

**Annual Financial Report
For the Year Ended
30 June 2008**



ABN 12 087 650 762

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

NOTICE OF THIRTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of The Broken Hill Community Credit Union Ltd will be held at the Registered Office 2 Chloride Street, Broken Hill NSW 2880, on

Thursday 27th November 2008 at 7:30pm.

AGENDA

1. Welcome to members and guests
2. Apologies
3. Confirmation of the minutes of the thirty-third Annual General Meeting
4. Capacity for the Chairman to vary the agenda
5. Election of Directors
 - (a) **Mrs Judith Hoare retires** by rotation in accordance with the provisions of the constitution and, being eligible, offers herself for re-election.
6. Directors' Report
7. Income Statement, Balance Sheet & Auditor's Report
8. Director's 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 and refreshments
By Order of the Board

The Broken Hill Community Credit Union Ltd

Secretary: Mr Andrew J. Pellizzer

Date

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CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2008.

Board of Directors

The Board has adopted the following key responsibilities:

- Act in the best interests of the Credit Union as a whole
- Observe their duties as Directors in terms of the Corporations Act, the Credit Union's Constitution and other relevant legislation
- Compliance with APRA Prudential Standards
- Enhance member value

In order to meet these responsibilities, the key functions of the Board include:

- Establishing and making delegations to Board Committees
- Appointing, delegating to, supporting, evaluating and rewarding the General Manager and having in place a succession plan
- Seek to achieve a diverse and effective Board, with appropriate skills, operating standards and procedures for the Board and its Committees
- Reviewing, determining and monitoring the strategic direction and objectives
- Reviewing, approving and monitoring the strategic plan including financial and non-financial performance measures
- Ensuring that the principal business risks have been identified and the implementation and monitoring by management of a framework to manage those risks
- Reviewing, approving and monitoring policy, within a policy and compliance framework
- Ensuring a process is in place for the maintenance of the integrity of internal controls, and financial and management information systems
- Ensuring the Credit Union acts legally and responsibly on all matters
- Ensuring that appropriate ethical standard are maintained
- Reviewing, determining and monitoring the skills and performance of the Board as a whole, Directors as individuals and Board Committees.
- Reporting to the members on the Board's stewardship as required.

Board Composition

The Constitution of the Credit Union stipulates that the Board may have up to 7 elected Directors, or such lower number as determined by the Board. The Board may also appoint up to 3 Directors in addition to elected Directors. There is no maximum period of service for Directors, however elected Directors serve a three year term and retire in rotation but may stand for re-election.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Director's report.

Board Independence

All Directors have been assessed as independent.

When determining whether a non-executive Director is independent the Board is of the view that it would ordinarily expect a relationship to be considered material when it accounts for more than 5% of the total services provided by the member or supplier or more than 10% of the total supplies of the Credit Union.

Independent Directors have the right to seek independent professional advice in the furtherance of their

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CORPORATE GOVERNANCE STATEMENT

duties as Directors at the Credit Union's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the Credit Union.

Performance Evaluation

An annual performance evaluation of the board and all board members was conducted by the board for the financial year ended 30 June 2008. A questionnaire for all board members was completed to provide feedback on how they thought the board had performed. The chairman also speaks to each Director individually regarding their role as Director. The results from the questionnaire were collated and developed into a series of recommendations to improve performance. This was presented to the board at which time an action plan was developed to implement the recommendations and set the performance criteria and goals for the next year.

Audit Committee

The Committee's role includes:

- Facilitate communication between the internal auditor, the external auditors and the Board
- Reviewing and considering any changes to accounting policies
- Receiving and considering reports from management so as to determine the effectiveness of the Credit Union's risk management systems
- If necessary, requiring the internal auditor or senior management undertake any audit or compliance project and report on such
- Considering and reviewing with the external auditors, the internal auditor and management the adequacy of internal controls and any related significant findings and recommendations
- Consider and review with management and the internal auditor significant findings during the year, any difficulties encountered in the course of internal audits, including any restrictions on the scope of their work, any changes required in the planned scope of the internal audit plan, and the internal audit budget and staffing.
- Reviewing legal and regulatory matters that may have a material impact on the Credit Union's compliance policies and programs and reports received from APRA
- Considering and reviewing the policies and procedures for the selection, appointment and reappointment of the external auditor, the rotation of external audit engagement partners and the terms of any such appointment.
- Monitor the Credit Union's compliance with legal obligations to which it is subject
- Assist the Board and management in monitoring risk management, controls and corporate governance performance

Corporate Governance & Remuneration Committee

The Committee's role includes:

- Reviewing and reporting to the Board on current corporate governance policies and review outcomes
- Reviewing and reporting to the Board on corporate governance issues
- Providing recommendation to the Board on corporate governance practices after assessment and review
- Reviewing and reporting to the Board on the Credit Union's compliance with APRA Prudential Standard APS 510 and the best practice recommendations of the ASX Corporate Governance Council
- Reviewing disclosure of corporate governance policies and information on the Credit Union's website
- Reviewing and reporting to Board on best practice developments in corporate governance

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- Providing recommendation to Board on effective policies and procedures to ensure effective communication of the Credit Union's corporate governance policies to members, media, analysts and industry participants
- Providing recommendations to the Board on technical or professional development courses to assist Directors in keeping up to date with relevant issues and practices
- To review and recommend to the Board, remuneration policies and packages for the Board of Directors and Executive Management
- To recommend to the Board any changes in remuneration policy including superannuation, other benefits and remuneration structures
- To ensure there is a proper performance management process in place throughout the organisation and that it is operating effectively

There are no schemes for retirement benefits other than statutory superannuation for non-executive Directors.

Ethical Standards

The core values of the Credit Union centre on improving the quality and efficiency of financial service delivery by providing products and services to help members meet their financial goals.

To this end, the Credit Union is committed to maintaining the highest ethical standards in delivering products and services to its members.

The Credit Union acknowledges that personal financial information is sensitive and subject to privacy legislation. To this end, the Credit Union is committed to ethical and appropriate practices and compliance with relevant privacy legislation. It has in place processes to maintain the expectations of the community and members for the security, privacy and integrity of personal financial information.

The Board has adopted Codes of Conduct, which set out the expectations for Directors and staff in their business affairs and in dealings with members. The Codes of Conduct require high standards of personal integrity and honesty in all dealings, a respect for the privacy of members and others and observance of the law.

The Board regularly reviews all its policies to ensure their continued relevance and effectiveness.

Where necessary, at Board meetings Directors report on any interest that could potentially conflict with those of the Credit Union and report on any Director related transactions in the Notes to the Annual Financial Report.

Communication with Members

The Board aims to ensure that members are informed of all major developments affecting the state of affairs of the Credit Union. Information is communicated to members as follows:

- The Annual Report is distributed to all members who request it and includes information about the operations of the Credit Union during the year, changes in the state of affairs of the Credit Union and details of future developments, in addition to other disclosures required by the *Corporations Act 2001*
- When the Credit Union becomes aware of information which in the view of the Board requires members to be notified immediately a letter is sent to members
- The Credit Union website

Other Information

Further information relating to the Credit Union's corporate governance practices and policies has been made publicly available on the Credit Union's web site at <www.bhccu.com.au>.

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CHARIMAN'S REPORT

It is with a great deal of pleasure and pride that I can report that your Credit Union continues to grow from strength to strength. Gross profit increased by 14.32% to \$1,019,947 while net profit rose 15.52% to \$713,963. This gave us a return on assets of 1.53% and a return on equity of 11.48%, both strong results. This outcome is a direct result of an increase in loans of 8.52% to \$33,935,838 and an 8.18% rise in assets to \$48,382,457. These figures are an indication of the Management and staff at the Credit Union providing first class service and understanding what you, the member, require from your Credit Union. It is also pleasing to note that we were able to continue our improvement in managing costs and achieved a cost to income ratio of 74.11% this year, down from the 2007 figure of 75.39%. I am sure members are pleased that there were no increases in fees and in fact members understanding of how to reduce the level of fees they incur increased to a degree that saw overall fee income reduce by 10.5%.

As a Board we often discuss how being a member of a mutual financial institution can be a benefit to members. Obviously we strive for first class service as well as providing a good range of products at competitive prices, but we are a community Credit Union and therefore are a vehicle for benefiting the community. I am sure that members will be delighted to know that through their membership of the Credit Union and its ongoing profitability we were able to support 105 local organisations to a total of \$23,582. Additionally, your Credit Union donated \$10,000 towards Stewart House's program to allow 29 local students to have an educational excursion to the east coast in 2008 and to support this ongoing program in the future. We have also become a supporter of the Murray Darling Foundation assisting them in the development of the Save the Darling.com web site. The Board has also resolved that for year 2009 the Credit Union will contribute to the development of the Regional Events Centre, a project that we see being of great benefit to Broken Hill.

Earlier in 2008, long time Director George Watson retired. George had been a Director of the Credit Union for twenty eight years and has seen the Credit Union relocate its operations several times. George was a member of the Board that developed the current Credit Union building and has driven the success of the Credit Union over recent years. The Board extends its thanks to George for his contribution. George's retirement gave the Board an opportunity to reflect on its composition and after proper consideration have resolved to operate with a Board of 6 Directors for the time being. We believe that this reduction in no way diminishes the good governance of the Credit Union and there is the ability to return to 7 Directors if required.

Compliance as always is a major focus and the burden of compliance has again increased with the introduction of Basel II in March this year. Members may have seen in the media references to anti money laundering requirements being increased for financial institutions, resulting in a big increase in compliance issues. Similarly I think everyone would be aware of the sub-prime and credit crunch issues that have beset financial markets. Although not directly giving rise to increased compliance issues at this time it has made the cost and sourcing of funds an issue for financial institutions. I am pleased to report that your credit union has no direct exposure to the sub prime issues as all our funds are sourced from member deposits. This has resulted in no increase in our loan interest rates beyond that of the Reserve Bank official rate adjustments.

Finally, your Board has finalised a strategic plan for the next three years which we believe will continue to grow your credit union and continue its success so that it can continue to be a prominent part of the Broken Hill Community.

Allan Carter
Chairman

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DIRECTORS' REPORT

Your Directors present their report on the Credit Union and its controlled entities for the financial year ended 30 June 2008.

Directors

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

Mr Allan Carter

Mr Lawrence Chapman

Mr George Watson *Retired from the Board – 29th January 2008*

Mrs Judith Hoare

Mr John Doyle

Mr Gary Oldman

Mr Tony Hiscox *Appointed to the Board – 27th September 2007*

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

Credit Union Secretary

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

Andrew Pellizzer — Diploma of Financial Services. Andrew has worked for The Broken Hill Community Credit Union Ltd for the past 25 years, and is currently the General Manager. Andrew was appointed Credit Union secretary on 1st July 2004.

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 consolidated profit of the Credit Union after providing for income tax and extraordinary items amounted to \$713,963. (2007 \$533,917)

Dividends Paid or Recommended

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 Ltd 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.

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DIRECTORS' REPORT

Significant Changes in State of Affairs

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

After Balance Date Events

On the 20 August, 2008, it was announced by Perilya Limited, Broken Hill, that it would be retrenching 440 of its current staff.

The Credit Union has a significant exposure to loans predominately for residential housing purposes within Broken Hill, therefore it is expected that the retrenchment of Perilya staff will impact upon this exposure, although at the time of this report the Credit Union is unable to quantify such impact.

There have been no other significant events subsequent to balance date.

Information on Directors

Mr Allan K. Carter — **Chairperson**

Qualifications/Memberships — BISM (Op) MBA FAICD FPNA

Experience — Allan is an accountant and the Chief Executive Officer of Southern Cross Care (Broken Hill) Ltd. 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 Australasian Mutual's Institute. Allan was elected to the Corporate Governance & Remuneration Committee on 20th December 2007 and is the Committee's Chairperson.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

Mr Lawrence D. Chapman — **Vice-Chairperson**

Qualifications/Memberships — CAHRI MAICUD JP

Experience — 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, which included terms on their audit and remuneration committees. His career includes 21 years in Human Resource Management. Laurie holds a Graduate Diploma in Employee Relations, is a Certified Professional with the Australian Human Resources Institute and a member of the Australasian Mutual's Institute. Laurie was elected to the Corporate Governance & Remuneration Committee & the Audit Committee on 20th December 2007.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

Mrs Judith E. Hoare — **Director**

Qualifications/Memberships — MAHRI

Experience — 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 (Broken Hill) Ltd. Judi has been a Director since 1998 and is a member of the Australasian Mutual's Institute. Judi was elected to the Audit Committee on 20th December 2007.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

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DIRECTORS' REPORT

Information on Directors

Mr John W. Doyle — **Director**

Qualifications/Memberships — B.Leg.S

Experience — John is a solicitor of 20 years standing, principal of the legal firm Doyle, Kingston & Swift and a Solicitor of the Supreme Court of NSW. John has been an active member of the Broken Hill community. John has been a Director since 2000 and is a member of the Australasian Mutual's Institute and the Law Society of NSW. John was elected to the Audit Committee on 20th December 2007 and is Chairman of the Audit Committee.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

Mr Gary S Oldman — **Director**

Qualifications/Memberships — B.IT, MACS (Snr)

Experience — Gary has a Degree in Information Technology, Certificates in Electrical Engineering and Electronics & Communications and is a senior member of the Australian Computer Society. He has held the position of IT Manager with the Royal Flying Doctor Service since 1990, prior to that Gary was Chief Communications Officer. Gary has been with the RFDS since 1979. He has been a Director since April 2007 and was elected to the Corporate Governance & Remuneration Committee on 20th December 2007.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

Mr William A Hiscox — **Director**

Qualifications/Memberships — P.N.A, A.C.I.M, M.N.I.A

Experience — Tony is an accountant employed by the Broken Hill City Council since August 2008. Tony previously worked with OACC as its Small Business Field Officer. He plays an active part in the Broken Hill community through his involvement with Southern Cross Care (Broken Hill) Ltd and the Rotary Club of Broken Hill South. He is registered in NSW as a Justice of the Peace. Tony has been a Director since August 2007 and is a member of the Australasian Mutual's Institute. Tony was elected to the Audit Committee on 20th December 2007.

Interest in Shares — 1 Member Share in The Broken Hill Community Credit Union Ltd

Director Benefits

No Director has received or became entitled to receive during or since the end of 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 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 Corporation' Act, other than that disclosed in note 25 of the financial report.

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DIRECTORS' REPORT

Meetings of Directors

During the financial year, 19 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Committee Meetings									
		Directors' Meetings		Audit Committee		Corporate Governance & Remuneration Committee		Nominations Committee	
		11		4		3		1	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	
A.K Carter	11	10	-	-	4	4	-	-	
L.D Chapman	11	10	2	2	4	4	-	-	
G.M Watson	7	7	-	-	-	-	-	-	
J.E Hoare	11	11	4	4	-	-	1	1	
J.W Doyle	11	9	4	4	-	-	-	-	
G.D Oldman	11	11	-	-	4	4	-	-	
W.A Hiscox	9	8	2	1	-	-	-	-	

Indemnifying Officers or Auditor

During or since the end of the financial year the Credit Union has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Credit Union has paid premiums to insure each of the Directors and Officers of the Credit Union against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Credit Union, other than conduct involving a wilful breach of duty in relation to the Credit Union.

In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities are prohibited by a confidentiality clause in the contract.

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

Non-audit Services

The board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence 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 auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

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DIRECTORS' REPORT

The following fees for non-audit services were paid/payable to WHK Thomsons during the year ended 30 June 2008:

	\$
Taxation services	6,000
Due diligence investigations	-
Total	<u>6,000</u>


Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 12 of the Directors' report.


Rounding of Amounts

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

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



Mr Allan Carter, Chairperson



Mr Lawrence Chapman, Vice-Chairperson

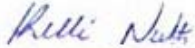
Dated this 16th day of September 2008

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 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.



Kellie Nulty

WHK Thomsons Audit Services

Date:

Address: 133 Langtree Avenue, Mildura VIC 3500

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2008

	Note	2008 \$	2007 \$
REVENUE			
Interest Revenue	2	3,725,078	3,225,122
Non-Interest Revenue	3	988,142	1,054,847
TOTAL REVENUE		4,713,220	4,279,969
Expenses from Ordinary Activities			
Borrowing Expense	4	773,790	566,617
Non-Interest Expenses			
Auditor Remuneration	5	44,275	45,352
General Administration Expenses			
-Employee Benefits		1,257,563	1,130,197
-Depreciation & Amortisation		111,375	130,193
-Lease Expenses		3,108	3,108
-Other Administration Expenses		311,694	314,517
Total General Administration Expense		1,683,740	1,578,015
Other Operating Expenses		1,191,468	1,197,779
Total Non-Interest Expenses		2,919,483	2,821,146
TOTAL EXPENSES		3,693,273	3,387,763
Operating Profit before income tax		1,019,947	892,206
Income tax expense	6	305,984	274,144
Operating Profit after income tax		713,963	618,062

The accompanying notes should be read in conjunction with these financial statements.

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BALANCE SHEET
AS AT 30 JUNE, 2008

	Note	2008 \$	2007 \$
ASSETS			
Cash and cash equivalents	7	3,839,430	2,892,376
Receivables from other Financial Institutions	8	7,978,700	8,000,010
Receivables	9	193,679	137,362
Loans and advances	10	33,935,838	31,270,066
Available for sale Investments	11	176,765	176,765
Property, Plant & Equipment	12	1,851,446	1,858,961
Investment Properties	13	313,260	295,000
Deferred Tax Assets	14	78,379	93,339
TOTAL ASSETS		48,367,497	44,723,879
LIABILITIES			
Members Deposits	15(a)	40,116,704	37,666,090
Payables - Other	15(b)	928,342	448,191
Current tax provision	16	87,501	144,629
Provisions	17	267,742	247,286
TOTAL LIABILITIES		41,400,289	38,506,196
NET ASSETS		6,967,208	6,217,683
MEMBER'S EQUITY			
Capital Reserve Account	18(a)	37,420	-
Asset Revaluation Reserve	18(b)	629,321	569,061
General Reserve for Credit Losses	18(c)	117,990	142,688
Retained Earnings		6,182,477	5,505,934
TOTAL EQUITY		6,967,208	6,217,683

The accompanying notes should be read in conjunction with these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2008

2008

	Capital Reserve \$	Asset Revaluation Reserve \$	Retained Profits \$	Reserve for Credit Losses \$	Total \$
Balance at 30/06/2007	-	569,061	5,505,934	142,688	6,217,683
Profit attributable to the members	-	-	713,963	-	713,963
General Reserve for Credit Losses	-	-	-	(24,698)	(24,698)
Movements in Reserves	37,420	60,260	(37,420)	-	60,260
Balance at 30/06/2008	37,420	629,321	6,182,477	117,990	6,967,208

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2008

2007

	Capital Reserve \$	Asset Revaluation Reserve \$	Retained Profits \$	Reserve for Credit Losses \$	Total \$
Balance at 30/06/2006	-	-	4,887,872	132,687	5,020,559
Profit attributable to the members	-	-	618,062	-	618,062
General Reserve for Credit Losses	-	-	-	10,001	10,001
Movements in Reserves	-	569,061	-	-	569,061
Balance at 30/06/2007	-	569,061	5,505,934	142,688	6,217,683

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received – Loans & Advances		2,930,238	2,605,575
Interest Received - Investments		739,863	671,538
Other Income		988,142	1,054,847
Interest Paid		(773,790)	(566,617)
Cash payments in the course of operations		(3,095,328)	(2,952,931)
Income tax paid		(42,168)	13,517
Net cash provided by (used in) operating activities	20(b)	746,957	825,929
CASH FLOWS FROM INVESTING ACTIVITIES			
Receivables from other Financial Institutions		21,310	1,000,010
Payments for property, plant and equipment		(74,008)	(63,584)
Proceeds from sale of property plant & equipment		12,500	-
Members Loans (net movement)		(2,690,470)	(3,248,065)
Net cash provided by (used in) investing activities		(2,730,668)	(2,311,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Member Deposits (net)		2,930,765	2,328,148
Net cash provided by (used in) financing activities		2,930,765	2,328,148
Net increase in cash held		947,054	842,438
Cash at beginning of financial year		2,892,376	2,049,938
Cash at end of financial year	20(a)	3,839,430	2,892,376

The accompanying notes should be read in conjunction with these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is prepared for the Broken Hill Community Credit Union Ltd as a single credit union, for the year ended the 30 June, 2008. The report was authorised for issue on 16 September, 2008 in accordance with a resolution of the board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act, 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

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 (except for real property and available for sale investments which are stated at fair value). The accounting policies are consistent with the prior year unless otherwise stated.

Accounting Policies

(a) Loans to Members

(i) Basis of Recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the loans using the effective interest method.

(ii) Interest earned

Term loans – 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 – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member account on the last day of each month.

Non accrual loan interest – while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or, where a loan is impaired.

(iii) Fees on Loans

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. It has been determined that there is no requirement to defer loan fee income at this time. The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Loan Impairment

(i) Specific and collect provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 10. Note 10 details the credit risk management approach for loans.

The APRA Prudential Standards require 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. This approach is used to assess the collective provisions for impairment.

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

(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 in the future. The general reserve for credit losses is based on an estimation of potential risk in the loan portfolio.

(iii) The various components of impaired assets are as follows:

Non-accrual loans

Non-accrual loans are loans and advances:

- a) for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement; or
- b) which does not meet the definition of a restructured loan only because it yields less than the Credit Union's average cost of funds

Restructured Loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until normal repayments are re-instated and brought up to date and maintained for a specific period of time.

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

Past Due Loans

A loan or similar facility in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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 that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, 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.

(e) Property, Plant & Equipment

Owner Occupied Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction, less subsequent depreciation. *It is the policy of the Credit Union to have an independent valuation every three years, with annual appraisals being made by the Board of Directors.*

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is credited to the asset revaluation reserve included within equity unless it reverses a revaluation decrease on the same asset previously recognised in the income statement. A revaluation deficit is recognised in the income statement unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

Investment Property

The fair value model is applied to all investment property. Investment properties are independently re-valued every three years with an annual appraisal being made by the Board of Directors.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Board of Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets' employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the net profit or loss in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Property plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

- Buildings	40 years
- Leasehold improvements	10 years
- Plant & Equipment	3 to 7 years

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) Receivables from Other Financial Institutions

Term deposits with other financial institutions 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 receivable in the balance sheet.

(g) Member Deposits

(i) Basis for measurement

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.

(h) Provision for Employee Benefits

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual Leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement as incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(j) Goods and Services Tax (GST)

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned 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 (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian tax Office (ATO), 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. 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. Cash flows 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 Australian Taxation Office are classified as operating cash flows.

(k) Impairment of Assets

At each reporting date the Credit Union assess whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing 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. Where it is not possible to estimate recoverable amount of an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(l) Income Tax

The income tax expense shown in the income statement is based on the profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30 %.

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Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(m) Accounting Estimates and Judgements

Management have made judgements when applying the Credit Union's accounting policies with respect to impairment provisions for loans- Refer Note 10

(n) New or Emerging Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June, 2008 reporting periods. The Credit Union's assessment of the impact of these new standards and interpretations is set out below:

AASB Reference	Nature of Change	Application Date	Impact on Initial Application
AASB 8 (Issued Feb 2007) Operating Segments	Replaces the disclosure requirements of AASB 114: Segment Reporting.	Period commencing on or after 1 January, 2009	Applies to listed or similar entities only. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 123 (revised June 2007) Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January, 2009.	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January, 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 101 (Revised September 2007)	Amendments to presentation and naming of the financial statements	Annual reporting periods commencing on or after 1 January, 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.
Presentation of Financial Statements			

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 2: INTEREST REVENUE

	Average Interest Rate		Average Balance		Interest Revenue	
	2008	2007	2008	2007	2008	2007
			\$	\$	\$	\$
Interest Revenue						
— Cash-deposits at call	4.64	3.75	3,365,903	2,471,157	156,290	92,600
— Deposits with other Financial Institutions	7.99	6.40	7,989,355	8,500,010	638,550	544,303
— Loans & other Advances	8.99	8.72	32,607,162	29,681,101	2,930,238	2,588,219
TOTAL INTEREST REVENUE	8.47	7.39	43,962,420	40,652,268	3,725,078	3,225,122

NOTE 3: NON-INTEREST REVENUE

	2008	2007
	\$	\$
Fee and Commission Revenue		
— Loan Fee Income	66,811	75,986
— Other Fee Income	581,129	647,944
— Insurance Commissions	123,607	119,748
— Other Commissions	25,817	21,379
Total Fee & Commission Income	797,364	865,057
Dividend on Investments	22,096	22,096
Bad Debts Recovered	11,220	14,275
Other Revenue		
— Rent received	28,242	28,000
— Miscellaneous Revenue	129,220	125,419
TOTAL NON-INTEREST REVENUE	988,142	1,054,847

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: BORROWING EXPENSE

	Average Interest Rate	Average Interest Rate	Average Balance		Interest Expense	
	2008	2007	2008	2007	2008	2007
			\$	\$	\$	\$
Interest Expense						
— Member Deposits	1.98	1.55	38,891,397	36,409,669	771,829	563,814
— Borrowings	10.55	9.85	18,588	28,457	1,961	2,803
TOTAL INTEREST EXPENSE	1.99	1.56	38,909,985	36,438,126	773,790	566,617

NOTE 5: AUDITORS' REMUNERATION

	2008	2007
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial report	44,275	45,352

NOTE 6: INCOME TAX EXPENSE

	2008	2007
	\$	\$
The components of tax expense comprise:		
Current tax payable	303,889	282,351
Originating and reversing temporary differences	2,095	(8,207)
	305,984	274,144

Reconciliation of income tax expense

- Prima facie tax payable on profit before income tax	303,899	282,351
Tax effect of:		
- non deductible expenses	2,095	(8,207)
- previously unrecognised temporary differences		-
	305,984	274,144

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 7: CASH AND CASH EQUIVALENTS

	2008	2007
	\$	\$
Cash at bank and in hand	308,027	279,507
Deposits at Call	3,531,403	2,612,869
	3,839,430	2,892,376
	3,839,430	2,892,376

NOTE 8: PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	2008	2007
	\$	\$
Investments Held to Maturity	7,978,700	8,000,000
	7,978,700	8,000,000
	7,978,700	8,000,000

(a) Credit Quality

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are as follows:

Banks rated AA and above	6,978,700	7,000,000
Banks rated below AA	1,000,000	1,000,000
	7,978,700	8,000,000
	7,978,700	8,000,000

NOTE 9: RECEIVABLES

	2008	2007
	\$	\$
Interest receivable on deposits with other Financial Institutions	86,938	63,536
Prepayments	38,547	37,207
Sundry Debtors	2,578	5,766
Clearing Accounts	65,616	30,853
	193,679	137,362
	193,679	137,362

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: LOANS AND ADVANCES

	Note	2008 \$	2007 \$
Amount due comprises:			
- Overdraft, revolving credit and term loans	10(a)	33,986,948	31,305,450
LESS: Provision for specific impairment	10(c)	(51,110)	(35,384)
NET LOANS		33,935,838	31,270,066

(a) Concentration of Risk

Exposure to grouping of individual loans which concentrate risk within particular geographical segments are as follows:

Broken Hill (NSW)	30,365,287	28,384,786
Other Australian Locations	3,621,661	2,920,664
TOTAL	33,986,948	31,305,450

Purpose dissection

-Residential	28,983,594	26,102,711
-Personal	4,179,391	3,991,653
-Commercial	823,963	1,211,086
TOTAL	33,986,948	31,305,450

The Credit Union does not have any significant exposure to any particular industry sectors or other groupings of clients, other than those loans are predominantly for residential housing purposes.

(b) Credit Quality of Loans

A majority of the portfolio of the loan book is secured on residential property in Australia. Therefore the Credit Union is exposed to risks in the reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of losses from loans is primarily reduced by the nature and quality of the security obtained.

It is not practical to value all collateral as at the balance date due to the variety of assets and their nature and condition. A breakdown of the quality of the mortgage security on a portfolio basis is as follows:

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: LOANS AND ADVANCES (CONTINUED)

	Note	2008	2007
		\$	\$
Secured by Mortgage over Residential Property			
- LVR less than 80%		27,508,595	25,543,176
- LVR more than 80% not mortgage insured		912,863	992,263
		<hr/>	<hr/>
		28,421,458	26,535,439
Partly secured by goods mortgage		1,103,614	659,939
Secured Other		1,908,040	1,558,721
Wholly unsecured		2,553,836	2,551,351
TOTAL	10(a)	<hr/> 33,986,948 <hr/>	<hr/> 31,305,450 <hr/>

(c) Provision for Impairment

Opening Balance		35,384	34,750
Doubtful debts provided for during the year		40,420	17,564
Bad debts written off		(24,694)	(16,930)
		<hr/>	<hr/>
		51,110	35,384
		<hr/>	<hr/>

(d) Impairment Expense

- Bad debts recognised directly as expense		15,722	27,565
		<hr/>	<hr/>
		15,722	27,565
		<hr/>	<hr/>

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: LOANS AND ADVANCES (CONTINUED)

(e) Past Due and Impaired Loans

	Less than 3 months past due	3 – 6 months past due	6 – 12 months past due	More than 12 months past due	Gross Loan Balance	Impairment Provision	Net Carrying Value
	\$	\$	\$	\$	\$	\$	\$
2008							
Impaired Loans							
Personal Loans	-	13,354	-	11,033	24,387	(16,375)	8,012
	-	13,354	-	11,033	24,387	(16,375)	8,012
Not Considered Impaired							
Personal Loans	21,307	--	-	-	21,307	-	21,307
Residential Loans	-	--	-	116,883	116,883	-	116,883
Overdrawn Savings Accounts	32,864	1,074	750	46	34,735	(34,735)	-
	54,171	-	750	116,929	172,925	(34,735)	138,190
Total	54,171	14,428	750	127,962	197,312	(51,110)	146,202

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: LOANS AND ADVANCES (CONTINUED)

(e) Past Due and Impaired Loans

	Less than 3 months past due	3 – 6 months past due	6 – 12 months past due	More than 12 months past due	Gross Loan Balance	Impairment Provision	Net Carrying Value
	\$	\$	\$	\$	\$	\$	\$
2007							
Impaired Loans							
Personal Loans	-	3,747	2,076	13,832	19,655	(16,992)	2,663
	-	3,747	2,076	13,832	19,655	(16,992)	2,663
Not Considered Impaired							
Residential Loans	-	7,097	-	-	7,097	-	7,097
Overdrawn Savings Accounts	12,615	2,230	469	414	15,728	(15,728)	-
	12,615	9,327	469	414	22,825	(15,728)	7,097
Total	12,615	13,074	2,545	14,246	42,480	(32,720)	9,760

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: LOANS AND ADVANCES (CONTINUED)

(e) Renegotiated Loans

The Credit Union does not have any loans where the original terms of the loan have been varied by agreement with the borrower.

NOTE 11: INVESTMENTS

	2008	2007
	\$	\$
Held-for-sale financial assets:		
Shares in CUSCAL	176,765	176,765
TOTAL	176,765	176,765

NOTE 12: PROPERTY PLANT & EQUIPMENT

	2008	2007
	\$	\$
LAND AND BUILDINGS		
Freehold - at Valuation:		
— Land	142,000	100,000
Total Land	142,000	100,000
Buildings at Valuation	1,525,000	1,525,000
Less accumulated depreciation	(38,125)	-
Total Buildings	1,486,875	1,525,000
Total Land and Buildings	1,628,875	1,625,000
PLANT AND EQUIPMENT		
At cost	1,328,231	1,284,709
Accumulated depreciation	(1,105,660)	(1,050,748)
Total plant and equipment	222,571	233,961
Total Property, Plant and Equipment	1,851,446	1,858,961

(a) Valuations

The valuation of land and buildings is on the basis of fair market value. Properties are independently valued on a three year rotating basis. Independent valuations at 30 June, 2008 were performed by:

Mr James P Hickey, Associate Diploma of Business (Valuation), Smith & Hickey Valuation Services, Broken Hill NSW 2880

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Movements in Carrying Amounts

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

2008

	Freehold Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of year	100,000	1,525,000	233,961	1,858,961
Additions	-	-	61,860	61,860
Revaluation increments/ (decrements)	42,000	-	-	42,000
Depreciation expense	-	(38,125)	(73,250)	(111,375)
Carrying amount at the end of year	142,000	1,486,875	222,571	1,851,446

2007

	Freehold Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of year	100,000	980,356	276,153	1,356,509
Additions	-	10,159	53,425	63,584
Revaluation increments/ (decrements)	-	569,061	-	569,061
Depreciation expense	-	(34,576)	(95,617)	(130,193)
Carrying amount at the end of year	100,000	1,525,000	233,961	1,858,961

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 13: INVESTMENT PROPERTIES

	2008	2007
	\$	\$
At Fair Value		
Balance at beginning of year	295,000	295,000
Fair value adjustments	18,260	-
Balance at end of year.	313,260	295,000

The fair value model is applied to all investment property. Investment properties are independently re-valued annually. Values are based on an active liquid market and are performed by a registered independent valuer.

NOTE 14: DEFERRED TAX ASSETS

	2008	2007
	\$	\$
Deferred tax assets comprise:		
Provisions:		
-Specific impairment	10,922	8,270
-Leave	67,457	85,069
TOTAL	78,379	93,339

The movement in deferred tax assets for each temporary difference during the year is as follows:

Provisions – specific impairment

Opening Balance	8,270	10,425
Credited to the income statement	2,652	(2,155)
Closing Balance	10,922	8,270

Provisions – Leave

Opening Balance	85,069	74,707
Credited to the income statement	(17,612)	10,362
Closing Balance	67,457	85,069

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 15: PAYABLES

	2008	2007
	\$	\$
(a) Member Deposits		
At Call	30,336,560	29,723,610
Fixed Term	9,692,350	7,851,263
TOTAL	40,028,910	37,574,873
Member Shares	87,794	91,217
TOTAL DEPOSITS & SHARES	40,116,704	37,666,090

(b) Concentration of Member Deposits

Broken Hill Residents	37,060,497	35,815,874
Other	2,968,413	1,758,999
TOTAL	40,028,910	37,574,873

The deposits above do not include any deposits from individual clients representing 10% or more of total liabilities.

(b) Payables - Other

Creditors and accruals	514,592	180,537
Interest payable on deposits	260,580	173,263
Sundry Creditors	153,170	94,391
TOTAL	928,342	448,191

NOTE 16: CURRENT TAX PROVISION

	2008	2007
	\$	\$
Current Income Tax	87,501	144,629
TOTAL	87,501	144,629

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 17: PROVISIONS

	Annual Leave Entitlements	Long Service Leave Entitlements	Total
	\$	\$	\$
Opening balance at 1 July 2007	77,569	169,717	247,286
Adjustments to provisions	2,091	18,365	20,456
Balance at 30 June 2008	79,660	188,082	267,742

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

NOTE 18: RESERVES

(a): Capital Reserve Account

	2008	2007
	\$	\$
Balance at the beginning of the year	-	-
Transfer from retained earnings on share redemptions	37,420	-
Balance at the end of the year	37,420	-

Capital Reserve Account

The accounts represent the amount of redeemable preference shares redeemed by the Credit Union since 1 July, 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 18: RESERVES (CONTINUED)

(b): Asset Revaluation Reserve

	2008	2007
	\$	\$
Asset revaluation reserve – land & buildings	611,061	569,061
Available for sale revaluation reserve – investments	18,260	-
	629,321	569,061

Movements in Reserves

Asset Revaluation Reserve – Land & Building

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

Balance at the beginning of the year	569,061	569,061
Increase on revaluation of land & buildings	42,000	-
	611,061	569,061

Available for Sale Revaluation Reserve

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

Balance at the beginning of the year	-	-
Increase on revaluation of land & buildings	18,260	-
	18,260	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 18: RESERVES (CONTINUED)

(c): General Reserve for Credit Losses

	2008	2007
	\$	\$
General reserve for credit losses	117,990	142,688
	117,990	142,688

General Reserve for Credit Losses

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

Balance at the beginning of the year	142,688	132,687
Increase(Decrease) transferred from retained earnings	(24,698)	10,001
Balance at the end of the year	117,990	142,688

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT

(a) Risk management objectives and policies

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

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

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

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments

(b) Capital Management

Capital is the cornerstone of an ADI's financial strength.

The primary role of capital is to: -

- Maintain a cushion against loss to enable the Credit Union to trade through difficult times.
- Absorb unanticipated losses from activities.
- Ensure safety of deposits thereby maintaining public confidence in the financial soundness and stability of the Credit Union.

The Broken Hill Community Credit Union Ltd is bound by the prudential standards as set by the prudential regulator, the Australian Prudential Regulation Authority (APRA). Under the standards governing capital, ADI's are required to hold capital equivalent to 8% of its risk weighted assets as measured under the relevant prudential standards. The Board has established an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that it holds sufficient capital.

The Credit Union has, to date, sourced capital from profits generated from the business, general reserves, asset revaluation reserve and general reserve for credit losses. In an organic environment, the Credit Union will endeavour to manage its capital ratio via normal operating conditions. This will include such initiatives such as:

- Improving the Credit Union's profitability;
- Managing the Credit Union's asset portfolio to ensure that the Credit Union is not over exposed in higher risk weighted assets;
- Prudent management of the Credit Union's interest rates to ensure that products are priced adequately to reflect the various levels of risk associated with the product;

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT

(b) Capital Management

- Ensure that the Credit Union is adequately protected from marketing risk;
- Ensure that other risks facing the Credit Union are effectively monitored and managed;
- Managing rate of growth.

The Broken Hill Community Credit Union Ltd prepares an annual budget. The annual budget contains financial forecasts which provide management and the Board with an indication of the financial estimates for the coming 12 months of the Broken Hill Community Credit Union Ltd's strategies and operations. Included in the financial reports is a forecast of the Credit Union's capital adequacy ratio. Management reviews the budgeted profit levels to ensure that Credit Union achieves a return on assets which keeps capital adequacy above internal limits.

On a monthly basis, Management reviews actual accounting results against budgeted results. Management will also review the capital adequacy ratio on a monthly basis. Such results are provided to the Board each month.

Tier 1 Capital

The majority of Tier 1 capital comprises

- Retained profits
- Realised reserves

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibits some of the loss absorption and funding flexibility features of equity, together with other components of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Subordinated debt.
- General reserve for Credit Losses.
- Asset revaluation reserve. The asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

The Broken Hill Community Credit Union Ltd
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The Broken Hill Community Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT

	2008	2007
Capital in the Credit Union is made up as follows:	\$	\$
Tier 1		
Retained Earnings	6,182,477	5,505,934
Less prescribed deductions		
Investment property fair value adjustments (to tier 2)	(88,382)	(88,382)
Deferred tax assets	(93,339)	(93,339)
Information technology software costs	(22,680)	(37,174)
	<u>5,978,076</u>	<u>5,287,039</u>
Tier 2		
Capital reserve	37,240	-
General reserve for credit losses	117,990	142,688
Revaluation reserve	629,321	569,061
Less prescribed deductions		
Investment property fair value adjustments (from tier 1)	(88,382)	(88,382)
Revaluations limited to 45%	(346,127)	(312,984)
	<u>350,042</u>	<u>310,383</u>
Adjusted prudential capital base	6,328,118	5,597,422
Capital ratio		
	2008	2007
	%	%
The ratio of capital to risk weighted assets at the end of the financial year was	26.02	22.85

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Credit Union is primarily exposed to interest rate risk arising from changes in market interest rates due to mismatches between repricing terms of financial assets and liabilities. Financial instruments held by the Credit Union do not give rise to any material direct exposures to currency or equity price risk.

The interest rate risk is managed by:

- Continuously monitoring the "gap" between the yield on loans and investments and the cost of funds.
- Projecting the interest spread forward to future periods.
- Amending interest rates on loans and/or deposits to ensure that an appropriate spread is maintained

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a borrower, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's receivables from customers and investment securities.

Credit risk - Loans

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The Credit Union has established policies over the: -

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies.

Credit risk - Liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board has a liquid assets mix policy which limits its exposures to:

- 50% of capital base to unrelated ADI's
- 10 % of capital base to other counterparties
- 500% of capital base for exposures to CUSCAL as approved by APRA

This policy applies to liquidity which is in excess of the Credit Union's obligations to CUSCAL for CUFSS.

Credit risk - Liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board policy is to maintain counterparty limits with Australian banks to a maximum of 50% of capital and other non-bank financial institutions to a maximum of 12.5% of capital.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum exposure to credit risk

The Credit Union's maximum exposure to credit risk, including both on balance sheet and off-balance sheet exposures is:

	2008	2007
	\$	\$
On-balance sheet exposures		
Loans and receivables (amortised cost)	33,935,838	31,270,066
Placements with other financial institutions	7,978,700	8,000,010
Trade and other receivables	193,679	137,362
	42,108,217	39,407,438
Off-balance sheet exposures		
Loans approved not yet funded	671,392	1,257,737
Undrawn loans	67,859	216,219
	739,251	1,473,956
Maximum exposure to credit risk	42,847,468	40,881,394

Information on the credit quality and collateral obtained in relation to these credit exposures is detailed in Notes 8 and 10.

(e) Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union manages liquidity risk by:

- continuously monitoring actual daily cash flows and longer term forecast cash flows;
- monitoring the maturity profiles for financial assets and liabilities; and
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA prudential standards. The liquidity ratio is checked daily. Should the liquidity ratio fall below triggers set above this level Management and the Board address the matter by ensuring that liquid funds are obtained from new deposits and available borrowing facilities.

The liquidity ratio at 30 June 2008 was 20.67%.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities

This table details the Credit Union's remaining contractual maturity for its non-derivative financial instruments. Contractual cash flows are based on the undiscounted total payment, including both principal and interest, on the earliest possible date on which the Credit Union may be required to pay

	Carrying amount	Contractual cash flows	Within 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Later than 5 years	No maturity
	\$	\$	\$	\$	\$	\$	\$	\$
2008								
Financial liabilities								
Call deposits	30,336,560	30,336,560	-	-	-	-	-	30,336,560
Term deposits	9,692,350	9,692,350	1,832,094	1,430,264	5,569,919	860,073	-	-
Trade and other payables	928,342	928,342	928,342	-	-	-	-	-
Total	40,957,252	40,957,252	2,760,436	1,430,264	5,569,919	860,073	-	30,336,560
2007								
Financial liabilities								
Call deposits	29,723,610	29,723,610	-	-	-	-	-	29,723,610
Term deposits	7,851,263	7,851,263	945,574	1,417,915	4,999,341	488,432	-	-
Trade and other payables	448,191	448,191	448,191	-	-	-	-	-
Total	38,023,064	38,023,064	1,393,765	1,417,915	4,999,341	488,432	-	29,723,610

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial Instruments Fair Value

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2008		2007	
	Carrying amount \$	Net Fair value \$	Carrying amount \$	Net Fair value \$
Financial Assets				
Cash	3,839,430	3,839,430	2,892,376	2,892,376
Placements with other financial institutions	7,978,700	7,978,700	8,000,010	8,000,010
Trade and other receivables	193,679	193,679	137,362	137,362
Loans and advances	33,986,948	33,935,838	31,305,450	31,270,066
	45,998,757	45,947,647	42,335,198	42,299,814
Financial Liabilities				
Deposits	40,116,704	40,116,704	37,666,090	37,666,090
Trade and other payables	928,342	928,342	448,191	448,191
	41,045,046	41,045,046	38,114,281	38,114,281

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

- Cash and liquid assets due from other financial institutions: The carrying amount approximates fair value because of their short-term to maturity or because they are receivable on demand.
- Loans and advances: The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.
- Investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.
- Deposits and short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.
- Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

- 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.
- Other assets and other liabilities approximate their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

NOTE 20: CASH FLOW INFORMATION

	2008	2007
	\$	\$
(a) Reconciliation of Cash		
Cash on hand	309,321	279,507
Deposits at call	3,530,109	2,612,869
TOTAL CASH	3,839,430	2,892,376
(b) Reconciliation of Cash from Operations to Accounting Profit		
Operating profit after Income Tax	713,963	618,062
<i>Add/(Less) non cash items:</i>		
Depreciation	111,597	130,193
Charges to Provisions	20,456	(1,742)
Loss on Sale of assets	(574)	-
<i>Changes in assets/ liabilities</i>		
(Increase)/Decrease in sundry debtors	(54,977)	73,881
(Increase)/Decrease in prepayments	(1,340)	(7,982)
Increase in future income tax benefits	-	(8,207)
Increase/(Decrease) in provision for tax	(42,168)	21,724
NET CASH FROM OPERATING ACTIVITIES	746,957	825,929

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: DIRECTORS DISCLOSURES

	2008	2007
	\$	\$
Aggregate remuneration of Directors	63,100	60,831

The number of Directors who received remuneration within the following bands:

\$0 - \$10,000	5	6
\$10,001 - \$20,000	2	1
	7	7

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.

Loan to Directors	2008	2007
	\$	\$
The aggregate value of loans and credit facilities to Directors amounted to:	68,393	278,326
The aggregate value of loans disbursed to Directors amounts to:	68,393	12,000

Directors concerned with the above were:

Allan. K Carter
 Judith E. Hoare

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

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Number of Key Management Personnel: 5

Aggregate compensation	2008	2007
	\$	\$
Short term benefits	432,542	434,782
Post employment benefits	137,914	136,203
TOTAL	570,456	570,985

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23: FINANCIAL COMMITMENTS

	2008	2007
	\$	\$
(a) Outstanding loan commitments		
Loans approved but not funded	671,392	1,257,737
	<hr/>	<hr/>
(b) Loan redraw facilities		
Loan redraw facilities available	-	-
	<hr/>	<hr/>
(c) Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	648,500	529,500
Less: Amounts advanced	(580,641)	(313,281)
	<hr/>	<hr/>
Net Undrawn value	67,859	216,219
	<hr/>	<hr/>
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	<hr/> 739,251 <hr/>	<hr/> 1,473,956 <hr/>

NOTE 24: CONTINGENT LIABILITIES

Credit Union Financial Support System

The credit union is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFFS is to protect the interest of credit union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of needs.

An Industry Support Contract made between Credit Union Services Corporation (Australia) Ltd, (CUSCAL), Credit Union Financial Support System Ltd 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, 2008 was Nil (2007:Nil)

The Broken Hill Community Credit Union Ltd
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NOTE 25: ECONOMIC DEPENDENCY

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

(a) CUSCAL

This Credit Union provides the Credit Union with rights to and the production of member cheques. Redicards, provides finance facilities and also Central Banking and money market services.

(b) First Data Resources Australia Ltd

This Credit Union operates the switching system that links ATM and EFTPOS transactions to the Credit Union system.

(c) Data Action Pty Ltd

This Credit Union operates a computer bureau which operates the main Credit Union processing system.

NOTE 26: EVENTS OCCURRING AFTER BALANCE DATE

On the 20 August, 2008, it was announced by Perilya Limited, Broken Hill, that it would be retrenching 440 of its current staff.

The Credit Union has a significant exposure to loans predominately for residential housing purposes within Broken Hill, therefore it is expected that the retrenchment of Perilya staff will impact upon this exposure, although at the time of this report the Credit Union is unable to quantify such impact.

There have been no other significant events subsequent to balance date and prior to the preparation of these financial statements, which have significantly affected the Credit Union's financial results.

NOTE 27: SEGMENT INFORMATION

The financial institution operates predominantly within the one business and geographical segment, being the finance industry in Australia, primarily within Broken Hill, New South Wales.

NOTE 28: CREDIT UNION DETAILS

The registered office of the Credit Union is:

The Broken Hill Community Credit Union Ltd
2 Chloride Street
Broken Hill NSW 2880

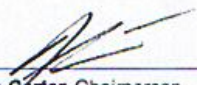
The Broken Hill Community Credit Union Ltd
ABN 12 087 650 762

DIRECTORS' DECLARATION

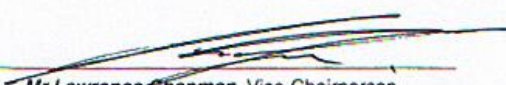
The Directors of the Credit Union declare that:

1. the financial statements and notes, as set out on pages 13 to 34 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Credit Union and the Credit Union;
2. the General Manager and Assistant Manager have each declared that:
 - a. the financial records of the Credit Union for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the Director's 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.



Mr Allan Carter, Chairperson



Mr Lawrence Chapman, Vice-Chairperson

Dated this 16th day of September 2008

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

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
THE BROKEN HILL COMMUNITY CREDIT UNION LTD**

Report on the Financial Report

We have audited the balance sheet as at 30 June, 2008 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.

Directors' Responsibility for the Financial Report

The Directors of the Credit Union are responsible for the preparation and true and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The Directors' responsibility also 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.

Auditors Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the Directors' financial reporting obligations under the Corporations Act, 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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 followed applicable independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of the Credit Union on the 24th August, 2008 would be in the same terms if provided to the Directors as at the date of this auditor's report.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
THE BROKEN HILL COMMUNITY CREDIT UNION LTD**

Audit Opinion

In our opinion, the financial report of The Broken Hill Community Credit Union Ltd is in accordance with the Corporations Act, 2001 including:

- (a) giving a true and fair view of the Credit Union's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards in Australia and the Corporations Regulations 2001; and



Kellie Nulty

WHK Thomsons Audit Services

Dated this day of 2008
133 Langtree Avenue, Mildura Vic 3500