

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

**Annual Financial Report  
for the Year Ended  
30 June 2006**

## NOTICE OF THIRTY THIRD ANNUAL GENERAL MEETING

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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 30<sup>th</sup> November 2006 at 7:30pm.**

### AGENDA

1. Welcome to members and guests
2. Apologies
3. Confirmation of the minutes of the thirty second Annual General Meeting
4. Capacity for the Chairman to vary the agenda
5. Election of Directors
  - (a) **Mr George Watson** retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
  - (b) **Mr John Doyle** also retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
  - (c) **Mr Peter Stonham** also retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
6. Directors' Report
7. Income Statement, Balance Sheet & Auditor's Report
8. Directors' Remuneration
9. Appointment of Auditor – WHK Thomsons Audit Services
10. **Amendments to Constitution – Eligibility & Appointment of Directors**

To consider and, if thought fit, to pass the following resolution as a special resolution:

***“That the Constitution be amended as set out in Annexure A”.***

**Notes:** *This special resolution will make changes to the Credit Union's Constitution in relation to the election and appointment of Directors. The proposed changes to the Constitution are include in Annexure A to this notice. Further information about these changes in included in the document headed “Explanatory Statement” enclosed with the Notice of Annual General Meeting. Please read the Annexure and the Explanatory Statement carefully,*

*To be passed this special resolution requires the approval of at least 75% of the votes cast by members at the meeting, in person or by proxy.*

*Your Directors unanimously support this special resolution and recommend that you vote **FOR** it.*

## NOTICE OF THIRTY THIRD ANNUAL GENERAL MEETING

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11. **Amendments to Constitution – Demutualisation Approval Procedure Rules**

To consider and, if thought fit, to pass the following resolution as a special resolution:

***“That the Constitution be amended as set out in Annexure B”.***

**Notes:** *This special resolution will not demutualise or wind-up the Credit Union. The proposed demutualisation approval procedure rules impose an additional approval procedure before any future demutualisation proposal can take effect, requiring the participation of a significant number of members (at least 25% of all members).*

*The proposed changes to the Constitution, including the demutualisation approval procedure rules, are included in Annexure B to this notice. Further information about the demutualisation approval procedure rules is included in the document headed Explanatory Statement enclosed with this Notice of Annual General Meeting. Please read the Annexure and the Explanatory Statement carefully.*

*To be passed this special resolution requires the approval of at least 75% of the votes cast by members at the meeting, in person or by proxy.*

Your Directors unanimously support this special resolution and recommend that you vote **FOR** it.

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

13. Close and refreshments

By Order of the Board

**The Broken Hill Community Credit Union Ltd**

Secretary: Mr Andrew J. Pellizzer

Date 16<sup>th</sup> October 2006

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in their stead. That person need not be a member of the Credit Union, but should be a natural person over the age of 18 years. Proxy forms must be lodged at the registered office of the company not less than 48 hours before the timing of the meeting. An Appointment of Proxy Form is enclosed with this notice. It includes instructions on how to vote using a proxy. Please read these instructions carefully.



## **CORPORATE GOVERNANCE STATEMENT**

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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 2006.

### **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 Board Committees with appropriate delegations
- Appointing, delegating to, supporting, evaluating and rewarding the General Manager and having in place a succession plan
- Seeking 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 standards 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 must have at least 7 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 Directors' 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 duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

## **CORPORATE GOVERNANCE STATEMENT**

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### **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 2006. A questionnaire for all Board members was completed to provide feedback on how they thought the Board had performed. The Chairperson 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 re-appointment 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
- Providing recommendation to the Board on effective policies and procedures to ensure effective communication of the Credit Union's corporate governance policies to members,

## **CORPORATE GOVERNANCE STATEMENT**

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- 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 material 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 company's corporate governance practices and policies has been made publicly available on the company's web site at <[www.bhccu.com.au](http://www.bhccu.com.au)>.

## **CHAIRPERSON'S REPORT**

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It gives me great pleasure to report that your Credit Union continues to build on our previous success. Both gross and net profit increased by in excess of 24% on the previous year resulting in outcomes of \$761,132 and \$533,917 respectively. This represents an increase in the return on assets from 1.06% to 1.31% and continues the improving trend in this area. Most satisfying is the 18% increase in our loan balances to \$28,022,001. This figure has a positive impact on our profitability but more importantly indicates that the improving range of loan products is better meeting member needs. This positive impact in income when considered in conjunction with a cost to income ratio of 77.04%, down from 80.34%, verifies our strategy of trying to deliver the right product as efficiently and effectively as possible.

Further to what I reported last year the Credit Union industry continues in an environment of substantial change. Mergers continue on a regular basis and takeover bids from non mutual financial institutions are increasing. Your Credit Union continues to believe that we can maximize the service returned to members by remaining a mutual. To this end at an industry level a new industry association has been formed and is known as ABACUS. This association brings together credit unions and mutual building societies as it is seen that the issues facing both sectors are virtually identical and therefore a united voice will be more effective. Mutuality has meant that your Credit Union has been able to provide financial support in excess of \$17,000 to local community organizations and we will shortly be announcing a \$30,000 sponsorship arrangement with a local body that will benefit the community as a whole. Mutuality means that the Credit Union is working for the members and it is your ongoing support that directly benefits the community.

As a Board we remain conscious that we need to be constantly striving to meet member needs. In striving for this we have enhanced our on-line lending, continued to improve our internet site and have introduced a residential mortgage line of credit. We have also restructured the staffing of the Credit Union making our operations more efficient whilst enhancing the level of service we are able to provide. You will shortly see the launch of our new logo and branding campaign along with new uniforms for the staff.

The great challenge that continues to confront the Board is the increasing level of work associated with governance and legislative issues. We are addressing changes in the areas of anti money laundering, financial reporting and the area of "fit and proper status" for Directors and key personnel. Although the work load is considerable the Board recognize that these issues will ensure that the best possible management is in place.

Your Credit Union will remain a vital and committed member of the local community continually striving to meet member needs by providing the highest level of service possible.

Allan Carter  
Chairperson

## **DIRECTORS' REPORT**

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Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2006.

### **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*

*Mrs Elsie Ravlich*

*Mrs Judith Hoare*

*Mr John Doyle*

*Mr Peter Stonham*

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

### **Company Secretary**

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

*Andrew Pellizzer* — Diploma of Financial Services. Andrew has worked for The Broken Hill Community Credit Union Ltd for the past 23 years, and is currently the General Manager. Andrew was appointed company secretary on 1<sup>st</sup> 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 economic entity after providing for income tax and extraordinary items amounted to \$533,917. (2005 \$454,745)

### **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 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.

### **Adoption of Australian Equivalents to IFRS**

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Credit Union's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

## DIRECTORS' REPORT

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### After Balance Date Events

There were no after balance date events.

### Information on Directors

**Mr Allan K. Carter** — **Chairperson**

Qualifications/Memberships — BHSM (Op) MBA AFACHSE FAICD FPNA

Experience — 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 29<sup>th</sup> November 2005 and is the Committee's Chairperson.

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

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**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. This included terms on their audit and remuneration committees. His career includes 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 Australia Institute of Credit Union Directors. Laurie was elected to the Corporate Governance & Remuneration Committee and the Audit Committee on 29<sup>th</sup> November 2005.

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

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**Mr George M. Watson** — **Director**

Qualifications/Memberships — MAICUD

Experience — 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. George is a member of the Institute of Credit Union Directors. George was elected to the Corporate Governance & Remuneration Committee on 29<sup>th</sup> November 2005.

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

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**Mrs Elsie S. Ravlich** — **Director**

Qualifications/Memberships — Diploma of Education

Experience — 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 29<sup>th</sup> November 2005.

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

**DIRECTORS' REPORT**

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<b>Mrs Judith E. Hoare</b>	—	<b>Director</b>
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 Inc. She has been a Director since 1998. Judi was elected to the Audit Committee on 29 <sup>th</sup> November 2005.
Interest in Shares	—	1 Member Share in The Broken Hill Community Credit Union Ltd

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<b>Mr John W. Doyle</b>	—	<b>Director</b>
Qualifications/Memberships	—	B.Leg.S
Experience	—	John is a solicitor of 19 years standing and principal of the legal firm Doyle, Kingston & Swift. John has been an active member of the Broken Hill community. John has been a Director since 2000 and was elected to the Audit Committee on 29 <sup>th</sup> November 2005. John is Chairman of the Audit Committee.
Interest in Shares	—	1 Member Share in The Broken Hill Community Credit Union Ltd

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<b>Mr Peter J. Stonham</b>	—	<b>Director</b>
Qualifications/Memberships	—	PNA ACIS
Experience	—	Peter is an accountant employed by WHK Thomsons. 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 29 <sup>th</sup> November 2005.
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 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.

**DIRECTORS' REPORT**

**Meetings of Directors**

During the financial year, 25 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	
	13		4		8	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
A.K Carter	13	12			8	8
L.D Chapman	13	13	4	4	8	8
G.M Watson	13	12			8	4
E.S Ravlich	13	12	4	3		
J.E Hoare	13	11	4	3		
J.W Doyle	13	11	4	4		
P.J Stonham	13	12			8	8

**Indemnifying Officers or Auditor**

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

The company 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 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.

**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.

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

	\$
Taxation services	3,454
Due diligence investigations	2,442
<b>Total</b>	<b>5,896</b>

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**DIRECTORS' REPORT**

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**Auditor's Independence Declaration**

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

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**Mr Allan Carter**, Chairperson

**Mr Lawrence Chapman**, Vice-Chairperson

Dated this 16th day of October 2006

**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 2006 there have been:

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

Name of Auditor: Anthony Conolan

Registered Auditor - 226482

Date: 16<sup>th</sup> October 2006

Address: 33 Iodide Street Broken Hill NSW 2880

## INCOME STATEMENT

	Note	2006	2005
<b>REVENUE</b>			
Interest Revenue	3	2,869,849	2,692,096
Non-Interest Revenue	4	1,001,995	876,170
<b>TOTAL REVENUE</b>		<b>3,871,844</b>	<b>3,568,266</b>
<b>Expenses from Ordinary Activities</b>			
Borrowing Expense	5	503,837	447,803
<b>Non-Interest Expenses</b>			
Loan Impairment Expense			
Impairment of property, plant & equipment			
Auditor Remuneration	6	32,643	25,409
General Administration Expenses			
□ Employee Entitlements		1,032,614	1,038,028
□ Depreciation & Amortisation		119,445	97,381
□ Lease Expenses		3,108	3,108
□ Other Administration Expenses		304,512	300,804
Total General Administration Expense		1,459,679	1,439,321
Other Operating Expenses		1,114,553	1,006,097
<b>Total Non-Interest Expenses</b>		<b>2,606,875</b>	<b>2,470,827</b>
<b>TOTAL EXPENSES</b>		<b>3,110,712</b>	<b>2,918,630</b>
Operating Profit before income tax		761,132	649,636
Income tax expense	7	227,215	194,891
<b>Operating Profit after income tax</b>		<b>533,917</b>	<b>454,745</b>
<b>Other Changes in Members Equity</b>			
Increase in General Reserve for Credit Losses		21,419	111,268
Effect of changes in Accounting Policy		(23,631)	52,572
<b>TOTAL INCREASE IN MEMBERS EQUITY</b>		<b>531,705</b>	<b>618,585</b>

## BALANCE SHEET

	Note	2006	2005
<b>ASSETS</b>			
Cash and cash equivalents	8	2,049,938	2,024,287
Receivables from other Financial Institutions	9	9,000,010	12,800,000
Receivables	10	164,015	191,493
Loans and advances	11	28,022,001	23,698,156
Investments	12	176,775	220,966
Property, Plant & Equipment	13	1,651,509	1,591,670
Deferred Tax Assets	14	85,132	85,897
Intangible Assets	15	17,356	17,356
Assets classified as held for sale			
Other assets			
<b>TOTAL ASSETS</b>		<b>41,166,736</b>	<b>40,629,825</b>
<b>LIABILITIES</b>			
Payables to other Financial Institutions			
Deposits	16	35,337,942	35,348,786
Payables	16	436,302	494,865
Current tax liabilities	17	122,905	68,978
Provisions	18	249,028	228,342
Deferred tax liabilities			
Liabilities directly associated with assets classified as held for sale			
<b>TOTAL LIABILITIES</b>		<b>36,146,177</b>	<b>36,140,971</b>
<b>NET ASSETS</b>		<b>5,020,559</b>	<b>4,488,854</b>
<b>MEMBER'S EQUITY</b>			
Share Capital			
Asset Revaluation Reserve			
General Reserve for Credit Losses	19	132,687	111,268
Retained Earnings	20	4,911,503	4,325,014
Effect of changes in Accounting Policy	20	(23,631)	52,572
Amounts Recognised directly in equity relating to non-current assets classified as held for sale			
<b>TOTAL EQUITY</b>		<b>5,020,559</b>	<b>4,488,854</b>

## STATEMENT OF CHANGES IN EQUITY

	Note	Retained Profits	General Reserve	Total
<b>Balance at 01/07/2004</b>	2	3,870,269		3,870,269
Retrospective adjustments upon change in accounting policy		52,572		52,572
Profit attributable to the members		454,745		454,745
General Reserve for Credit Losses			111,268	111,268
Subtotal		4,377,586	111,268	4,448,854
<b>Balance at 30/06/2005</b>	20	<b>4,377,586</b>	<b>111,268</b>	<b>4,488,854</b>
Retrospective adjustment upon change in accounting policy		(23,631)		(23,631)
Profit attributable to the members		533,917		533,917
General Reserve for Credit Losses			21,419	21,419
Subtotal		4,887,872	132,687	5,020,559
<b>Net cash provided by (used in) investing activities</b>		<b>4,887,872</b>	<b>132,687</b>	<b>5,020,559</b>

## CASH FLOW STATEMENT

	Note	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received – Loans & Advances		2,085,655	1,842,439
Interest Received - Investments		784,194	849,657
Other Income		1,001,995	867,150
Interest Paid		(503,837)	(447,803)
Suppliers & Employees		(2,433,817)	(2,294,119)
Income tax paid		(172,163)	(140,285)
<b>Net cash provided by (used in) operating activities</b>	23b	<b>762,027</b>	<b>677,039</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment			
Proceeds from sale of investments		44,191	73,652
Receivables from other Financial Institutions (net movement)		3,799,990	1,200,000
Purchase of property, plant and equipment		(192,717)	(27,526)
Purchase of investments			
Members Loans (net movement)		(4,312,017)	(2,550,361)
Net Movement in Clearing/Payroll		(50,578)	(209,730)
Receivables from other Financial Institutions (net movement)			
<b>Net cash provided by (used in) investing activities</b>		<b>(711,131)</b>	<b>(1,513,965)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net)			
Member Deposits (net)		(25,245)	(125,136)
Payables to other Financial Institutions (net)			
<b>Net cash provided by (used in) financing activities</b>		<b>(25,245)</b>	<b>(125,136)</b>
Net increase in cash held		25,651	(962,062)
Cash at beginning of financial year		2,024,287	2,986,349
<b>Cash at end of financial year</b>	23a	<b>2,049,938</b>	<b>2,024,287</b>

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

**NOTE 1. COMPLIANCE WITH IFRS**

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

The financial report covers the economic entity of The Broken Hill Community Credit Union Ltd. The Broken Hill Community Credit Union Ltd is a public company, incorporated and domiciled in Australia.

The financial report of The Broken Hill Community Credit Union Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

*First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

The Broken Hill Community Credit Union Ltd has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of The Broken Hill Community Credit Union Ltd to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

**Reporting Basis and Conventions**

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

**Accounting Policies**

a. **Loans to Members**

Loans to members are measured at amortised cost using the effective interest method. Amortised cost comprises the initial measurement plus interest income minus principal and interest repayments.

b. **Interest Income**

**Term Loans** – Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's loan on the last day of each month.

**Overdrawn Accounts** – Overdrawn interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

**Loan Interest Stopped** – While still legally recoverable, interest is not brought to account as income when the Credit Union is informed that the member is 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.

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

**c. 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. It has been determined that there is no requirement to defer loan fee income at this time.

**d. Provision for Specific Impairment**

The Australian Prudential Regulatory Authority (APRA) and Prudential Standards require a minimum provision to be maintained based on specific percentages of certain impaired loan balances, contingent upon the length of time the repayments are in arrears. Management identify and measure impaired loan assets on an individual basis and allocate specific provisions to cover the probability of loan amounts not being collected in accordance with the terms of the loan agreement based on the APRA specific provision formula.

**e. General Reserve for Credit Losses**

In addition to the specific provision, the Board of Directors has recognised the need to make a general reserve for credit losses 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.

**f. 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 a debt is unlikely. Bad debts are written off against the provision for specific impairment if a provision for specific impairment had previously been recognised. If no provision had been recognised, the write-offs are recognised as expenses in the profit and loss.

**g. Property, Plant & Equipment**

Property, plant and equipment are measured using the cost model, and are therefore carried at their cost less any accumulated depreciation and any impairment losses.

**h. Depreciation**

The Credit Union selects the method of depreciation, either straight-line or diminishing value, that most closely reflects the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment assets. The method chosen is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits. Estimated useful lives are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. Where revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings

i. **Impairment of Assets**

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

j. **Investments with other Institutions**

The Credit Union's financial assets comprise:

- **Investments held for Trading** – measured at fair value with unrealised gains or losses charged to the profit and loss
- **Investments held to Maturity** – measured at amortised cost
- **Investments held for Sale** – measured at fair value with unrealised gains or losses taken to equity.

AASB1 provides an election whereby the requirements of AASB139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year. The Credit Union has decided to adopt this election and has not restated comparative information for financial instruments for the June 2005 financial year.

k. **Intangibles**

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

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

l. **Employee Entitlements**

Provision is made for the Credit Union's liability for employee entitlements arising from services rendered by employees to balance date. Employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits.

m. **Interest Payable on Member Deposits**

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

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 included in payables in the balance sheet.

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

n. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST. GST incurred which is not recoverable from the Australian Taxation Office is listed as a separate expense item in the profit and loss.

o. **Income Tax**

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

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

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

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

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

p. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

**Key Estimates — Impairment**

The Credit Union assesses impairment at each reporting date by evaluating conditions specific to the Credit Union that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**Key Judgments — Specific Loan Impairment Provision & General Reserve for Credit Losses**

The Board of Directors has determined that using APRA's specific provision formula in calculating the amount of specific provision required for individually identifiable impaired loan assets is appropriate given the size, scale and nature of the Credit Union's operation. The Board of Directors has also determined that the current formula for calculating general reserves for credit losses, as approved by APRA, is also appropriate given the size, scale and nature of the Credit Union's operations.

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

**NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
<b>Reconciliation of Equity at 1 July 2004</b>				
<b>ASSETS</b>				
Cash and cash equivalents		2,986,349		2,986,349
Receivables from other Financial Institutions		14,000,000		14,000,000
Receivables		256,297		256,297
Loans and Advances	2b, 2d	21,040,730		21,040,730
Investments		294,618		294,618
Property, Plant & Equipment		1,661,526		1,661,526
Deferred Tax Assets	2a	74,438		74,438
Intangible Assets		17,356		17,356
Assets classified as held for sale				
Other Assets				
<b>TOTAL ASSETS</b>		<b>40,331,314</b>		<b>40,331,314</b>
<b>LIABILITIES</b>				
Payables to other Financial Institutions				
Deposits		35,478,792		35,478,792
Payables		667,318		667,318
Current Tax Liabilities		51,340		51,340
Provisions		263,595		263,595
Deferred tax liabilities				
Liabilities directly associated with assets classified as held for sale				
<b>TOTAL LIABILITIES</b>		<b>36,461,045</b>		<b>36,461,045</b>
<b>NET ASSETS</b>		<b>3,870,269</b>		<b>3,870,269</b>
<b>EQUITY</b>				
Share Capital				
Asset Revaluation Reserve				
General Reserve for Credit Losses	2c			
Retained Earnings	2d	3,870,269		3,870,269
Effect of Changes in Accounting Policy				
<b>TOTAL EQUITY</b>		<b>3,870,269</b>		<b>3,870,269</b>

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

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
<b>Reconciliation of Equity at 1 July 2005</b>				
<b>ASSETS</b>				
Cash and cash equivalents		2,024,287		2,024,287
Receivables from other Financial Institutions		12,800,000		12,800,000
Receivables		191,493		191,493
Loans and Advances	2b, 2d	23,546,743	151,413	23,698,156
Investments		220,966		220,966
Property, Plant & Equipment		1,591,670		1,591,670
Deferred Tax Assets	2a	48,270	37,627	85,897
Intangible Assets		17,356		17,356
Assets classified as held for sale				
Other Assets				
<b>TOTAL ASSETS</b>		<b>40,440,785</b>	<b>189,040</b>	<b>40,629,825</b>
<b>LIABILITIES</b>				
Payables to other Financial Institutions				
Deposits		35,348,786		35,348,786
Payables		494,865		494,865
Current Tax Liabilities		68,978		68,978
Provisions		228,342		228,342
Deferred tax liabilities				
Liabilities directly associated with assets classified as held for sale				
<b>TOTAL LIABILITIES</b>		<b>36,140,971</b>		<b>36,140,971</b>
<b>NET ASSETS</b>		<b>4,299,814</b>		<b>4,488,854</b>
<b>EQUITY</b>				
Share Capital				
Asset Revaluation Reserve				
General Reserve for Credit Losses	2c		111,268	111,268
Retained Earnings	2d,2e	4,299,814	77,772	4,377,586
Effect of Changes in Accounting Policy				
<b>TOTAL EQUITY</b>		<b>4,299,814</b>	<b>189,040</b>	<b>4,488,854</b>

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

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

	Note	Previous GAAP 2005	Effect of Transition to AIFRS 2005	AIFRS 2005
<b>Reconciliation of Profit or Loss for 2005</b>				
Interest Revenue		2,692,096		2,692,096
Non-Interest revenue		876,170		876,170
<b>TOTAL REVENUE</b>		<b>3,568,266</b>		<b>3,568,266</b>
<b>Expenses from Ordinary Activities</b>				
Borrowing Expense		447,803		447,803
<b>Non-Interest Expenses</b>				
Loan Impairment Expense	2b	36,000	36,000	
Impairment of Property, Plant & Equipment				
General Administration Expenses				
□ Employee Entitlements		1,038,028		1,038,028
□ Depreciation & Amortisation		97,381		97,381
□ Lease Expenses		3,108		3,108
□ Other Administration Expenses		300,804		300,804
Total General Administration Expenses		1,439,321		1,439,321
Other Operating Expenses		1,031,506		1,031,506
Total Non Interest Expenses		2,506,827		2,470,827
<b>TOTAL EXPENSES</b>		<b>2,954,630</b>	<b>36,000</b>	<b>2,918,630</b>
Operating Profit before Income Tax		613,636		649,636
Income Tax Expense	2e	184,091	(10,800)	194,891
<b>Operating Profit after Income Tax Expense</b>	2e	<b>429,545</b>	<b>25,200</b>	<b>454,745</b>
<b>Other increases in Members Equity</b>				
Increase in General Reserve for Credit Losses	2c		111,268	111,268
Effect of Changes in Accounting Policy	2d		52,572	52,572
<b>TOTAL INCREASE IN MEMBERS EQUITY</b>		<b>429,545</b>	<b>189,040</b>	<b>618,585</b>

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

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

**Note    30 June 2005   1 July 2004**

**Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005**

a.	Deferred tax asset adjustments comprise:			
	Deferred tax on specific provision movement	37,627	-	
	Deferred tax on impairment of property, plant and equipment			
	<b>Total</b>	<b>37,627</b>	<b>-</b>	
b.	Loans and advances (net) adjustments comprise:			
	General provision to general reserve for credit losses	111,268	-	
	Unincurred loan provision expense written-back	36,000	-	
	Excess provision to retained earnings	4,145	-	
	<b>Total</b>	<b>151,413</b>	<b>-</b>	
c.	Adjustment to reserves comprise:			
	Deferred tax on revaluation of non-current assets			
	General Reserve for Credit Losses	111,268	102,969	
	<b>Total</b>	<b>111,268</b>	<b>102,969</b>	
d.	Adjustments to retained earnings comprise:			
	Excess specific provision	4,145	40,904	
	Impairment loss recognised			
	Deferred tax on provisions	48,427	-	
		<b>52,572</b>	<b>40,904</b>	
e.	Adjustments to operating profit after income tax comprise:			
	Unincurred loan provision expense written back	36,000	-	
	Deferred tax expense on specific provision	(10,800)	-	
	Deferred tax expense on impairment of non-current assets expense			
		<b>25,200</b>	<b>-</b>	

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

**NOTE 3: INTEREST REVENUE**

	Average Interest Rate	Average Interest Rate	Average Balance		Interest Revenue	
	2006	2005	2006	2005	2006	2005
<b>Interest Revenue</b>						
— Cash-deposits at call	3.33	3.31	2,037,113	2,505,318	67,920	83,032
— Deposits with other Financial Institutions	6.57	5.72	10,900,005	13,400,000	716,274	766,625
— Loans & other Advances	8.05	7.26	25,906,443	22,293,737	2,085,655	1,842,439
<b>TOTAL INTEREST REVENUE</b>	<b>7.39</b>	<b>7.05</b>	<b>38,843,561</b>	<b>38,199,055</b>	<b>2,869,849</b>	<b>2,692,096</b>

**NOTE 4: NON-INTEREST REVENUE**

	Note	2006	2005
<b>Fee and Commission Revenue</b>			
— Loan Fee Income		78,517	55,073
— Other Fee Income		553,912	460,640
— Insurance Commissions		131,557	122,441
— Other Commissions		38,662	11,908
Total Fee & Commission Income		802,648	650,062
Dividend on Investments		22,096	16,203
Bad Debts Recovered		20,668	40,343
<b>Other Revenue</b>			
— Gain on disposal of assets			
— Rent received		28,000	28,000
— Miscellaneous Revenue		128,583	141,562
<b>TOTAL NON-INTEREST REVENUE</b>		<b>1,001,995</b>	<b>876,170</b>

**NOTE 5: INTEREST EXPENSE**

	Average Interest Rate	Average Interest Rate	Average Balance		Interest Expense	
	2006	2005	2006	2005	2006	2005
<b>Interest Expense</b>						
— Member Deposits	1.43	1.26	35,249,475	35,413,789	502,781	446,976
— Borrowings	9.35	8.60	11,294	9,616	1,056	827
<b>TOTAL INTEREST EXPENSE</b>	<b>1.43</b>	<b>1.26</b>	<b>35,260,769</b>	<b>35,423,405</b>	<b>503,837</b>	<b>447,803</b>

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

**NOTE 6: AUDITORS' REMUNERATION**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Remuneration of the auditor for:			
— auditing or reviewing the financial report		32,643	25,409

**NOTE 7: INCOME TAX EXPENSE**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
The components of tax expense comprise:			
Current tax		228,340	210,259
Deferred tax		(1,125)	(15,368)
Recoupment of prior year tax losses			
		227,215	194,891

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Cash at bank and in hand		484,882	493,701
Deposits at Call		1,565,056	1,530,586
		2,049,938	2,024,287

**NOTE 9: RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Investments Held to Maturity		9,000,010	12,800,000
		9,000,010	12,800,000

**NOTE 10: OTHER RECEIVABLES**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Interest receivable on deposits with other Financial Institutions		65,555	95,296
Prepayments		29,225	27,563
Sundry Debtors		15,628	10,913
Clearing Accounts		53,607	57,721
		164,015	191,493

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

**NOTE 11: LOANS AND ADVANCES**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Amount due comprises:			
- Overdraft, revolving credit and term loans		28,056,751	23,756,135
LESS: Provision for specific impairment		(34,750)	(57,979)
<b>NET LOANS</b>		28,022,001	23,698,156

**Security dissection**

Secured by mortgage		23,826,519	19,876,617
Partly secured by goods mortgage		1,429,726	1,432,695
Wholly unsecured		2,800,506	2,446,823
		28,056,751	23,756,135

**Concentration of Loans**

	<b>2006</b>	<b>2005</b>
Individual loans which exceed 10% of member funds in aggregate		
Loans to members are concentrated solely in Australia, principally in Broken Hill:		
<input type="checkbox"/> Broken Hill	26,089,440	22,179,853
<input type="checkbox"/> Other	1,967,311	1,576,282
<b>TOTAL</b>	28,056,751	23,756,135

**Purpose dissection**

<input type="checkbox"/> Residential	23,258,757	19,262,089
<input type="checkbox"/> Personal	3,821,292	3,579,569
<input type="checkbox"/> Commercial	976,702	914,477
<b>TOTAL</b>	28,056,751	23,756,135

**IMPAIRED LOANS & OTHER DISCLOSURES**

	<b>2006</b>	<b>2005</b>
Non-Accrual Loans – Balances	6,668	43,888
Less: Specific provision	(6,668)	(30,302)
Total Non-Accrual Loans	-	13,586

Restructured Loans	13,233	
Past Due Loans		50,964
Interest & other revenue earned on impaired loans	8,234	15,844
Interest & other revenue foregone on impaired loans	1,310	9,166

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

**NOTE 12: INVESTMENTS**

	Note	2006	2005
Held-for-sale financial assets			
Shares in CUSCAL		176,775	220,966
<b>TOTAL</b>		176,775	220,966

**NOTE 13: PROPERTY, PLANT AND EQUIPMENT**

	Note	2006	2005
<b>LAND AND BUILDINGS</b>			
Freehold - at cost:			
— Land		100,000	100,000
Investment Property – Land		50,000	50,000
<b>Total Land</b>		150,000	150,000
Buildings at cost:			
— Property		1,308,703	1,308,703
Less accumulated depreciation		(293,799)	(265,212)
— Investment Property		364,146	361,237
Less accumulated depreciation		(153,694)	(147,085)
<b>Total Buildings</b>		1,225,356	1,257,643
<b>Total Land and Buildings</b>		1,375,356	1,407,643
<b>PLANT AND EQUIPMENT</b>			
At cost		1,231,284	1,125,564
Accumulated depreciation		(955,131)	(941,537)
		276,153	184,027
<b>Total plant and equipment</b>		276,153	184,027
<b>Total Property, Plant and Equipment</b>		1,651,509	1,591,670

a. **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**

	Freehold Land	Buildings	Leasehold Improve- ments	Plant and Equipment	Total
Balance at the beginning of year	150,000	1,257,643		184,027	1,591,670
Additions		2,909		189,808	192,717
Disposals					
Revaluation increments/ (decrements)					
Depreciation expense		(35,196)		(84,249)	(119,445)
Capitalised finance costs and depreciation					
Write-off of assets				(13,433)	(13,433)
Carrying amount at the end of year	150,000	1,225,356		276,153	1,651,509

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

**NOTE 14: DEFERRED TAX ASSETS**

	Note	2006	2005
<b>Deferred tax assets comprise:</b>			
Provisions:			
□ Specific impairment		10,425	17,394
□ Leave		74,707	68,503
Impairment of property plant and equipment			
<b>TOTAL</b>		85,132	85,897

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

**Provisions – specific impairment**

Opening Balance		17,394	
Credited to the income statement		(6,969)	
<b>Closing Balance</b>		10,425	17,394

**Provisions – Leave**

Opening Balance		68,503	79,079
Credited to the income statement		6,204	(10,576)
<b>Closing Balance</b>		74,707	68,503

**NOTE 15: INTANGIBLE ASSETS**

	Note	2006	2005
Capital Loss on MyCard Shares		17,356	17,356
<b>Net carrying value</b>		17,356	17,356

**NOTE 16: PAYABLES**

	Note	2006	2005
<b>Member Deposits</b>			
At Call		26,847,750	26,856,330
Fixed Term		8,396,715	8,398,154
<b>TOTAL</b>		35,244,465	35,254,484
<b>Member Shares</b>		93,477	94,302
<b>TOTAL DEPOSITS &amp; SHARES</b>		35,337,942	35,348,786

**Concentration of Member Deposits**

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

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

**NOTE 16: PAYABLES**

	Note	2006	2005
<b>Other Payables</b>			
Creditors and accruals		164,397	219,379
Interest payable on borrowings			
Interest payable on deposits		176,329	177,335
Sundry Creditors		95,576	98,151
<b>TOTAL</b>		436,302	494,865

**NOTE 17: CURRENT TAX LIABILITIES**

	Note	2006	2005
Current Income Tax		122,905	68,978
<b>TOTAL</b>		122,905	68,978

**NOTE 18: PROVISIONS**

	Annual Leave Entitlements	Long Service Leave Entitlements	Other	Total
Opening balance at 1 July 2005	69,190	159,152		228,342
Additional provisions	5,372	15,314		20,686
Amounts used				
Unused amounts reversed				
Increase in the discounted amount arising because of time and the effect of any change in the discount rate				
<b>Balance at 30 June 2006</b>	74,562	174,466		249,028

**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 19: RESERVES**

a. **Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of non-current assets.

b. **General Reserve for Credit Losses**

The general reserve for credit losses records funds set aside in accordance with APRA Prudential Standard APS220 to cover loan repayment losses prudently estimated but not certain to arise.

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

**NOTE 20: RETAINED EARNINGS**

	<b>2006</b>	<b>2005</b>
Retained profit at beginning of financial year	4,377,586	3,870,269
Add: Operating profit after tax for the year	533,917	454,745
Adjustment to Future Income Tax Benefit previously charged to Provision for Income Tax	(25,441)	48,427
Less: Adjustment to General Reserve for Credit Losses	1,810	4,145
<b>TOTAL</b>	<b>4,887,872</b>	<b>4,377,586</b>

**NOTE 21: MATURITY PROFILE OF FINANCIAL ASSETS & 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.

	<b>ASSETS</b>			<b>LIABILITIES</b>	
	<b>Cash</b>	<b>Receivables from other Financial Institutions</b>	<b>Loans &amp; Advances (before provision)</b>	<b>Borrowings</b>	<b>Member Deposits</b>
<b>2006</b>					
At Call	2,049,938				26,847,750
Overdrafts					
Up to 3 months		5,000,010	27,538		2,478,717
3 to 12 months		3,000,000	212,847		5,219,848
1 to 5 years		1,000,000	2,887,946		698,150
Over 5 years			24,928,420		
<b>TOTAL</b>	2,049,938	9,000,010	28,056,751		35,244,465

	<b>ASSETS</b>			<b>LIABILITIES</b>	
	<b>Cash</b>	<b>Receivables from other Financial Institutions</b>	<b>Loans &amp; Advances (before provision)</b>	<b>Borrowings</b>	<b>Member Deposits</b>
<b>2005</b>					
At Call	2,024,287				26,950,632
Overdrafts					
Up to 3 months		9,800,000	2,219		2,501,399
3 to 12 months		2,000,000	79,271		5,409,005
1 to 5 years		1,000,000	3,150,323		487,750
Over 5 years			20,524,322		
<b>TOTAL</b>	2,024,287	12,800,000	23,756,135		35,348,786

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

**NOTE 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.

2006	ASSETS			LIABILITIES	
	Cash	Receivables from other Financial Institutions	Loans & Advances (before provision)	Payables to other Financial Institutions	Member Deposits
Floating Rate	2,049,938		28,052,639		26,847,750
Within 1 month		3,000,000			991,804
1 to 3 months		2,000,010			1,486,913
3 to 12 months		3,000,000	4,112		5,219,848
1 to 5 years		1,000,000			698,150
Over 5 years					
Unspecified					
<b>TOTAL</b>	<b>2,049,938</b>	<b>9,000,010</b>	<b>28,056,751</b>		<b>35,244,465</b>

2005	ASSETS			LIABILITIES	
	Cash	Receivables from other Financial Institutions	Loans & Advances (before provision)	Payables to other Financial Institutions	Member Deposits
Floating Rate	2,024,287		23,735,724		26,950,632
Within 1 month					954,346
1 to 3 months		9,800,000			1,547,053
3 to 12 months		2,000,000			5,409,005
1 to 5 years		1,000,000	20,411		487,750
over 5 years					
Unspecified					
<b>TOTAL</b>	<b>2,024,287</b>	<b>12,800,000</b>	<b>23,756,135</b>		<b>35,348,786</b>

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

**NOTE 23: CASH FLOW INFORMATION**

	<b>2006</b>	<b>2005</b>
<b>a. Reconciliation of Cash</b>		
Cash on hand	1,049,938	924,287
Deposits at call	1,000,000	1,100,000
<b>TOTAL CASH</b>	<b>2,049,938</b>	<b>2,024,287</b>
<b>b. Reconciliation of Cash from Operations to Accounting Profit</b>		
Operating profit after Income Tax	533,917	454,745
Add:		
Bad debts written off		
Depreciation	119,445	97,381
Increase in provision for staff leave	20,685	
Increase in provision for income tax	53,927	32,492
Accrued Expenses		28
Loss on Sale of assets	13,434	
Decreases in sundry debtors and other receivables	23,364	76,522
Decreases in future income tax benefits		22,114
Increase in interest payable		26,432
Decrease in specific provision	36,000	
Less:		
Provision for staff leave		(32,675)
Increase in sundry debtors and other	(500)	
Increase in interest receivable		
Increase in future income tax benefits	(36,862)	
Gain on sale of asset		
Decrease in interest payable	(1,383)	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>762,027</b>	<b>677,039</b>

**NOTE 24: FINANCIAL COMMITMENTS**

	<b>Note</b>	<b>2006</b>	<b>2005</b>
Loans approved by the Board but not funded		973,104	634,925
<b>TOTAL</b>		<b>973,104</b>	<b>634,925</b>

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

**NOTE 25: DISCLOSURES ON DIRECTORS**

Note	2006	2005
Aggregate remuneration of Directors	47,204	31,200

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

\$0 - \$10000	7	7
\$10,001 - \$20,000	-	-

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.

<b>Loans to Directors</b>	<b>2006</b>	<b>2005</b>
The aggregate value of loans and credit facilities to Directors amounted to:	298,456	278,532
<hr/>		
The aggregate value of loans disbursed to Directors amounts to:		
Term Loans	76,718	76,765
<hr/>		

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 general for each class of loan.

**NOTE 26: COMPANY DETAILS**

The registered office of the company is:

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

**DIRECTORS' DECLARATION**

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The Directors of the company 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 2006 and of the performance for the year ended on that date of the company and economic entity;
2. the General Manager and Assistant Manager have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the company 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.

Chairperson..... Vice-Chairperson.....

**Allan K. Carter**

**Lawrence D. Chapman**

Dated this 16th day of October 2006

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

**Scope**

**The financial report and directors' responsibility**

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for **The Broken Hill Community Credit Union Ltd** (the Credit Union)), for the year ended 30 June 2006.

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

**Audit Approach**

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

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

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

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

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

**Independence**

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 13 of the financial report has not changed as at the date of providing our audit opinion.

**Audit Opinion**

In our 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 company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

Name of Auditor: Anthony Conolan

Registered Company Auditor - 226482

Signed:.....

Date: 16<sup>th</sup> October 2006

Address: 33 Iodide Street Broken Hill NSW 2880