

The Broken Hill Community Credit Union Ltd
ABN: 12 087 650 762
Annual Report
30th June 2005

THE BROKEN HILL COMMUNITY CREDIT UNION LTD

ABN: 12 087 650 762

THIRTY-SECOND ANNUAL GENERAL MEETING

THURSDAY 3RD NOVEMBER 2005
7:30 PM

2 Chloride Street Broken Hill NSW 2880

AGENDA

1. Welcome to members and guests.
2. Apologies.
3. Confirmation of the minutes of the thirty-first Annual General Meeting.
4. Capacity for the Chairman to vary the Agenda.
5. Election of Directors.
6. Directors' Report.
7. Financial Position, Financial Performance and Auditor's Report.
8. Directors' Remuneration.
9. Appointment of Auditor.

10. General Business of which due notice has been received in accordance with the Constitution of the Credit Union.

11. Close Meeting - Refreshments.

CHAIRPERSON'S REPORT

It is pleasing to report another successful year for your Credit Union. Gross profit was up by \$292,504 to \$613,636 resulting in a net profit after tax of \$429,545 compared with the 2004 result of \$224,793. This result represents a return on assets of 1.06%, almost double last years result of 0.56%. This result was achieved through addressing both the income and expense aspects of our operations. Income was up by 4.53% and the ratio of cost to income was reduced from 89.35% in 2004 to 80.34% this year.

The Credit Union industry continues to be adapting to an environment of change. Increased compliance issues still confront us and the industry resulting in increased resources being devoted to this area. Compliance issues confronting the Board and senior management have increased meaning that the breadth of skills required to ensure that we address all relevant issues has increased. Consequently extensive training programmes across the organisation are being developed to address these increasing requirements.

This year has seen further rationalisation within the industry with the number of Credit Unions operating in the market continuing to fall. Your Credit Union has looked at how this trend may impact in the local market and believe that locals providing services to locals is the best means to address the needs of the community. Having said this, however, it is important that we continue to meet the needs of our members. To this end we have introduced new products such as SMS Banking, improved phone banking, Internet banking and BPAY facilities. We have also introduced flexibility into our loan products and are actively encouraging areas such as redraw facilities and currently we are looking to develop facilities for on line and simplified loan application.

This year has seen an incident occur in Queensland where a building society has made a hostile takeover bid for a Credit Union. This is not the forum for commentary on the particular circumstance of this particular case, however, it is the belief of your Board that the interests of members is best served by remaining a Credit Union where its mutual status means that the members are the owners of the business and that profits remain in the business for the benefit of members and the community in general. Members may not be aware of the amount of support that your credit union provides to community organisations so consequently we will be developing programmes for our community support which will clearly demonstrate to you, our members, what your membership of the credit union does for the broader community.

Your Board is committed to ensuring that we provide the best possible service at the best possible price to our members thus ensuring that your Credit Union remains a viable and relevant Broken Hill institution.

Allan K. Carter.
CHAIRPERSON

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30th June 2005.

DIRECTORS

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report are:

Names and qualification

Allan K Carter BHSM (Op) (Chairperson)
MBA AFACHSE FAICD FPNA

Allan is an accountant and the Chief Executive Officer of Southern Cross Care Inc. He is the Auditor for a number of local community organisations. He has been a Director since 1993 and Chairperson since 2002 and is a member of the Institute of Credit Union Directors. Allan was elected to the Corporate Governance & Remuneration Committee on 30th November 2004.

George M Watson (Vice-Chairperson)

George is a retired miner and was previously a committee member of the MM & M Sickness Fund for 18 years and it's Chairman for the last 14 of those years. He has been a Director since 1980, Vice Chairperson from 1998 to 1999, Chairperson from 1999 to 2002 and is currently Vice-Chairperson. George is a member of the Institute of Credit Union Directors. George was elected to the Corporate Governance & Remuneration Committee on 30th November 2004.

Elsie S Ravlich Dip.Ed

Elsie was a secondary school teacher and is a member of the Institute of Credit Union Directors. She has been a Director since 1981 and was the Chairperson from 1986 to 1998. Elsie was elected to the Audit Committee on 30th November 2004.

Judith E Hoare JP
Member of the
Human Resource
Institute

Judi has a Professional Diploma in Human Resource Management and was the Office Manager for Austen Brown, Thompson Solicitors, Accountants & Financial Planners from 1986 until 2001 when she became the Resource Manager at Southern Cross Care Inc. She has been a Director since 1998. Judi was elected to the Audit Committee on 30th November 2004.

DIRECTORS' REPORT (continued)

John W Doyle
B.Leg.S.

John is a solicitor of 18 years standing and principal of the legal firm of Doyle, Kingston & Swift. John has been an active member of the Broken Hill community. John was appointed to the Board at the 2000 Annual General Meeting and to the Audit Committee on 30th November 2004.

Peter J Stonham
PNA, ACIS

Peter is an accountant employed by Conolan McInnes Accountants. He is also a member of several community based organisations. He has been a Director since June 2002 and was previously a Director for 16 years. Peter was elected to the Corporate Governance & Remuneration Committee on 30th November 2004.

Lawrence D. Chapman
CAHRI MAICUD JP

Laurie has been the Human Resources Manager with the RFDS since 2002. Prior to being appointed as a Director of the Credit Union in March 2004, he had continued to serve as a Director of Calare Credit Union at Orange. This included terms on their audit and remuneration committees. His career includes 19 years in banking to branch management level, and a further 19 years in Human Resource Management positions. Laurie holds a Graduate Diploma in Employee Relations and is a Certified Professional with the Australian Human Resources Institute. He is a member of the Australian Institute of Credit Union Directors. Laurie was elected to the Corporate Governance & Remuneration Committee and the Audit Committee on 30th November 2004.

DIRECTORS' REPORT (continued)

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

Interests in contracts or proposed contracts with the Credit Union.

Mr John Doyle (Director) has an interest in a contract with the Credit Union – namely a lease of the Credit Union's property at 237 Argent Street, Broken Hill.

DIRECTORS' MEETINGS

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

	Directors Meetings		Meetings of Audit Committee		Meetings of Corp.Gov & R. Committee
	Eligible	Attended	Eligible	Attended	
Number of meetings held	13		6		1
Number of meetings attended	Eligible	Attended	Eligible	Attended	
AK Carter	13	11			1
GM Watson	13	13			1
ES Ravlich	13	9	6	2	
JE Hoare	13	12	6	6	
JW Doyle	13	11	6	6	
PJ Stonham	13	12			1
LD Chapman	13	12	6	4	1

ROUNDING

The amounts contained in this report and in the financial statements have not been rounded off under the option available to the Credit Union under ASIC Class Order 98/100. The Credit Union is an entity to which the Class Order applies.

DIRECTORS' REPORT (continued)

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during or, since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee of the Credit Union, controlled entity or related body corporate and shown in the Credit Union's Financial Statements presented in the Annual Financial Report, prepared in accordance with Division 1 of Part 2M.3 of the Corporations Act, other than that disclosed in note 27 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the Directors and Officers of the Credit Union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a Director or Officer of the Credit Union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax and extraordinary items was \$429,545. (2004 \$224,793)

DIRECTORS' REPORT (continued)

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors as the Credit Union is limited by guarantee and cannot distribute dividends by virtue of the provisions of its Constitution.

REVIEW OF OPERATIONS

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER BALANCE DATE

The Credit Union has adopted International Financial Reporting Standards from 1st July 2005 which may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

LIKELY DEVELOPMENT AND RESULTS

The Credit Union has adopted International Financial Reporting Standards from 1st July 2005 which may significantly affect:-

1. The operations of the Credit Union;
2. The results of those operations; or
3. The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Allan Keith Carter
Chairperson

George Malcolm Watson
Vice Chairperson

Dated this 27th September 2005

The Board of Directors



Back L to R: Mr John Doyle, Mr Lawrence Chapman, Mr Peter Stonham, Mr George Watson (VC)
Front L to R: Mrs Judith Hoare, Mr Allan Carter (Chairperson), Mrs Elsie Ravlich.

Credit Union Staff



Back L to R: David Hunt, Lee Astill (resigned), Anthea Johnston, Lynda Derham, Emmy Matthews,
Jonathon Hull(resigned), Brenda Isaac, Pauline Pompeo
Middle L to R: Jason Hand, Carmel Kestles, Andrew Pellizzer (General Manager), Christopher Day, Cheryl
Day, Bonnie-Jo Tavian, LeeAnne Howse, Mary Muscat.
Front L to R: Jamie Cowley, Tracy Harman, Angela Turner (resigned), Sandra Squire, Louise Hunt, Melaina
Blackwell, Gerard Southon, Ann Grose, Nicole Luke (resigned), Jake Lubner.
Not present: Daniel Bray-Robertson, Kylie Ransome, Cindy Spicer

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF THE BROKEN HILL COMMUNITY CREDIT UNION LTD

SCOPE

I have audited (with the assistance of my staff) the attached report of The Broken Hill Community Credit Union Ltd, comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the financial statements for the year ended 30 June 2005. The Credit Union's Directors are responsible for the financial report. I have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Credit Union.

My audit has been conducted in accordance with the Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Credit Union's financial position and performance as represented by the result of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report of The Broken Hill Community Credit Union Ltd is in accordance with:

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

Date: 27th September 2005
33 Iodide Street
Broken Hill, NSW 2880

A.Conolan
Registered Company Auditor - 226482

The Broken Hill Community Credit Union Ltd
ABN: 12 087 650 762

DIRECTORS' DECLARATION

The Directors of The Broken Hill Community Credit Union Ltd declare that:-

1. The financial statements and notes related thereto:-
 - a) comply with Accounting Standards and the Corporations Act 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2005 and the performance for the year ended on that date of the Credit Union.
2. 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.

Allan Keith Carter
Chairperson

George Malcolm Watson
Vice-Chairperson

Dated this 27th September 2005.

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	2005	2004
REVENUE			
Interest Revenue	2.a	2692096	2549671
Non Interest Revenue	2.b	<u>876170</u>	<u>863840</u>
TOTAL INCOME		<u>3568266</u>	<u>3413511</u>
Expenses from ordinary activities			
BORROWING EXPENSE			
	2.c	<u>447803</u>	<u>399383</u>
NON INTEREST EXPENSES			
Bad & Doubtful Debts	2.d	36000	36000
Fee & Commission		-	-
General Administration			
-Employee Entitlements		1038028	1138710
-Depreciation & Amortisation		97381	114049
-Lease Expenses		3108	3108
-Other Administration Expenses		<u>300804</u>	<u>320231</u>
Total General Administration Expenses		<u>1439321</u>	<u>1612098</u>
Other Operating Expenses		1067506	1080898
Total Non Interest Expenses		<u>2506827</u>	<u>2692996</u>
TOTAL EXPENSES		<u>2954630</u>	<u>3092379</u>
OPERATING PROFIT BEFORE INCOME TAX		613636	321132
Adjustment to Tax Depreciation		-	-
Income Tax Expense	3	<u>184091</u>	<u>96339</u>
OPERATING PROFIT AFTER INCOME TAX		<u>429545</u>	<u>224793</u>
Other increases in Members equity			
Increase in Asset Revaluation Reserve		-	-
Tax Refund		-	-
TOTAL INCREASE IN MEMBERS EQUITY		<u>429545</u>	<u>224793</u>

Statement of Financial Position

AS AT 30 JUNE 2005

	NOTE	2005	2004
<u>ASSETS</u>			
Cash	4	2024287	2986349
Receivables from other Financial Institutions	5	12800000	14000000
Receivables	6	191493	256297
Loans and advances	7&8	23546743	21040730
Investments	9	220966	294618
Property, plant & equipment	10	1591670	1661526
Taxation assets	11	48270	74438
Intangible assets	12	17356	17356
TOTAL ASSETS		<u>40440785</u>	<u>40331314</u>
<u>LIABILITIES</u>			
Payables to other Financial Institutions	13	-	-
Deposits	14	35348786	35478792
Payables	15	494865	667318
Taxation Liabilities	16	68978	51340
Provisions	17	<u>228342</u>	<u>263595</u>
TOTAL LIABILITIES		<u>36140971</u>	<u>36461045</u>
NET ASSETS		<u>4299814</u>	<u>3870269</u>
<u>MEMBERS EQUITY</u>			
Capital	18	-	-
Reserves	19	-	-
Retained Profits	20	<u>4299814</u>	<u>3870269</u>
<u>TOTAL MEMBERS EQUITY</u>		<u>4299814</u>	<u>3870269</u>

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	2005	2004
<u>OPERATING ACTIVITIES</u>			
Inflows			
Interest Received – Loans		1842439	1843564
Interest Received – Investments		849657	623492
Other Income		867150	859483
Outflows			
Interest Paid		(447803)	(398877)
Suppliers & employees		(2294119)	(2424662)
Income Taxes Paid		<u>(140285)</u>	<u>(80598)</u>
Net cash from Operating Activities	31c	<u>677039</u>	<u>422402</u>
<u>INVESTING ACTIVITIES</u>			
Inflows			
Receivables from other Financial Institutions (net move)		1200000	-
Proceeds on sale of investment in shares		73652	-
Proceeds on sale of property, plant & equipment		-	-
Less: Outflows			
Net movement in Clearing/Payroll accounts		(209730)	306091
Receivables from other Financial Institutions (net movement)			(750000)
Purchase of investment of shares		-	-
Purchase of fixed assets		(27526)	(25212)
Member Loans (net movement)		<u>(2550361)</u>	<u>(1120788)</u>
Net cash from Investing Activities		<u>(1513965)</u>	<u>(1589909)</u>
<u>FINANCING ACTIVITIES</u>			
Inflows			
Member Deposits and shares (net movement)		(125136)	161491
Payables to other Financial Institutions (net movement)		-	-
Net cash from Financing Activities		<u>(125136)</u>	<u>161491</u>
Total Net Cash increase		<u>(962062)</u>	<u>(1006016)</u>
Cash at Beginning of Year		2986349	3992365
Cash at End of Year	31a.	<u>2024287</u>	<u>2986349</u>

Notes to the Accounts

FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES

The accounts of the Credit Union are general purpose financial reports drawn up in accordance with the Accounting Standards, other Authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views, and the Corporations Act.

a) Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets, with the exception of buildings which are revalued every three years. The accounting policies are consistent with the prior year unless otherwise stated.

b) Loans to Members

i) Basis of Inclusion

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 daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Overdrawn – The overdrawn interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Loan Interest Stopped – while still legally recoverable, interest is not brought to account as income when the Credit Union is informed that the member has deceased, or on impaired loans where recovery of the debt is considered unlikely as determined by the Board of Directors. Generally interest is not brought to account as revenue after the irregularity exceeds 90 days.

iii) Loan Fees

Loan establishment fees which do not exceed the amount of costs recouped are brought to account as income in the year of receipt. Fees for the recovery of costs incurred are allocated against the relevant expense incurred. Loan fees in excess of cost are deferred and brought to account over the term of the loan or 5 years whichever is the shorter.

Notes to the Accounts (Cont.)

c) Provision for Doubtful Debts (impairment)

i) Specific Provision

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 the terms of the loan agreement. The Australian Prudential Regulatory Authority (APRA) and Prudential Standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

In addition the Board of Directors makes a further provision against loans in arrears in excess of the prescribed levels where the collection of the debts are considered doubtful.

ii) General Provision

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

- the level of security taken as collateral.
- the concentration of loans categorised by residential & employment type.

d) 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 the recovery of the debt is unlikely. Bad debts are written off against the provisions 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 Statement of Financial Performance.

e) Property, Plant & Equipment

Property, plant and equipment with the exception of freehold land, are depreciated on either a diminishing value or straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. Estimated useful lives are as follows:

Buildings	- 40 years
Leasehold Improvements	- 10 years
Plant and Equipment	- 3 to 7 years

f) Deposits with other Financial Institutions

Term deposits are unsecured and have a carrying amount 'equal to their principal amount'. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Statement of Financial Position.

Notes to the Accounts (Cont.)

g) Investments & Securities

Investments and securities to be held to maturity are recorded at the lower of cost or recoverable amount. All investments are in Australian currency.

h) Member Savings

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 monthly, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest 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.

i) Provision for Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union. Annual leave, is accrued in respect of all employees on pro-rata entitlement for part year of service and leave entitlement due but not taken at balance date. Contributions are made by the Credit Union to employees' superannuation funds and are charged to expense as incurred.

j) Income Tax

The Credit Union adopts the liability method of tax-effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences between accounting profit and taxable income.

Timing differences which arise due to the different periods in which items of revenue and expense are recognised for tax purposes are brought to statement as either provision for deferred income tax or an asset described as future tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Timing differences are presently assessed at 30% (2004 30%).

Notes to the Accounts (Cont.)

Future tax benefits are not brought to statement unless realisation of the asset is assured beyond any reasonable doubt. The amount of these benefits is based on the assumption that:

- i) no adverse change will occur in income tax legislation and
- ii) the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

k) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

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

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

The Directors are of the opinion that the key material differences in the Broken Hill Community Credit Union Ltd's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows.

i. Research and Development Expenditure

The Broken Hill Community Credit Union Ltd has not incurred any research and development expenditure during the year under review.

ii. Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

Notes to the Accounts (Cont.)

The Broken Hill community Credit Union Ltd is reassessing its impairment testing policy and the resulting changes are unable to be estimated at the date of the report.

iii. Goodwill on Consolidation

Under AASB 3: Business Combinations, goodwill is not present and is therefore not applicable.

iv. Employee Benefits – Defined Benefit Superannuation Plan

Under AASB 119: Employee Benefits, The Broken Hill Community Credit union Ltd does not contribute to an employer sponsored defined benefit superannuation plan and therefore is not applicable.

v. Non-current Investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Broken Hill Community Credit Union Ltd's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by Directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The Broken Hill community Credit Union Ltd has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

vi. Income Tax

Currently, the Broken Hill Community Credit Union Ltd adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112:

Notes to the Accounts (Cont.)

Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The impact of changes is yet to be calculated at the date of the report and therefore no estimations are provided.

On transition to AIFRS the estimated cumulative financial effect of the differences on the Broken Hill Community Credit Union Ltd's reported net profit and equity as at 30 June 2005 has been unable to be estimated at the date of the report. As noted above, comparative figures for the 2005 year will be restated in the Financial Report issued for the year ended 30th June 2006.

Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Broken Hill Community Credit Union Ltd's AIFRS committee.

Notes to the Accounts (Cont.)

2. STATEMENT OF FINANCIAL PERFORMANCE

a) Analysis of Interest Revenue

Category of Interest bearing assets	Interest Revenue	<u>2005</u>	
		Average Balance	Average Interest Rate %
Cash – deposits at call	83032	2505318	3.31
Deposits with other Financial Institutions	766625	13400000	5.72
Loans and other advances	<u>1842439</u>	<u>22293737</u>	<u>8.26</u>
TOTAL INTEREST REVENUE	<u>2692096</u>	<u>38199055</u>	<u>7.05</u>

2004

Category of Interest bearing assets

Cash – deposits at call	90181	3489357	2.58
Deposits with other Financial Institutions	714646	13625000	5.25
Loans and other advances	<u>2549671</u>	<u>20762605</u>	<u>8.40</u>
TOTAL INTEREST REVENUE	<u>2549671</u>	<u>37876962</u>	<u>6.73</u>

b) Non-Interest Revenue

Fee and Commission Revenue	<u>2005</u>		<u>2004</u>	
- Loan fee income	55073		37950	
- Other fee income	460640		507898	
- Insurance commissions	122441		124190	
- Other commissions	<u>11908</u>		<u>45617</u>	
	650062		715655	
Dividend on investments	16203		5892	
Bad Debts Recovered	40343		24833	
Other revenue				
- Gain on disposal of assets				
- Property, plant & equipment				
- Rent received	28000		28000	
- Miscellaneous revenue	<u>141562</u>		<u>89460</u>	
TOTAL NON INTEREST REVENUE	<u>876170</u>		<u>863840</u>	

Notes to the Accounts (Cont.)

c) Analysis of Interest Expense

2005

Category of interest bearing liabilities	Interest Expense	Average Balance	Average Interest Rate %
Member Deposits	446976	35413789	1.26
Borrowings	<u>827</u>	<u>9616</u>	<u>8.60</u>
TOTAL INTEREST EXPENSE	<u>447803</u>	<u>35423405</u>	<u>1.26</u>

2004

Category of interest bearing liability

Member Deposits	398084	35307036	1.13
Borrowings	<u>1299</u>	<u>17673</u>	<u>7.35</u>
TOTAL INTEREST EXPENSE	<u>399383</u>	<u>35324709</u>	<u>1.13</u>

d) Bad and Doubtful Debts Expense

	2005	2004
Increase in provision	36000	36000
Bad Debts written off directly against profit	<u>-</u>	<u>-</u>
TOTAL BAD AND DOUBTFUL DEBTS EXPENSE	<u>36000</u>	<u>36000</u>

e) Large and Unusual Items

The following items of income and expense are considered to be significant to the understanding of the financial performance.

	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Notes to the Accounts (Cont.)

f) Other prescribed expense disclosures	2005 (\$)	2004 (\$)
Auditors remuneration		
- Audit fees	25409	39181
- Other services	<u>2262</u>	<u>10917</u>
	<u>27671</u>	<u>50098</u>
Bad and doubtful debt expense, net of recoveries and movement of provisions	-	-
Depreciation of		
- Buildings	36093	37019
- Plant and equipment	61288	77030
- Leasehold improvements	-	-
Loss on disposal of assets		
- Property, plant and equipment	-	6354
Operating Lease expenses		
- Contingent rentals	-	-
- Sub lease expenses	-	-
Amortisation of Goodwill on acquisition of business		
Finance Lease expenses	-	-
Provision for Annual Leave	8909	2701
Provision for Long Service Leave	48499	47675
Provisions for other liabilities	-	-
Supervision Levy	<u>4254</u>	<u>4256</u>
	<u>159043</u>	<u>175035</u>

Notes to the Accounts (Cont.)

3. INCOME TAX EXPENSE 2005 (\$) 2004 (\$)

a) **The prima facie tax payable on operating profit** is reconciled to the income tax expense in the accounts as follows:

Prima facie tax payable on operating profit before Income tax at 30%	184091	96339
Add tax effect of expenses not deductible		
- Other non-deductible expenses	-	-
Sub-Total		
Add		
- Adjustment to recognise Future Income Benefits at 30%		
- Adjustments to opening Future Income Tax Benefits	-	-
Less		
- Overprovision of tax in prior year		
- Franking Rebate		
- Adjustment for transitional tax rate provision		
- Adjustment to recognise Future Income Benefits reduction		
 Income Tax Expenses attributable to operating profit	<u>184091</u>	<u>96339</u>

b) **The income tax expense** comprises amounts set aside as:-

Provision for income tax attributable to current year taxable income	210259	110535
Add:		
Movement in the Future Income Tax Benefit	(26168)	(14196)
 Income Tax Expense attributable to operating profit	<u>184091</u>	<u>96339</u>

4. CASH

Cash on Hand	493701	483297
Deposits at Call	<u>1530586</u>	<u>2503052</u>
	<u>2024287</u>	<u>2986349</u>

5. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

Term Deposits	<u>12800000</u>	<u>14000000</u>
	<u>12800000</u>	<u>14000000</u>

Notes to the Accounts (Cont.)

6. RECEIVABLES	2005 (\$)	2004 (\$)
Interest receivable on deposits with other		
Financial Institutions	95296	181336
Prepayments	27563	24620
Sundry Debtors	10913	4337
Clearing Accounts	<u>57721</u>	<u>46004</u>
	<u>191493</u>	<u>256297</u>
7. LOANS AND ADVANCES		
a) Amount due comprises:		
Overdraft, revolving credit and term loans	23756135	21303772
Less:		
Specific Provision	8a <u>43733</u>	<u>119169</u>
Sub-total	23712402	21184603
Less:		
General Provision	8a <u>165659</u>	<u>143873</u>
NET	<u>23546743</u>	<u>21040730</u>
b) Security dissection		
Secured by mortgage	19876617	18460571
Partly secured by goods mortgage	1432695	2265869
Wholly unsecured	<u>2446823</u>	<u>577332</u>
	<u>23756135</u>	<u>21303772</u>
c) Concentration of loans		
i) Individual loans which exceed 10% of member funds in aggregate	-	-
ii) Loans to members are concentrated solely in Australia, principally in Broken Hill.		
- Broken Hill	22179853	19844859
- Other	<u>1576282</u>	<u>1458913</u>
	<u>23756135</u>	<u>21303772</u>
iii) Purpose dissection		
Residential loans	19262089	16337033
Personal loans	3579569	3932350
Commercial loans	<u>914477</u>	<u>1034389</u>
TOTAL	<u>23756135</u>	<u>21303772</u>

Notes to the Accounts (Cont.)

8. PROVISION ON IMPAIRED LOANS	2005	2004
a) Total provision comprises		
Specific provisions	43733	119169
General provisions	<u>165659</u>	<u>143873</u>
Total Provision	<u>209392</u>	<u>263042</u>
b) Movement in the Specific Provision		
Balance at the beginning of the year	119169	151470
Add (deduct):		
Transfers from Statement of Financial Performance		
Bad Debts written off against provision	(89650)	(33013)
Transfer from General Provision	14214	712
Specific Provision Balance at end of year	<u>43733</u>	<u>119169</u>
c) Movement in General Provision		
Balance at beginning of year	143873	108585
Add (deduct):		
Bad Debt Written Off against Provision		
Transfer from (to) Statement of Financial Performance	36000	36000
Transfer from Overdrawn Savings Provision		
Transfer to Specific Provision	(14214)	(712)
General Provision Balance at end of year	<u>165659</u>	<u>143873</u>
d) The specific loans provisions consists of:		
i)	provision required under the APRA Prudential Standards	
ii)	additional specific provision	
e) Impaired Loan Classification		
Accounting Standards have classified loans where repayments are in arrears in the following terms:		
i)	Loans where recovery of all principal and interest is doubtful, or where the interest recovery is less than the average cost of funds are classified as Non Accrual Loans.	
ii)	Loans where the interest recovery is less than the normal terms applicable, but higher than the average cost of funds are classified as Restructured Loans. (Where provision is required the loan is classified as "Non Accrual").	
iii)	The above categories are together referred to as impaired loans.	
iv)	Other loans which are in arrears more than 90 days but, due to mortgage security or other reasons recovery is not considered doubtful (and no provision necessary), are classified as "Past Due Loans".	

Notes to the Accounts (Cont.)

f) Impaired Loans and Other Disclosures	2005	2004
Non Accrual Loans – Balances	43888	181619
- with a provision		
Less: specific provision	<u>30302</u>	<u>111713</u>
Total Non Accrual Loans	<u>13586</u>	<u>69906</u>
Restructured Loans	-	-
Past Due Loans	<u>50964</u>	<u>19054</u>
Assets Acquired via enforcement of security		
- Real Estate	-	-
- Other	-	-
Other Disclosures on Impaired Loans		
Interest and other revenue earned on impaired loans	<u>15844</u>	<u>20723</u>
Interest and other revenue foregone on impaired loans	<u>9166</u>	<u>7230</u>

9. INVESTMENTS

Shares		
- CUSCAL	220966	294618
TOTAL INVESTMENTS	<u>220966</u>	<u>294618</u>

10. PROPERTY, PLANT & EQUIPMENT

a) Fixed Assets

Land and Buildings – at cost	1819940	1819940
Less: Provision for depreciation	<u>412297</u>	<u>376204</u>
	<u>1407643</u>	<u>1480755</u>
Plant and equipment – at cost	1125564	1098038
Less: Provision for depreciation	<u>941537</u>	<u>880248</u>
	<u>184027</u>	<u>217790</u>
Capitilised Leasehold Improvements	-	-
Less: Provision for amortisation	-	-
Total Property, Plant & Equipment	<u>1591670</u>	<u>1661526</u>

Notes to the Accounts (Cont.)

b) Land and Buildings - Valuation

The land and buildings having a cost of \$1,819,940 were valued by JP Hickey, registered valuer No 6354, on the 30th June 2003 at \$1,760,000. As the written down value of the land and buildings as at the 30th June 2005 is \$1,407,643 the difference has not been brought to account on the Statement of Financial Position.

c) Movements in the fixed assets balance during the year were:

	2005		2004	
	Land & Buildings	Plant & Equipment	Land & Buildings	Plant & Equipment
Opening Balance	1443736	217790	1480755	275962
Purchases in the year		27526		46576
Revaluation increase adjustments				
Adjustment Re: Tax Depreciation				
Less				
Disposal of Assets				27718
Depreciation charge	36093	61289	37019	77030
Revaluation decrement adjustments				
Balance at the end of the year	<u>1407643</u>	<u>184027</u>	<u>1443736</u>	<u>217790</u>

11. TAXATION ASSETS

	2005	2004
Future Income Tax Benefit	48270	74438

Future Income Tax Benefit

The future income tax benefit represents the tax effect of:

- provisions for doubtful debts, staff leave entitlements and accruals which are not deductible for tax purposes until paid or the loss is incurred, and which have been charged against accounting profit in the current year or previous years.
- excess depreciation charge for accounting purposes over that amount allowed for tax purposes.

12. INTANGIBLE ASSETS

	2005	2004
Capital loss on MyCard Shares	17356	17356

13. AMOUNTS PAYABLE TO OTHER FINANCIAL INSTITUTIONS

	2005	2004
Loan	-	-
Overdraft	-	-
TOTAL INVESTMENTS	-	-

Notes to the Accounts (Cont.)

14. DEPOSITS	2005	2004
Member deposits		
- at call	26856330	27059781
- term	<u>8398154</u>	<u>8324741</u>
TOTAL DEPOSITS	35254484	35384522
 Member Shares	 <u>94302</u>	 <u>94270</u>
TOTAL DEPOSITS & SHARES	<u>35348786</u>	<u>35478792</u>

Concentration of Member Deposits

Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:

NIL

Member deposits at balance date were received from individuals employed in Australia and principally in the Broken Hill area.

15. PAYABLES

Creditors and accruals	219379	416960
Interest payable on borrowings	-	-
Interest payable on Deposits	177335	150902
Sundry Creditors	<u>98151</u>	<u>99456</u>
TOTAL AMOUNTS PAYABLE	<u>494865</u>	<u>667318</u>

16. TAXATION LIABILITIES

Provision for Income Tax	68978	51340
Provisions for deferred income tax	-	-
TOTAL TAXATION LIABILITIES	<u>68978</u>	<u>51340</u>

17. PROVISIONS

Provision for employee annual leave	69190	77109
Provision for employee long service leave	159152	183909
Provisions - other	<u>-</u>	<u>2577</u>
TOTAL PROVISIONS	<u>228342</u>	<u>263595</u>

Notes to the Accounts (Cont.)

18. REDEEMED CAPITAL ACCOUNT	2005	2004
Balance at the beginning of the year	-	-
Transfer from retained earnings on share redemptions	-	-

19. RESERVES

General Reserve	-	-
Asset Revaluation Reserve	-	-
Capital Profits Reserve	-	-
TOTAL RESERVES	-	-

Movements in Reserves

Asset Revaluation Reserve

Balance at the beginning of the year		
Add: increment on revaluation of land and buildings		
Balance at the end of the year	-	-

20. RETAINED EARNINGS

Retained Profits at the beginning of the financial year	3870269	3645476
Add: Operating Profit after tax for the year	429545	224793
Tax Refund		
Adjustment to Future Income Tax Benefit previously charged to Provision for Income Tax		
	<u>4299814</u>	<u>3870269</u>
Less: Transfer of reserves to Capital account on redemption of shares		
Retained Profits at the end of the Financial Year	<u>4299814</u>	<u>3870269</u>

Notes to the Accounts (Cont.)

21. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid.

2005

Maturity	Cash	ASSETS Receivables from other financial institutions	Loans & Advances (net of specific provision)	LIABILITIES Borrowings	Member Deposits
At Call	2024287				26950632
Overdrafts					
Up to 3 months		9800000	2219		2501399
3 to 12 months		2000000	79271		5409005
1 to 5 years		1000000	3150323		487750
Over 5 years			20480589		
Unspecified					
TOTAL	<u>2024287</u>	<u>12800000</u>	<u>23712402</u>	<u>-</u>	<u>35348786</u>

2004

Maturity	Cash	ASSETS Receivables from other financial institutions	Loans & Advances (net of specific provision)	LIABILITIES Borrowings	Member Deposits
At Call	2986349				27154051
Overdrafts					
Up to 3 months		10500000	1654		2749159
3 to 12 months		3500000	358748		4763585
1 to 5 years			2758531		811997
Over 5 years			18065670		
Unspecified					
TOTAL	<u>2986349</u>	<u>14000000</u>	<u>21184603</u>	<u>-</u>	<u>35478792</u>

For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Notes to the Accounts (Cont.)

22. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2005

Time Band	Cash	ASSETS Receivables from other financial institutions	Loans & Advances (before provision)	LIABILITIES Payables to other financial institutions	Member Deposits
Floating Rate	2024287		23735724		26950632
Within 1 month					954346
1 to 3 months		9800000			1547053
3 to 12 months		2000000			5409005
1 to 5 years		1000000	20411		487750
Over 5 years					
Unspecified					
TOTAL	2024287	12800000	23756135	-	35348786

2004

Time Band	Cash	ASSETS Receivables from other financial institutions	Loans & Advances (before provision)	LIABILITIES Payables to other financial institutions	Member Deposits
Floating Rate	2986349		21220013		27154051
Within 1 month		8500000			1011073
1 to 3 months		2000000			1738086
3 to 12 months		3500000			4763585
1 to 5 years			83759		811997
Over 5 years					
Unspecified					
TOTAL	2986349	14000000	20221437	-	35478792

Notes to the Accounts (Cont.)

23. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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.

2005

Time Band	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans & Advances (after all provisions)	Payables to other financial institutions	Member Deposits
Net fair value	2024287	12800000	22133938		35348786
Book value	<u>2024287</u>	<u>12800000</u>	<u>23546743</u>		<u>35348786</u>
Variance		-	1412805	-	-

2004

Time Band	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans & Advances (after all provisions)	Payables to other financial institutions	Member Deposits
Net fair value	2986349	14000000	19778286		35478792
Book value	<u>2986349</u>	<u>14000000</u>	<u>21040730</u>		<u>35478792</u>
Variance		-	1262444	-	-

Assets where the fair net value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid Assets and receivables from other Financial Institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 3 months approximate their net fair value as they are short term in nature or are receivable on demand.

Notes to the Accounts (Cont.)

Loan Advances

The carrying value of loans and advances is net of general and specific provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of the net fair value. The net fair value for fixed rate loans is calculated by utilising discounted cash flow models (ie: the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits From Members

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits is the amount shown in the Statement of Financial Position as at June 30.

Short Term Borrowings

The carrying value of payables due to other financial institutions approximate their net fair value as they are short term in nature and reprice frequently.

24. FINANCIAL COMMITMENTS

	2005	2004
a) Outstanding Loan commitments		
The loans approved by the Board but not funded as at 30 th June	634925	841685

The payment of these funds is at the discretion of the Board.

b) Undrawn Loan Facilities

Loan facilities available to members for overdrafts and line of credit loans are as follows:

Total value of facilities approved	-	-
Less: Amount advanced	-	-
Net undrawn value	-	-

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

Notes to the Accounts (Cont.)

<u>EXPENDITURE COMMITMENTS</u>	2005	2004
Computer Bureau Charges		
Not later than 1 year		
Later than 1 year but not 2 years		
Later than 2 years but not 5 years		
Later then 5 years		
	<hr/>	<hr/>
	-	-
Other Expense commitments		
Not later than 1 year		
Later than 1 year but not 2 years		
Later than 2 years but not 5 years		
Later than 5 years		
	<hr/>	<hr/>
	-	-
Lease commitments for operating leases on property occupied by the company		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Over 5 years		
	<hr/>	<hr/>
	-	-

25. STANDBY BORROWING FACILITIES

The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Ltd (CUSCAL) of:

	Gross	2005 Current Borrowing	Net Available
Loan Facility			-
Overdraft Facility	75000	-	75000
TOTAL STANDBY BORROWING FACILITIES	<u>75000</u>	<u>-</u>	<u>75000</u>
		2004	
	Gross	Current Borrowing	Net Available
Loan Facility			-
Overdraft Facility	75000	-	75000
TOTAL STANDBY BORROWING FACILITIES	<u>75000</u>	<u>-</u>	<u>75000</u>

Drawdown of the overdraft facility is subject to the availability of funds at CUSCAL. CUSCAL holds an equitable mortgage charge over all of the assets of the Credit Union as security against any overdraft amounts drawn.

Notes to the Accounts (Cont.)

26. CONTINGENT LIABILITIES

a) Liquidity Support Scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a company limited by guarantee established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of total on-balance sheet assets as deposits with Credit Union Services Corporation (Australia) Ltd (CUSCAL), of which 3% may be used by CUFSS to provide financial support by way of secured loans. At the balance date there were no loans issued.

b) Guarantees

The Credit Union has not issued any guarantees on behalf of members for the purpose of lease and/or trade credit facilities.

Notes to the Accounts (Cont.)

27. DISCLOSURES ON DIRECTORS

a) Names of Directors

During the course of the financial year the following Directors held office:

Allan K. Carter
 George M. Watson
 Elsie S. Ravlich
 Judith E. Hoare
 John W. Doyle
 Peter J. Stonham
 Lawrence D. Chapman

b) Remuneration

	2005	2004
--	------	------

The aggregate remuneration of Directors during the year was:	31200	28750
--------------------------------------------------------------	-------	-------

The number of Directors who received remuneration were within the following bands.

\$0-10000	7	9
\$10001-20000	-	-

The remuneration means salaries, allowances and commissions and other benefits to Directors, but excludes out of pocket expense reimbursements. All remuneration was approved by the members at the previous Annual General Meeting of the Credit Union.

c) Loans to Directors

	2005	2004
--	------	------

i) The aggregate value of loans and credit facilities to Directors amounted to:	278532	255769
---------------------------------------------------------------------------------	--------	--------

ii) During the year the aggregate value of loans disbursed to Directors amounted to:	_____	_____
--------------------------------------------------------------------------------------	-------	-------

Term Loans	76765	101993
Revolving Credit Facilities	-	-
	76765	101993

Directors concerned with the above were: _____

George M. Watson
 Allan K. Carter
 Judith E. Hoare
 Peter J. Stonham

All loans disbursed to Directors were approved on the same terms and conditions, which applied to members generally for each class of loan.

Notes to the Accounts (Cont.)

d) Other Director Related Transactions

Other transactions between related parties include deposits from Directors and their Director related entities, which are received on the same terms and conditions as applicable to members generally. There are no service contracts to which Directors are an interested party.

ASIC Class Order 98/110

The above disclosures have been prepared in accordance with the ASIC Class Order 98/110. It relieves the Credit Union from compliance with section 296(1) of the Law insofar as that section requires the entity's financial statements to be made out in accordance with:

- i) paragraphs 4.10, 4.12 and 4.14 of AASB 1017 in respect of a loan regularly made, guaranteed or secured by a bank other than a loan to a Director of the Credit Union; and
- ii) paragraphs 4.17, 4.18, 4.19, 6.2, 6.3, 6.4 and 6.5 of AASB 1017 in respect of a financial instrument transaction regularly made by a bank (whether the bank is a party to the financial instrument or not) where a Director of the Credit Union is not a party to the transaction

The relief is subject to conditions, and does not apply in respect of any loan made, guaranteed or secured by, or a financial transaction of the Credit Union in which any Director of the Credit Union should reasonably be aware, that if not disclosed could adversely affect the decisions of users of the financial reports.

"Regularly" means lawfully and in the course of its ordinary banking business and either on an arm's length basis or with the approval of a general meeting of the Credit Union and its ultimate parent Credit Union if any.

Notes to the Accounts (Cont.)

28. ECONOMIC DEPENDENCY

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

a) Credit Union Services Corporation (Australia) Ltd (CUSCAL)

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act and the Banking Act. This entity:

- i) provides settlement with Bankers for ATM, cheque transactions, as well as the production of Redicards for use by members;
- ii) provides treasury and money market facilities to the Credit Union. The Credit Union has invested the majority of its liquid assets with the entity to maximize return on funds, and to comply with the Liquidity Support Scheme requirements.

b) First Data Resources Australia Ltd (FDRA)

This company operates the computer network used to link Redicards and credit cards operated through the Reditellers and other approved ATM & EFTPOS suppliers to the Credit Union's EDP Systems..

c) Data Action Ltd

This company operates the computer facility on behalf of the Credit Union in conjunction with other Credit Unions. The Credit Union has a management contract with the bureau to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with the relevant Prudential Standards.

29. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

30. SUPERANNUATION LIABILITIES

The Credit Union contributes to the AXA Tailored Superannuation Scheme, the AMP Broken Hill Town Industries Superannuation Fund, The Mercantile Mutual Pooled Superannuation Master Fund, Rest Superannuation, Questor TPS Retirement Fund, AMP Retirement Savings Account, MLC Ltd, IOOF Lifetrack Super and National Catholic Superannuation Fund for the purpose of the Superannuation Guarantee and other superannuation benefits provided on behalf of the employees.

The Credit Union has no interest in any of the superannuation plans (other than as a contributor) and is not liable for the performance of the plans, nor the obligations of the plans.

Notes to the Accounts (Cont.)

31. NOTES TO THE STATEMENT OF CASH FLOWS

	2005	2004
a) Reconciliation of Cash		
Cash includes cash on hand, and deposits at call with other Financial Institutions and comprises:		
Cash on hand	924287	1986349
Deposits at call	1100000	1000000
Bank Overdraft		
TOTAL CASH	2024287	2986349
b) Cash unavailable for use		
Cash which is excluded from the above amount of cash since it is not readily available for use by reason of it securing overnight settlement obligations:		
	-	-
c) Reconciliation of Cash from Operations to Accounting Profit		
The net cash increase/decrease from operating activities is reconciled to the operating profit after tax		
Operating Profit after Income Tax	429545	224793
Tax Refund		
Add:		
Bad Debts Written Off	36000	36000
Depreciation	97381	114049
Increase in Provisions for Staff Leave		44333
Increase in Provision for Income Tax	32492	29937
Other Provisions		
Accrued Expenses	28	11213
Loss on Sale of Assets		6354
Decreases in Prepayments		1735
Decreases in Sundry Debtors and other Receivables	76522	18475
Decreases in Future Income Tax Benefits	11314	
Increase in Interest Payable	26432	32325
Decrease in Interest Receivable		
Less:		
Increase in Prepayments		
Contingency Fund Receivable		
Provision for Staff Leave	(32675)	
Provision for Income Tax		
Accrued Expenses		
Increase in Sundry Debtors & Other		
Increase in Interest Receivable		(82616)
Increase in Future Income Tax Benefits		(14196)
Gain on Sale of Assets		
Decrease in Interest Payable		
NET CASH FROM OPERATING ACTIVITIES	677039	422402