

**Annual Financial Report
for the Year Ended
30 June 2007**



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 29th November 2007 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) **Mr Allan Carter** retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
 - (b) **Mr Lawrence Chapman** also retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
 - (c) **Mr Gary Oldman** also retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.
 - (d) **Mr Tony Hiscox** 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. 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 2007.

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 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.

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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 2007. 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
- Providing recommendation to Board on effective policies and procedures to ensure effective communication of the Credit Union's corporate governance policies to members,

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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 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>.

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CHAIRPERSON'S REPORT

It is with a sense of satisfaction and achievement that I am able to advise members of the continuing growth in key areas of your Credit Unions operations. A 17.22% increase in gross profit following last years 24% saw an outcome of \$892,206 up \$131,074 for the year. Similarly net profit increased 15.76%, an increase of \$84,145 from last year. The efficiency of our operations also continues to improve with the cost to income ratio again improving, the result of 75.97% represents a 2% improvement from the previous year. The asset base of your Credit Union has increased by 8.64% to \$44,723,879 and the 11.58% increase in loan balances to \$31,305,450 is a reflection of the effort and success that has been achieved in having products that meet member needs. Board and staff are committed to continuing to ensure that we offer a set of products that will allow members to source as many of their financial needs as possible at the credit union. These figures represent a return on equity of 12.58% and a return on assets of 1.44%, up from 1.31%, a further indication of the effective operation of the business.

As reported last year the new industry association ABACUS was formed which brought credit unions together with mutual building societies. It is pleasing to report that the strength of this organization has grown with all credit unions in Australia now having membership of this body. When the fact that, even if the assets of all credit unions are aggregated, we still are a very small player when compared to banks. Having a single voice representing us gives a great deal more credibility when lobbying government and regulators. The General Manager and myself continue to attend the Chair' and CEO's forums conducted by ABACUS thus ensuring that we remain abreast of industry issues. An ongoing commitment to professional development among Directors has also seen attendance at various training courses, seminars and conferences. In what is a rapidly changing environment the Board believe that this commitment and diversity of training are essential to maintain the currency of knowledge at Board level.

This year saw the departure of two long serving Directors both of whom have served as Chair of the Credit Union at some stage during their time on the Board. I express my heartfelt gratitude to Elsie Ravlich and Peter Stonham for their commitment to the Board and wish them every success for the future. This of course means that I welcome Gary Oldman and Tony Hiscox to the Board and hope that they will enjoy their time with us.

Our commitment to being an active member of the community remains and we are pleased to be associated with the Broken Hill Football League's development of Jubilee Oval. Your Credit Union has contributed \$30,000 to this project. Additionally we have contributed \$18,365 across 97 people and organizations to assist them in their activities.

Compliance remains and will continue to be a major task. However, this is the norm for the industry and the Board are confident we are well positioned to sustain our success.

Allan Carter
Chairman

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DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

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 Retired from the Board – 27th March 2007

Mrs Judith Hoare

Mr John Doyle

Mr Peter Stonham Resigned from the Board – 30th June 2007

Mr Gary Oldman Appointed to the Board – 24th April 2007

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.

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 Limited for the past 24 years, and is currently the General Manager. Andrew was appointed company 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 company after providing for income tax and extraordinary items amounted to \$618,062. (2006 \$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 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.

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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 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 Australasian Mutuals Institute. Allan was elected to the Corporate Governance & Remuneration Committee on 19th December 2006 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 20 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 Mutuals Institute. Laurie was elected to the Corporate Governance & Remuneration Committee & the Audit Committee on 19th December 2006.

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

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 Australasian Mutuals Institute.

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 Inc. Judi has been a Director since 1998 and is a member of the Australasian Mutuals Institute. Judi was elected to the Audit Committee on 19th December 2006.

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

Mr John W. Doyle — **Director**

Qualifications/Memberships — B.Leg.S

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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 Mutuals Institute and the Law Society of NSW. John was elected to the Audit Committee on 19 th December 2006 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 26 th June 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.

Meetings of Directors

During the financial year, 24 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	
	14		5		5	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
A.K Carter	14	12	-	-	5	5
L.D Chapman	14	10	5	2	5	5
G.M Watson	14	12	-	-	3	2
E.S Ravlich	11	9	4	3	-	-
J.E Hoare	14	14	5	5	-	-
J.W Doyle	14	11	5	5	-	-
P.J Stonham	14	13	-	-	5	5
G.D Oldman	4	4	-	-	-	-

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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 2007 there have been:

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

Anthony Conolan CPA RCA (226482)
WHK Thomsons

Date:

Address: 33 Iodide Street Broken Hill NSW 2880

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INCOME STATEMENT

	Note	2007 \$	2006 \$
REVENUE			
Interest Revenue	2	3,225,122	2,869,849
Non-Interest Revenue	3	1,054,847	1,001,995
TOTAL REVENUE		4,279,969	3,871,844
Expenses from Ordinary Activities			
Borrowing Expense	4	566,617	503,837
Non-Interest Expenses			
Auditor Remuneration	5	45,352	32,643
General Administration Expenses			
-Employee Entitlements		1,130,197	1,032,614
-Depreciation & Amortisation		130,193	119,445
-Lease Expenses		3,108	3,108
-Other Administration Expenses		314,517	304,512
Total General Administration Expense		1,578,015	1,459,679
Other Operating Expenses		1,197,779	1,114,553
Total Non-Interest Expenses		2,821,146	2,606,875
TOTAL EXPENSES		3,387,763	3,110,712
Operating Profit before income tax		892,206	761,132
Income tax expense	6	274,144	227,215
Operating Profit after income tax		618,062	533,917

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

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BALANCE SHEET

	Note	2007 \$	2006 \$
ASSETS			
Cash and cash equivalents	7	2,892,376	2,049,938
Receivables from other Financial Institutions	8	8,000,010	9,000,010
Receivables	9	137,362	164,015
Loans and advances	10	31,270,066	28,022,001
Investments	11	176,765	176,775
Property, Plant & Equipment	12	1,858,961	1,391,057
Investment Properties	13	295,000	260,452
Deferred Tax Assets	14	93,339	85,132
Intangible Assets	15	-	17,356
TOTAL ASSETS		44,723,879	41,166,736
LIABILITIES			
Members Deposits	16	37,666,090	35,337,942
Payables	16	448,191	436,302
Current tax provision	17	144,629	122,905
Provisions	18	247,286	249,028
TOTAL LIABILITIES		38,506,196	36,146,177
NET ASSETS		6,217,683	5,020,559
MEMBER'S EQUITY			
Asset Revaluation Reserve	12,13	569,061	-
General Reserve for Credit Losses		142,688	132,687
Retained Earnings		5,505,934	4,911,503
Effect of changes in Accounting Policy		-	(23,631)
TOTALEQUITY		6,217,683	5,020,559

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

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STATEMENT OF CHANGES IN EQUITY

	Asset Revaluation Reserve \$	Retained Profits \$	General Reserve \$	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

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received – Loans & Advances		2,605,575	2,085,655
Interest Received - Investments		671,538	784,194
Other Income		1,054,847	1,001,995
Interest Paid		(566,617)	(503,837)
Cash payments in the course of operations		(2,952,931)	(2,433,817)
Income tax paid		13,517	(172,163)
Net cash provided by (used in) operating activities	22(b)	825,929	762,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	44,191
Receivables from other Financial Institutions		1,000,010	3,799,990
Payments for property, plant and equipment		(63,584)	(192,717)
Members Loans (net movement)		(3,248,065)	(4,362,595)
Net cash provided by (used in) investing activities		(2,311,639)	(711,131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Member Deposits (net)		2,328,148	(25,245)
Net cash provided by (used in) financing activities		2,328,148	(25,245)
Net increase in cash held		842,438	25,651
Cash at beginning of financial year		2,049,938	2,024,287
Cash at end of financial year	22(a)	2,892,376	2,049,938

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 2007

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report of The Broken Hill Community Credit Union Ltd complies with all International Financial Report Standards (IFRS) in their entirety.

The Broken Hill Community Credit Union Ltd is a public company, incorporated and domiciled in Australia.

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

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

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) Revenue

Term Loans – Loan interest is calculated on the daily balance outstanding and is charged in arrears to a members 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 members account on the last day of each month.

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

(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.

Other Fees & Commissions Revenue

Fees and commission are brought to account on an accrual basis once a right to receive consideration has been attained.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Impairment – Loans & Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the income statement.

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.

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.

The various components of impaired assets are as follows:

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 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

and includes Category Two loans, Category Three loans and Category Four loans, in accordance with Prudential Standard Guidance Note AGN 220.1.

Restructured loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

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 means 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 and includes Category One loans in accordance with Prudential standard Guidance Note AGN 220.1 that are in arrears for at least 90 days and are well secured.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Property, Plant & Equipment

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 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 asset is transferred to retained earnings.

Plant and Equipment

Plant & 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 Directors of the Credit Union 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

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Investments with other Institutions

The Credit Union's financial assets are initially measured at cost. Subsequent to initial recognition these investments are measured as detailed below:

- **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.

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(h) Employee Benefits

Employee benefits for annual leave and other employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

(i) 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.

(j) 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.

(k) Intangible Assets

The company considers all intangible assets to have a finite life and therefore they are amortised on a systematic basis matched to the future economic benefits over the useful life of the intangible asset. During the 2007 financial year, the company determined that intangible assets not previously amortised should be fully written off during the year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(l) 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.

(m) 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2: INTEREST REVENUE

	Average Interest Rate		Average Balance		Interest Revenue	
	2007	2006	2007	2006	2007	2006
			\$	\$	\$	\$
Interest Revenue						
— Cash-deposits at call	3.75	3.33	2,471,157	2,037,113	92,600	67,920
— Deposits with other Financial Institutions	6.40	6.57	8,500,010	10,900,005	544,303	716,274
— Loans & other Advances	8.72	8.05	29,681,101	25,906,443	2,588,219	2,085,655
TOTAL INTEREST REVENUE	7.93	7.39	40,652,268	38,843,561	3,225,122	2,869,849

NOTE 3: NON-INTEREST REVENUE

	2007	2006
	\$	\$
Fee and Commission Revenue		
— Loan Fee Income	75,986	55,073
— Other Fee Income	647,944	586,465
— Insurance Commissions	119,748	122,441
— Other Commissions	21,379	11,908
Total Fee & Commission Income	865,057	775,887
Dividend on Investments	22,096	16,203
Bad Debts Recovered	14,275	40,343
Other Revenue		
— Rent received	28,000	28,000
— Miscellaneous Revenue	125,419	141,562
TOTAL NON-INTEREST REVENUE	1,054,847	1,001,995

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 4: BORROWING EXPENSE

	Average	Average	Average Balance		Interest Expense	
	Interest Rate	Interest Rate	2007	2006	2007	2006
	2007	2006	2007	2006	2007	2006
			\$	\$	\$	\$
Interest Expense						
— Member Deposits	1.55	1.43	36,409,669	35,249,475	563,814	502,781
— Borrowings	9.85	9.35	28,457	11,294	2,803	1,056
TOTAL INTEREST EXPENSE	1.56	1.43	36,438,126	35,260,769	566,617	503,837

NOTE 5: AUDITORS' REMUNERATION

	2007	2006
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial report	45,352	32,643

NOTE 6: INCOME TAX EXPENSE

	2007	2006
	\$	\$
The components of tax expense comprise:		
Current tax	282,351	228,340
Deferred tax	(8,207)	(1,125)
Recoupment of prior year tax losses		
	274,144	227,215

NOTE 7: CASH AND CASH EQUIVALENTS

	2007	2006
	\$	\$
Cash at bank and in hand	279,507	484,882
Deposits at Call	2,612,869	1,565,056
	2,892,376	2,049,938

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 8: RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

	2007	2006
	\$	\$
Investments Held to Maturity	8,000,010	9,000,010
	<hr/> 8,000,010	<hr/> 9,000,010

NOTE 9: RECEIVABLES

	2007	2006
	\$	\$
Interest receivable on deposits with other Financial Institutions	63,536	65,555
Prepayments	37,207	29,225
Sundry Debtors	5,766	15,628
Clearing Accounts	30,853	53,607
	<hr/> 137,362	<hr/> 164,015

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 10: LOANS AND ADVANCES

	Note	2007	2006
		\$	\$
Amount due comprises:			
- Overdraft, revolving credit and term loans	20	31,305,450	28,056,751
LESS: Provision for specific impairment		(35,384)	(34,750)
NET LOANS		31,270,066	28,022,001

Security dissection

Secured by mortgage		26,535,439	23,826,519
Partly secured by goods mortgage		659,939	1,429,726
Wholly unsecured		4,110,072	2,800,506
	20	31,305,450	28,056,751

Concentration of Loans

2007 **2006**
\$ \$

Individual loans which exceed 10% or member funds in aggregate

Loans to members are concentrated solely in Australia, principally in Broken Hill:

-Broken Hill		28,384,786	26,089,440
-Other		2,920,664	1,967,311
TOTAL		31,305,450	28,056,751
Purpose dissection			
-Residential		26,102,711	23,258,757
-Personal		3,991,653	3,821,292
-Commercial		1,211,086	976,702
TOTAL		31,305,450	28,056,751

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 10: LOANS AND ADVANCES (CONTINUED)

IMPAIRED LOANS & OTHER DISCLOSURES	2007	2006
	\$	\$
Non-Accrual Loans – Balances	19,655	6,668
Less: Specific provision	(16,991)	(6,668)
Total Non-Accrual Loans	<u>2,664</u>	<u>-</u>
Restructured Loans	12,312	13,233
Past Due Loans	7,097	
Interest & other revenue earned on impaired loans	2,179	8,234
Interest & other revenue foregone on impaired loans	<u>741</u>	<u>1,130</u>

NOTE 11: INVESTMENTS

	2007	2006
	\$	\$
Held-for-sale financial assets:		
Shares in CUSCAL	<u>176,765</u>	<u>176,775</u>
TOTAL	<u>176,765</u>	<u>176,775</u>

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2007	2006
	\$	\$
LAND AND BUILDINGS		
Freehold - at cost:		
— Land	-	100,000
Freehold - at Valuation:		
— Land	100,000	-
Total Land	100,000	100,000
Buildings at Valuation	1,525,000	-
Buildings at cost:		
— Property	-	1,308,703
Less accumulated depreciation	-	(293,799)
Total Buildings	1,525,000	1,014,904
Total Land and Buildings	1,625,000	1,114,904
PLANT AND EQUIPMENT		
At cost	1,284,709	1,231,284
Accumulated depreciation	(1,050,748)	(955,131)
Total plant and equipment	233,961	276,153
Total Property, Plant and Equipment	1,858,961	1,391,057

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	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of year	100,000	1,014,904	276,153	1,391,057
Additions	-	10,159	53,425	63,584
Revaluation increments/ (decrements)	-	530,363	-	530,363
Depreciation expense	-	(30,426)	(95,617)	(126,043)
Carrying amount at the end of year	100,000	1,525,000	233,961	1,858,961

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 13: INVESTMENT PROPERTIES

	2007	2006
	\$	\$
LAND AND BUILDINGS		
Land - at cost:	-	50,000
Land - at Valuation:	50,000	-
Total Land	50,000	50,000
Buildings at cost:	-	364,146
Less accumulated depreciation	-	(153,694)
Buildings at Valuation – Argent St	210,000	-
Buildings at Valuation – Crystal Lane Flats	35,000	-
Total Buildings	245,000	210,452
Total Land and Buildings	295,000	260,452

Movements in Carrying Amounts

	Investment Properties	Total
	\$	\$
Balance at the beginning of year	260,452	260,452
Revaluation increments	38,698	38,698
Depreciation expense	(4,150)	(4,150)
Carrying amount at the end of year	295,000	295,000

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 14: DEFERRED TAX ASSETS

	2007	2006
	\$	\$
Deferred tax assets comprise:		
Provisions:		
-Specific impairment	8,270	10,425
-Leave	85,069	74,707
TOTAL	93,339	85,132

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

Provisions – specific impairment

Opening Balance	10,425	17,394
Credited to the income statement	(2,155)	(6,969)
Closing Balance	8,270	10,425

Provisions – Leave

Opening Balance	74,707	68,503
Credited to the income statement	10,362	6,204
Closing Balance	85,069	74,707

NOTE 15: INTANGIBLE ASSETS

	2007	2006
	\$	\$
Capital Loss on MyCard Shares	-	17,356
Net carrying value	-	17,356

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 16: PAYABLES

	Note	2007	2006
		\$	\$
Member Deposits			
At Call		29,723,610	26,847,750
Fixed Term		7,851,263	8,396,715
TOTAL	20	37,574,873	35,244,465
Member Shares		91,217	93,477
TOTAL DEPOSITS & SHARES		37,666,090	35,337,942

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 employed in Australia and principally in the Broken Hill area.

Other Payables

Creditors and accruals		180,537	164,397
Interest payable on borrowings			
Interest payable on deposits		173,263	176,329
Sundry Creditors		94,391	95,576
TOTAL		448,191	436,302

NOTE 17: CURRENT TAX PROVISION

		2007	2006
		\$	\$
Current Income Tax		144,629	122,905
TOTAL		144,629	122,905

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 18: PROVISIONS

	Annual Leave Entitlements	Long Service Leave Entitlements	Total
	\$	\$	\$
Opening balance at 1 July 2006	74,562	174,466	249,028
Adjustments to provisions	3,007	(4,749)	(1,742)
Balance at 30 June 2007	77,569	169,717	247,286

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20: 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.

2007 \$	ASSETS			LIABILITIES	
	Cash	Receivables from other Financial Institutions	Loans & Advances (before provision)	Borrowings	Member Deposits
At Call	2,892,376	-	-	-	29,723,610
Overdrafts					
Up to 3 months	-	5,000,010	152,566	-	2,363,490
3 to 12 months	-	3,000,000	95,777	-	4,999,341
1 to 5 years	-	-	2,833,880	-	488,432
Over 5 years	-	-	28,223,227	-	-
TOTAL	2,892,376	8,000,010	31,305,450	-	37,574,873

2006 \$	ASSETS			LIABILITIES	
	Cash	Receivables from other Financial Institutions	Loans & Advances (before provision)	Borrowings	Member Deposits
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	-	-
TOTAL	2,049,938	9,000,010	28,056,751	-	35,244,465

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21: 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.

2007 \$	ASSETS			LIABILITIES	
	Cash	Receivables from other Financial Institutions	Loans & Advances (before provision)	Payables to other Financial Institutions	Member Deposits
Floating Rate	2,892,376	-	-	-	29,723,610
Within 1 month	-	-	31,305,450	-	945,575
1 to 3 months	-	5,000,010	-	-	1,417,915
3 to 12 months	-	3,000,000	-	-	4,999,341
1 to 5 years	-	-	-	-	488,432
TOTAL	2,892,376	8,000,010	31,305,450	-	37,574,873

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
TOTAL	2,049,938	9,000,010	28,056,751	-	35,244,465

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 22: CASH FLOW INFORMATION

	2007	2006
	\$	\$
(a) Reconciliation of Cash		
Cash on hand	279,507	484,882
Deposits at call	2,612,869	1,565,056
TOTAL CASH	2,892,376	2,049,938
 (b) Reconciliation of Cash from Operations to Accounting Profit		
Operating profit after Income Tax	618,062	533,917
Add/(Less) non cash items:		
Depreciation	130,193	119,445
Charges to Provisions	(1,742)	19,302
Loss on Sale of assets	-	13,434
Decrease in specific provision	-	36,000
Changes in assets/ liabilities		
(Increase)/Decrease in debtors	(26,653)	-
(Increase)/Decrease in sundry debtors	34,635	22,864
(Increase)/Decrease in prepayments	(7,982)	-
Increase in future income tax benefits	(8,207)	(36,862)
Increase/(Decrease) in creditors	65,899	-
Increase/(Decrease) in provision for tax	21,724	53,927
NET CASH FROM OPERATING ACTIVITIES	825,929	762,027

NOTE 23: FINANCIAL COMMITMENTS

	2007	2006
	\$	\$
Loans approved by the Board but not funded	1,473,967	973,104
TOTAL	1,473,967	973,104

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 24: DIRECTORS DISCLOSURES

	2007	2006
	\$	\$
Aggregate remuneration of Directors	60,831	47,204

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

\$0 - \$10000	8	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.

Loan to Directors	2007	2006
	\$	\$
The aggregate value of loans and credit facilities to Directors amounted to:	278,326	298,456
The aggregate value of loans disbursed to Directors amounts to:		
Term Loans	12,000	76,718

Directors concerned with the above were:

George M. Watson

Allan. K Carter

Judith E. Hoare

Peter J. Stonham

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

NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION

Number of Key Management Personnel: 5

Aggregate compensation	2007	2006
	\$	\$
Short term benefits	434,782	377,891
Post employment benefits	136,203	118,577
TOTAL	570,985	496,468

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 26: 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) Limited, (CUSCAL), Credit Union Financial Support System Limited and participating credit unions required the credit union to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the credit union and secures any advances which may be made to the credit union under the scheme.

The balance of the debt at 30 June, 2007 was Nil (2006:Nil)

NOTE 27: ECONOMIC DEPENDENCY

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

(a) CUSCAL

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

(c) Data Action Pty Ltd

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

NOTE 28: EVENTS OCCURRING AFTER BALANCE DATE

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

NOTE 29: COMPANY DETAILS

The registered office of the company is:

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

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

Report on the Financial Report

We have audited the balance sheet as at 30 June, 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors declaration.

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 company on the 24th September, 2007 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 LIMITED**

Audit Opinion

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 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

Anthony Conolan CPA RCA (226482)

WHK Thomsons

Dated this day of 2007

33 Iodide Street Broken Hill NSW 2880