tax Liabilities</b>		
Income tax	\$78,628	–
<b>19. Provisions</b>		
Employee entitlements	\$114,813	\$95,227
<b>20. Reserves</b>		
Reserve for credit losses	740,000	740,000
Asset revaluation reserve	18,464	18,464
	<b>\$758,464</b>	<b>\$758,464</b>

	2007 \$	2006 \$
<b>20.1 Reserve for Credit Losses</b>		
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.		
Balance at the beginning of the year	740,000	740,000
Transfer to / from retained profits	–	–
<b>Balance at end of year</b>	<b>\$740,000</b>	<b>\$740,000</b>

<b>21. Retained Profits</b>		
Retained profits at the beginning of the financial year	6,462,744	6,059,775
Net profit attributable to members	499,935	402,969
<b>Retained profits at the end of the financial year</b>	<b>\$6,962,679</b>	<b>\$6,462,744</b>

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 \$1,573,234 (2006 - \$1,364,610). 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:

TE Bacon	DAJ Rootes
B Glawson	CJ Shepherd
A Gillham	R Malcolm
JR Moss	M Bow
J Millar	L Bourne
R Mills	C Edwards
PM Nolan	J Letfallah

2007                      2006  
\$                              \$

## 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.

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

Salary and fee	310,191	286,232
Superannuation contributions	27,917	25,320
Non-monetary	14,837	30,587
	<b>\$352,945</b>	<b>\$342,139</b>

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.



2007

2006

\$

\$

### 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.

There are no benefits on concessional terms and conditions applicable to the close family members of the key management persons. There are no loans which are impaired in relation to the loan balances with close family relatives of directors and management.

Aggregate value of loans and overdrafts to Directors and other Key Management Personnel at balance date	\$426,821	\$131,994
Aggregate value of loans disbursed to Directors and Key Management Personnel during the year	\$427,217	\$11,737
Aggregate value of revolving credit facilities limits granted or increased to Directors and Key Management Personnel during the year	–	–
Interest earned on loans and revolving credit facilities to Directors and Key Management Personnel during they year	\$24,240	\$16,053

### 22.4 Savings of Key Management Personnel

Total value of term and savings deposits from Directors and Key Management Personnel at balance date	\$366,574	\$698,756
Total interest paid on deposits to Directors and Key Management Personnel during the year	\$14,792	\$10,781

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.

### 22.5 Other Transactions with Related Parties

Other transactions between related parties include deposits from Directors and their Directors related entities, which are received on the same terms and conditions as applicable to members.

There were no benefits paid or payable to the close family members of the key management personnel.

There are no service contracts to which key management personnel or their close family members are an interested party.

The Credit Union's policy for receiving deposits from other related parties and, in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit

2007  
\$

2006  
\$

## 23. Expenditure and Credit Commitments

### 23.1 Future Capital Commitments

At 30 June 2007 the Credit Union has no future capital commitments (2006: Nil).

### 23.1 Outstanding Loan Commitments

#### Operating leases

Within 1 year	50,981	63,229
1 to 2 years	38,765	50,981
2 to 5 years	81,054	119,820
	<b>\$170,800</b>	<b>\$234,030</b>

### 23.3 Outstanding Loan Commitments

Loans approved by the Board but not funded as at 30 June 2007 amounted to \$1,087,470 (2006: \$1,009,345).

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 2007 amounted to \$2,438,471 (2006: \$2,373,002). Total facilities increased by \$63,370 during the year (2006: increase of \$571,500). 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.

	2007	2006
	\$	\$

## 24. Standby Borrowing Facilities

The Credit Union has gross borrowing facilities with CUSCAL of:

<b>Loan facility</b>		
Gross	1,600,000	1,600,000
Current borrowing	–	–
<b>Net available</b>	<b>1,600,000</b>	<b>1,600,000</b>
<b>Loan facility – TWT Fund</b>		
Gross	1,500,000	–
Current borrowing	(1,500,000)	–
<b>Net available</b>	<b>–</b>	<b>–</b>
<b>Overdraft facility</b>		
Gross	\$300,000	\$300,000
Current borrowing	–	–
<b>Net available</b>	<b>\$300,000</b>	<b>\$300,000</b>

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 2007 was nil (2006: Nil).

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

2007	2006
\$	\$

## 26. Economic Dependency

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

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

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.

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.

## 27. Segmental Reporting

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

## 28. Cash Flow Information

### 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; and
- 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:

Cash on hand and at SSP's	970,531	1,394,809
Interest earning deposits	6,500,000	10,000,000
<b>Cash as per Cash Flow Statement</b>	<b>\$7,470,531</b>	<b>\$11,394,809</b>

	2007 \$	2006 \$
<b>28.3 Reconciliation of Net Cash Provided by Operating Activities to Net Profit Activities after Income Tax</b>		
<b>Operating profit after tax</b>	<b>499,935</b>	<b>402,969</b>
<b>Non cash flow items:</b>		
Employee leave entitlements	19,586	23,157
Loss/(profit) on disposal of plant and equipment	–	2,668
Depreciation and amortisation	131,392	73,905
Provision for doubtful debts	–	209
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in deferred tax assets	(15,065)	(45)
(Increase)/decrease in prepayments	(7,610)	4,068
Increase/(decrease) in provision for income tax	98,579	(26,527)
Increase/(decrease) in payables	67,270	(98,339)
Decrease/(increase) in accrued receivables	89,667	58,103
<b>Net cash from revenue activities</b>	<b>\$883,754</b>	<b>\$440,168</b>
<b>Non-revenue operations</b>		
Movement in members loans	(5,938,514)	(2,122,552)
	<b>\$(5,054,760)</b>	<b>\$(1,682,384)</b>

## 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
<b>(i) Financial assets</b>			
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 6.0% to 7.0%.
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.	
<b>(ii) Financial liabilities</b>			
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.

## 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 the 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 held are 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	
	2007	2006	2007	2006
<b>Financial assets</b>				
Cash and liquid assets	7,470,531	11,394,809	7,470,531	11,394,809
Accrued receivables	112,207	201,874	112,207	201,874
Other investments	178,029	178,048	178,029	178,048
Loans and advances	55,632,394	49,693,880	55,553,470	49,645,159
<b>Total financial assets</b>	<b>63,393,161</b>	<b>61,468,611</b>	<b>63,314,237</b>	<b>61,419,890</b>
<b>Financial liabilities</b>				
Deposits and short term borrowings	48,772,939	48,156,760	48,772,939	48,156,760
Payables and other liabilities	684,420	617,150	684,420	617,150
Interest bearing liabilities	6,760,459	5,898,903	6,760,459	5,898,903
<b>Total financial liabilities</b>	<b>56,217,818</b>	<b>54,672,813</b>	<b>56,217,818</b>	<b>54,672,813</b>

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.

## 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.

### **Other Investments**

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.



### 29.3 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.

### 29.4 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.

## 29.5 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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>(i) Financial assets</b>										
Cash and liquid assets	682,702	1,194,786	6,500,000	10,000,000	287,829	200,023	7,470,531	11,394,809	6.1	5.7
Accrued receivable	-	-	-	-	112,207	201,874	112,207	201,874	-	-
Other investments	-	-	-	-	178,029	178,048	178,029	178,048	-	-
Loans and advances	55,632,394	49,693,880	-	-	-	-	55,632,394	49,693,880	8.4	8
<b>Total financial assets</b>	<b>56,315,096</b>	<b>50,888,666</b>	<b>6,500,000</b>	<b>10,000,000</b>	<b>578,065</b>	<b>579,945</b>	<b>63,393,161</b>	<b>61,468,611</b>		
<b>(ii) Financial liabilities</b>										
Deposits and short term borrowings	21,644,757	21,467,389	27,079,202	26,641,673	48,980	47,698	48,772,939	48,156,760	4.3	3.8
Payables and other liabilities	-	-	-	-	684,420	617,150	684,420	617,150	-	-
Interest bearing liabilities	-	-	6,760,459	5,898,903	-	-	6,760,459	5,898,903	6.8	6.2
<b>Total financial liabilities</b>	<b>21,644,757</b>	<b>21,467,389</b>	<b>33,839,661</b>	<b>32,540,576</b>	<b>733,400</b>	<b>664,848</b>	<b>56,217,818</b>	<b>54,672,813</b>		

### 30. Change in Accounting Policy

The following Australian Accounting Standards have been issued or amended and 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	Outline of Amendment	Application Date of the Standard (Beginning on)	Application date for Credit Union
AASB 7 <i>Financial Instruments: Disclosure</i>	New standard replacing disclosure requirements of AASB 132.	1 January 2007	1 July 2007
AASB 2005-10 <i>Amendments to Australian Accounting Standards</i>  (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038)	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i> .	1 January 2007	1 July 2007
AASB 101 <i>Presentation of Financial Statements</i> (revised)	Removes Australian specific requirements from AASB 101, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously 'encouraged' to adopt in preparing their financial statements.	1 January 2007	1 July 2007
AASB 2007-2 <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 12</i>  (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139)	Amendments arise from the release in February 2007 of Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2009	1 July 2009
AASB 2007-3 <i>Amendments to Australian Accounting Standards arising from AASB 8 Operating Segments</i>  (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038)	An accompanying amending standard also introduced consequential amendments into other Standards.	1 January 2009	1 July 2009
AASB 2007-4 <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments</i>  (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)	These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment	1 January 2007	1 July 2007

## 31. Company Details

The registered office of the Credit Union is:

Macquarie Credit Union Limited  
23 Hawthorn Street  
Dubbo NSW 2830

(End of Audited Financial Statements)

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACQUARIE CREDIT UNION LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Macquarie Credit Union Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Credit Union at the year's end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

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

## Audit Responsibility

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

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

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

## Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act, provided to the directors of Macquarie Credit Union Limited on 14 August 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

## Auditor's Opinion

In our opinion:

- (a) the financial report of Macquarie Credit Union is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the Credit Union's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

MORSE GROUP

36 Darling Street  
Dubbo  
Dated: 14 August 2007

**J M SHANKS**  
PARTNER

# CREDIT UNION REPRESENTATIVES

Auscott Warren	V. Wise
Baradine MPHS	To Be Advised
Bathurst Country Energy	A. Walker
Bogan Shire Council	M. Wynne
Bourke Country Energy	C. Brown
Brewarrina Country Energy	C. Brown
Central Darling Shire	V. Pearson
Cobar Country Energy	R. De Jong
Cobar District Hospital	B. Izzard, K. Howell
Cobar DIPNR	R. Goonrey
Cobar Shire Council	To Be Advised
Coolah Hospital	To Be Advised
Coolah Shire Council	V. Kearnes
Coonabarabran Country Energy	To Be Advised
Coonabarabran Shire Council	C. Kennedy
Coonabarabran Hospital	D. Healey
Coonamble Country Energy	D. Boreham
Coonamble Hospital	L. Kenny
Coonamble Shire Council	S. Horan
Dubbo Base Hospital	P. Woodward
Dubbo City Council	V. Dawson
Dubbo Country Energy	R. Allan, J. Morrison
Dubbo C/E FSC	R. Howell
Dubbo Private Hospital	To Be Advised
Dunedoo Country Energy	L. Clark, S. Curtis
Dunedoo MPHS	J. Curtis
Gilgandra District Hospital	K. McWhirter
Gilgandra Country Energy	R. Coxsedge

Gilgandra Shire Council	J. Henry
Gulgong Country Energy	R. Lockyear
Gulgong Hospital	H. Unwin
Lourdes Hospital	To Be Advised
Molong Country Energy	To Be Advised
Mudgee Community Health	To Be Advised
Mudgee Country Energy	G. Holland
Mudgee Dental/Early	To Be Advised
Mudgee District Hospital	J. Adams
Mudgee Shire Council	G. Woods
Narromine Base Hospital	L. McLelland
Narromine Shire Council	C. Shennan, V. Roberts
Narromine Country Energy	M. Bouchier
Nyngan Country Energy	D. Callaghan
Nyngan District Hospital	J. Hawley
Orange Country Energy	A. Goodacre
Parkes Country Energy	To Be Advised
Peak Hill Country Energy	To Be Advised
Queanbeyan Country Energy	H. Jansen
Trangie MPHS	To Be Advised
Warren Country Energy	M. Oriel
Warren State Water	M. Patterson
Warren MPHS	J. George, D. George, L. Clark
Warren Shire Council	J. Murray
Wellington Country Energy	J. Preston
Wellington Hospital	To Be Advised
Wellington Shire Council	A. Cullen
Yeoval MPHS	L. Kerin

## Staff

Robert Malcolm	General Manager
Matthew Bow	Deputy General Manager
Cheriee Edwards	Loans Supervisor
Leanne Bourne	Office Supervisor
John Letfallah	Collections & Compliance Officer
Maree Wilson	Business Development Officer
Fiona Parle	Business Development Officer
Sally Mannix	Insurance Officer
Helen Yeo	Loans Officer
Lesley Dunn	Loans Officer
Anne Howey	Loans Officer
Margaret Moon	Member Service Officer
Jill Graham	Member Service Officer
Leanne Soper	Member Service Officer
Angela Chapman	Member Service Officer
Rachel Kirk	Member Service Officer

## Directors

TE BACON  
PM NOLAN  
JR MOSS

RK MILLS  
A GILLHAM  
CJ SHEPHERD

B GLAWSON  
DAJ ROOTES  
J MILLAR

## Registered Office

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**Telephone Banking:** 1300 885 480

**Email:** [info@macquariecu.com.au](mailto:info@macquariecu.com.au)

**Web:** [macquariecu.com.au](http://macquariecu.com.au)

## 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