



## *Corporate Profile*

### **Board of Directors**

Gordon Scott – Chairman  
David Milne – Deputy Chairman  
Sid Kanard  
Robert Manning  
Denis McCormack  
Mitchell Reece  
Daryl Chipperfield

### **Management**

David Harll – Chief Executive Officer  
Kerri McCarron – Executive Manager, Finance  
Shawn Griffiths – Head of Sales and Operations  
Graeme Bronner – Executive Manager, Lending

### **Registered Office**

Level 2, 670 Princes Highway,  
Sutherland NSW 2232

### **Bankers**

Credit Union Services Corporation (Australia) Ltd  
1 Margaret St, Sydney

### **Auditors**

BDO Kendalls – Chartered Accountants  
Level 18, 2 Market Street Sydney NSW 2000

### **Service Centres**

Miranda – 31-41 Kiara Road  
Sutherland – 740 Princes Highway  
Engadine – Cnr Old Princes Highway  
and Station Street  
Cronulla – 100 Cronulla Street  
Menai – Menai Central 5-21 Carter Road

### **ATM Locations**

Miranda Service Centre  
Sutherland Service Centre  
Engadine Service Centre  
Cronulla Service Centre  
Menai Service Centre  
Sutherland Hospital – Caringbah

### **Phone Number**

1300 784 388

### **Web Site**

[www.sutherlandcu.com.au](http://www.sutherlandcu.com.au)

### **Board Committees**

#### **Audit & Risk Committee**

David Milne – Chairman  
Daryl Chipperfield  
Robert Manning  
Mitchell Reece

#### **Chairman's Committee**

Gordon Scott – Chairman  
David Milne

### **Country of Incorporation**

Australia

### **Solicitors**

David Milne & Associates  
PO Box 616 Gordon NSW 2072

### **Products and Services**

At Call Deposit Accounts  
Cash Management Account  
Term Deposit Accounts  
Phone Banking & Internet Banking  
Electronic Funds Transfer – BPAY,  
Debits & Credits  
ATM & EFTPOS Services  
VISA Debit Card  
MyCard MasterCard Credit Card  
Financial Advisory & Planning Services  
General Insurance Products  
LOANS – Car Loans  
– Personal Loans  
– Housing Loans with Redraw  
– Investment Loans  
– Commercial Loans  
– Overdrafts  
– Lines of Credit Loans

*“Our mission is to help our members mutually assist each other by providing affordable finance and quality financial services in a friendly, efficient and convenient manner.”*

## *Chairman's Report*

For the year ended 30<sup>th</sup> June 2007

The Board and I are pleased to present this 37<sup>th</sup> Annual Report to members. This financial year brought a very strong period of performance, consolidation and innovation for your Credit Union.

### **Strong operating results**

Last year, we laid solid foundations for continued growth by further improving the Credit Union's capital position, market competitiveness and efficiencies. This helped us record an after tax operating profit of \$867,866 for the year ended 30<sup>th</sup> June 2007.

Consistent profitability was achieved through a combination of effective cost control, excellent personal service at our branches, at our MemberLink call centre and by our new Mobile Lending service. These were enhanced by the introduction of new initiatives such as our Mutual Value Program, 100% Mortgage Offset Facility, our attractive and popular "Simple Switch" Home Loan package and an ongoing range of very attractive offers for both depositors and borrowers.

Our stronger Capital Adequacy ratio of 16.71% demonstrates good financial stability with scope for continued growth as more people become aware of the benefits of joining our Shire's own mutual financial institution. We have taken a number of steps in both our marketing and community support programs to significantly boost awareness of your Credit Union and we are confident that our latest financial results will continue to provide a solid platform for further product and marketing initiatives to occur this coming year.

Overall growth in our lending portfolio was an excellent 25.21% for the financial year, with 21.47% of this growth in mortgage lending. The proportion of bad debts written off continues to be small at only 0.0036% of total loans this year.

Your Credit Union's assets now exceed \$129 million and we continue to enjoy a very loyal and supportive membership with the ratio of products held per member continuing to increase. Excluding some dormant accounts, our total active membership base now exceeds 12,964 individuals, families and businesses.

Deposits and liquidity remained sound throughout the year and at appropriate times we offered very attractive rates on term deposits to consolidate funding for lending growth. At 30<sup>th</sup> June 2007, total member deposits amounted to \$113 million.

It is particularly pleasing to see our newer branches at Cronulla and Menai now solidly contributing to these impressive results.

### **Proposed amendments to constitution**

At this AGM, members are being asked to vote on three proposed amendments to our constitution. The Board strongly endorses these amendments which were proposed and explained in a special notice sent to all members in July this year. A key amendment will allow us to continue to attract Directors of the highest calibre and meet the Australian Prudential Regulation Authority's APS 520 "Fit and Proper" standards. Two other amendments will allow us to continue to securely grow your Credit Union and protect the rights our current members enjoy as owner/shareholders of our Shire's major mutual financial institution.

### **Our Board and Staff**

Following the casual vacancy created by the retirement of Director David Evans in April, the Board welcomed Daryl Chipperfield as a Director in May 2007. Daryl has lived in the Menai area for many years and is a Fellow Certified Practising Accountant (FCPA) as well as a Registered Tax Agent. With considerable financial skills and dedication to helping the people of our Shire, Daryl has been a Sutherland Credit Union member for many years and has always taken great interest in our progress.

I take this opportunity to sincerely thank David Evans for his contribution as a Director over six and a half years as well as for his membership of our Credit Union stretching back to the early 80s. To David and his wife, Vera we extend our thanks and very best wishes for the future.

I also extend thanks to my fellow Directors for their considerable time and hard work throughout the year. The role of a Director continues to be extremely demanding and we are most fortunate to have a Board who not only take their responsibilities very seriously but also bring great knowledge in a wide range of fields to our Credit Union. I also thank our advisers, industry bodies, suppliers and friends for their support throughout the year.

And last but most certainly not least, I want to say a very, very big 'thank you' to our dedicated and hard working Staff. Considering the competitive climate and continued complexities regarding the financial sector, our fine results continue to show how hard working and caring our Team has been and continue to be. To our Chief Executive, David Harll and his wonderful team, hearty congratulations and thanks, on behalf of our members, for a job well done.

Looking ahead, the Board, our Management and our Staff greatly value the support, encouragement and trust of our members. We all look forward to serving you as your Credit Union continues to go from strength to strength "*in the Shire for the Shire*".



Gordon Scott  
Chairman

## Directors' Report

Your Directors present their report on the Credit Union for the financial year ended 30<sup>th</sup> June 2007.

The Credit Union is a company registered under the Corporations Act 2001.

### Information on Directors

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

<b>Name</b>	<b>Gordon Scott</b>
Position	Board Chairman
Qualifications	FAMI
Experience	Director since 1987. Recently retired from 32 years with ANSTO (12 years as budget accountant)
Responsibilities	Chairman of the Chairman's Committee

<b>Name</b>	<b>David Milne</b>
Position	Deputy Board Chairman
Qualifications	LLB, Notary Public, FAMI
Experience	Director since 1999. Practising lawyer since 1976, specialising in litigation and banking. Also performed legal work for a number of credit unions since 1982.
Responsibilities	Chairman of the Audit and Risk Committee

<b>Name</b>	<b>Daryl Chipperfield</b>
Position	Director
Qualifications	FCPA, MAMI
Experience	Director since May 2007. Broad experience in financial services. Operates own accounting practice.
Responsibilities	Member of Audit and Risk Committee

<b>Name</b>	<b>David Evans</b>
Position	Director
Qualifications	MAMI
Experience	Director since 2000. Resigned 30 March 2007. Over 38 years in property finance and investment industry.
Responsibilities	Director

## Sutherland Credit Union Limited Annual Financial Report 2007

**Name** Sid Kanard  
**Position** Director  
**Qualifications** MAMI  
**Experience** Director since 1999  
 Over 21 years in the electrical machinery industry.  
**Responsibilities** Director

**Name** Denis McCormack  
**Position** Director  
**Qualifications** FAMI, FAIA, MAMI  
**Experience** Director since 2003  
 Over 40 years experience in high profile marketing. Over 20 years with St George Bank.  
**Responsibilities** Member of Audit and Risk Committee

**Name** Robert Manning  
**Position** Director  
**Qualifications** MAICD, MAMI  
**Experience** Director since 2004  
 25 years with Commonwealth Bank, Head of Electronic Banking. 8 years with St George Bank  
**Responsibilities** Member of Audit and Risk Committee

**Name** Mitchell Reece  
**Position** Director  
**Qualifications** Dip.Teach Dip.Law Grad, Dip.Legal Practice, MAMI  
**Experience** Director since 2003  
 Solicitor for over 15 years  
 Over 15 years as a teacher  
**Responsibilities** Member of Audit and Risk Committee

The name of the Company Secretary in office at the end of the year is:-

**Name** David Harll  
**Qualifications** FAMI, MAIM  
**Experience** Company Secretary since 1999. CEO of Sutherland Credit Union since 1999. Managerial experience in Credit Unions for over 23 years.

	Director		Board		Audit		Chairmans	
	H	A	H	A	H	A	H	A
Gordon Scott	11	10	-	-	6	6		
David Milne	11	11	8	8	6	6		
Daryl Chipperfield	1	1	-	-	-	-		
David Evans	9	5	-	-	-	-		
Sid Kanard	11	7	-	-	-	-		
Denis McCormack	11	11	8	7	-	-		
Robert Manning	11	11	8	7	-	-		
Mitchell Reece	11	10	8	7	-	-		

- Mr D Evans resigned from Board on 30<sup>th</sup> March 2007.
- Mr D Chipperfield was appointed to the Board on 24<sup>th</sup> May 2007.
- All other Directors have been appointed for a period of a whole year.

### Directors' Benefits

No director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than that disclosed in note 30 of the financial report.

### Indemnifying Officer or Auditor

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

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

### Financial Performance Disclosures

#### Principal Activities

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

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

**Operating Results**

The net profit of the Credit Union for the year after providing for income tax was \$867,866 [2006:\$702,083]

**Dividends**

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the directors of the Credit Union.

**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 the affairs of the Credit Union during the year.

**Events Occurring After Balance Date**

No other matters of circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

**Likely Developments And Results**

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect: -

- (i) The operations of the Credit Union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

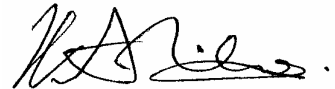
**Auditors' Independence**

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 7.

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



Gordon Scott  
Chairman



David Milne  
Deputy Chairman

Signed and dated this 27<sup>th</sup> day of September 2007


**DECLARATION OF INDEPENDENCE  
BY WAYNE BASFORD TO THE  
DIRECTORS OF SUTHERLAND  
CREDIT UNION LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**BDO Kendalls**

Chartered Accountants



**WAYNE BASFORD**  
Partner

Signed and dated this 27th day of September 2007

## *Independent Audit Report*

To the members of Sutherland Credit Union Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of Sutherland Credit Union Limited, which comprises the balance sheet as at 30<sup>th</sup> 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, other explanatory notes and the Directors' declaration.

### **Directors' Responsibility for the Financial Report**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Sutherland Credit Union Limited on 30<sup>th</sup> June 2007, would be in the same terms if provided to the Directors as at the date of this auditor's report.


### **Audit Opinion**

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

- (a) giving a true and fair view of the company's financial position as at 30<sup>th</sup> June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **BDO Kendalls**

Chartered Accountants



**WAYNE BASFORD**  
Partner

Signed and dated this 27<sup>th</sup> day of September 2007

## DIRECTORS' DECLARATION

The Directors' of Sutherland Credit Union Limited declare that:-

The financial statements comprising Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying notes and notes related thereto, are in accordance with the Corporations Act 2001, and:-

- (a) comply with Accounting Standards; and
- (b) give a true and fair view of the financial position of the Credit Union as at 30<sup>th</sup> June 2007 and performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Gordon Scott', enclosed within a large, loopy oval scribble.

Gordon Scott  
Director

Signed and dated this 27th day of September 2007.

## INCOME STATEMENT

### For The Year Ended 30<sup>th</sup> June 2007

	Note	2007 \$	2006 \$
Interest revenue	2.a	8,908,273	7,680,341
Interest expense	2.c	(3,780,850)	(3,035,093)
<b>Net interest income</b>		<b>5,127,423</b>	<b>4,645,248</b>
Add; Other income	2.b	1,410,551	1,493,959
		<b>6,537,974</b>	<b>6,139,207</b>
Less:			
<b>Non interest expenses</b>			
Impairment losses on loans and advances	2.d	5,234	23,586
Fee and commission expenses		132,539	125,801
General administration			
- Employees compensation and benefits		2,129,722	1,933,975
- Depreciation and amortisation	2.e	195,392	192,682
- Information technology		532,215	556,787
- Office occupancy		494,541	479,977
- Other administration		444,460	495,994
<b>Total general administration</b>		<b>3,796,330</b>	<b>3,659,415</b>
Other operating expenses		1,381,978	1,343,141
<b>Total non interest expenses</b>		<b>5,316,081</b>	<b>5,151,943</b>
<b>Profit before income tax</b>		<b>1,221,893</b>	<b>987,264</b>
Less: Income tax expense	3	354,027	285,181
<b>Net Profit</b>		<b>867,866</b>	<b>702,083</b>

This statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN MEMBER EQUITY For The Year Ended 30 June 2007

	Preference Shares	Capital Reserve Account \$	General Reserve \$	Reserve for Credit Losses \$	Total \$
Total at 1 July 2005	-	82,478	8,340,645	438,149	8,861,272
Share Issue	1,139,606				1,139,606
Transfers to (from) Reserves for credit losses			5,587 100	(5,586)	1 100
Profit for the year			702,083		702,083
Transfers to (from) Capital Reserves		16,984	(16,984)		-
<b>Total at 30 June 2006</b>	<b>1,139,606</b>	<b>99,462</b>	<b>9,031,431</b>	<b>432,563</b>	<b>10,703,062</b>
Profit for the year			867,866		867,866
Transfers to (from) Capital Reserves		10,306	(10,306)		-
Dividends paid.			(84,562)		(84,562)
<b>Total as at 30 June 2007</b>	<b>1,139,606</b>	<b>109,768</b>	<b>9,804,429</b>	<b>432,563</b>	<b>11,486,366</b>

This statement should be read in conjunction with the accompanying notes.

## BALANCE SHEET

### As At 30 June 2007

	Note	2007 \$	2006 \$
<b>ASSETS</b>			
Cash and cash equivalents	4 & 35.a	1,835,266	3,626,345
Advances to other financial institutions	5	14,300,000	18,362,500
Receivables	6	355,691	280,793
Loans and advances to members	7 & 8	111,349,189	88,929,726
Available for sale investments	9	1,012,603	1,067,899
Property, plant and equipment	10	355,324	367,476
Taxation assets	11	321,472	265,030
Intangible assets	12	78,423	72,720
Subordinated loan to equity members	13	120,000	120,000
<b>TOTAL ASSETS</b>		<b>129,727,968</b>	<b>113,092,489</b>
<b>LIABILITIES</b>			
Borrowings	14 & 35.a	1,273,534	-
Deposits from members	15	113,327,149	99,019,815
Creditor accruals and settlement accounts	16	1,788,377	1,612,584
Taxation liabilities	17	409,126	326,941
Provisions	18	279,488	270,167
Subordinated debt	19	1,163,928	1,159,920
<b>TOTAL LIABILITIES</b>		<b>118,241,602</b>	<b>102,389,427</b>
<b>NET ASSETS</b>		<b>11,486,366</b>	<b>10,703,062</b>
<b>MEMBERS' EQUITY</b>			
Preference shares	20	1,139,606	1,139,606
Capital reserve account	21	109,768	99,462
General reserve for credit losses	22	432,563	432,563
General Reserve	23	9,804,429	9,031,431
<b>TOTAL MEMBERS' EQUITY</b>		<b>11,486,366</b>	<b>10,703,062</b>

## Table of other notes to accounts

24	Maturity Profile of Financial Assets and Liabilities
25	Interest Rate Change Profile of Financial Assets and Liabilities
26	Fair Value Of Financial Assets and Liabilities
27	Financial Commitments
28	Standby Borrowing Facilities
29	Contingent Liabilities
30	Disclosures on Directors and Other Key Management Personnel
31	Economic Dependency
32	Segmental Reporting
33	Superannuation Liabilities
34	Securitisation
35	Cash Flow Information
36	Corporate Information

## CASH FLOW STATEMENT

### For The Year Ended 30 June 2007

	Note	2007 \$	2006 \$
<b>OPERATING ACTIVITIES</b>			
<b>Revenue inflows</b>			
Interest received		8,905,733	7,744,777
Fees and commissions		1,278,670	1,354,400
Dividends		63,768	61,655
Other income		42,216	83,104
<b>Revenue outflows</b>			
Interest paid		(3,596,879)	(2,899,222)
Suppliers and employees		(5,052,114)	(4,931,492)
Income taxes paid		(315,530)	(291,015)
Net cash from revenue activities	35.c	1,325,864	1,122,207
<b>Inflows/Outflows from other operating activities</b>			
Increase in member loans (net movement)		(22,464,531)	(10,035,933)
Increase in member deposits and shares (net movement)		14,284,027	6,257,449
Decrease in receivables from other financial institutions (net movement)		4,062,500	1,187,500
<b>Net cash from operating activities</b>		<b>(2,792,140)</b>	<b>(1,468,777)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows</b>			
Proceeds on sale of investment in shares		-	156,530
Proceeds on sale of property, plant and equipment		39,450	19,175
<b>Less: Outflows</b>			
Purchase of property plant and equipment		(175,471)	(130,126)
Purchase of Intangible Assets (software)		(51,890)	(72,651)
<b>Net cash from investing activities</b>		<b>(187,911)</b>	<b>(27,072)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows (outflows)</b>			
Dividends Paid		(84,562)	-
Issue of preference share capital (Net of expenses and debt)		-	1,139,606
Proceeds of subordinated debt issued		-	1,159,920
Loans to Tier 2 debt holders		-	(120,000)
<b>Net cash from financing activities</b>		<b>(84,562)</b>	<b>2,179,526</b>
Total net cash (decrease) / increase		(3,064,613)	683,777
Cash at beginning of financial year		3,626,345	2,942,568
Cash at end of financial year	35.a	561,732	3,626,345

This statement should be read in conjunction with the accompanying notes.

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

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is prepared for Sutherland Credit Union Limited as a single entity, for the year ended the 30<sup>th</sup> June 2007. The report was authorised for issue on 27<sup>th</sup> September 2007 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Interpretations of the Australian Accounting Standards Board, and the Corporations Act 2001. In accordance with Accounting Standard AASB 101 Presentation of Financial Statements, compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### a) Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets [except for Available for Sale Assets which are stated at fair value]. The accounting policies are consistent with the prior year unless otherwise stated.

#### b) Loans to Members

##### (i) Basis of inclusion

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

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful.

##### (ii) Interest earned

Term loans - The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a members account on the last day of each month.

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

Non accrual loan interest – while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or, where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors. The Australian Prudential Regulatory Authority (APRA) has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 15 days for an overlimit overdraft facility.

##### (iii) Loan origination fees and discounts

Loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued**

**b) Loans to Members (continued)**

**(iv) Transaction costs**

Transaction Costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

**c) Loan Impairment**

**(i) Specific Provision**

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for doubtful debts is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The Critical assumptions in the calculation are as set out in Note 8.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears.

**(ii) Reserve for Credit Losses**

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

- the level of security taken as collateral
- the concentration of loans taken by employment type

**d) Bad Debts Written Off**

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for doubtful debts if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the Income Statement.

**e) Property, Plant and Equipment**

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

- Leasehold Improvements - 10 years.
- Plant and Equipment - 3 to 7 years.
- Assets less than \$300 are not capitalised.

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued**

**f) Deposits with Other Financial Institutions**

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

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Balance Sheet.

**g) Equity Investments and Other Securities**

Investments in shares are classified as available for sale assets.

Investments in shares where a market value is readily available are revalued to market value, with the gains and losses reflected in equity through the asset revaluation reserve.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

All investments are in Australian currency.

**h) Member Deposits**

**(i) Basis for Determination**

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

**(ii) Interest Payable**

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

**i) Borrowings**

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

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued**

**j) Provision for Employee Benefits**

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

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

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows. Annual leave is accrued in respect of all employees on pro-rata entitlement for part year of service and leave entitlement due but not taken at balance date. Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement as incurred.

**k) Leasehold premises**

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

A provision is recognised for the estimated make good costs on the operating leases, based on the Net Present Value of the future expenditure at the conclusion of the lease term discounted at 5%. Increases in the provision in future years shall be recognised as part of the interest expense.

**l) Income Tax**

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

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

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

**m) Intangible Assets**

Computer software held as intangible assets is amortised over the expected useful life of the software. These lives range from 2 to 5 years.

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued**

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

As a financial institution the Credit Union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**o) Impairment of Assets**

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**p) Accounting Estimates and Judgements**

Management have made judgements when applying the Credit Unions accounting policies with respect to the classification of assets as available for sale.

The detail of the critical accounting estimates and assumptions are set out in note 8 for the impairment provisions for loans.

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

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued**

**q) Risk Management Objectives and Policies**

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

**Market Risk Policy**

The Credit Union is not exposed to currency risk, and other price risk. The Credit Union does not trade in the financial Instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured monthly to identify any large exposures to the interest rate movements. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks.

**Credit Risk – Loans**

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to prudently diversify any adverse exposure to changing market conditions. Well secured residential mortgages which carry an 80% Loan to Valuation ratio or less are shown in note 7(b) which describes the nature of the security held against the loans as at the balance date.

The Credit Union has no concentration in the retail lending for members other than the Sutherland Shire.

**Credit Risk – Liquid Investments**

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

The Credit Union maintains at least 90% of the investments in Credit Union Services Corporation (Aust) Limited (CUSCAL), a company set up to support the member credit unions and which has an AAB rating.

**Credit Risk – Equity Investments**

All investments in the equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in entities set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in note 9.

**Liquidity Risk**

The Credit Union has set out in Note 24 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Credit Union policy is to apply at least 14% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available. Note 28 describes the borrowing facilities as at the balance date.

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

1. REVENUE

a. Analysis of interest revenue

Category of interest bearing assets	2007		
	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Cash – deposits at call	2,744	116,766	2.35%
Advances to other financial institutions	1,058,455	18,025,000	5.87%
Loans and advances to members	7,831,064	100,519,066	7.79%
Other Receivables	16,010	250,000	6.40%
<b>TOTAL INTEREST REVENUE</b>	<b>8,908,273</b>	<b>118,910,832</b>	<b>7.49%</b>

Category of interest bearing assets	2006		
	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Cash – deposits at call	2,779	132,318	2.10%
Advances to other financial institutions	1,105,027	20,171,642	5.48%
Loans and advances to members	6,572,156	86,727,363	7.58%
Other Receivables	379	6,157	6.16%
<b>TOTAL INTEREST REVENUE</b>	<b>7,680,341</b>	<b>107,037,480</b>	<b>7.18%</b>

	Note	2007 \$	2006 \$
<b>b. Non-interest revenue comprises</b>			
<b>Fee and commission revenue</b>			
Loan fee income – other than loan origination fees		102,512	64,711
Other fee income		973,396	994,099
Insurance commissions		165,817	178,845
Other commissions		61,810	111,545
<b>TOTAL FEE AND COMMISSION REVENUE</b>		<b>1,303,535</b>	<b>1,349,200</b>
<b>Other income</b>			
Dividends received		63,768	61,655
Bad debts recovered		-	71
Gain on disposal of assets			
- plant and equipment		1,032	-
Miscellaneous revenue		42,216	83,033
<b>TOTAL NON INTEREST REVENUE</b>		<b>1,410,551</b>	<b>1,493,959</b>

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

c. Interest expenses

Analysis of interest expense

Category of interest bearing liabilities	2007		
	Interest Expense \$	Average Balance \$	Average Interest Rate %
Deposits from members	3,638,005	106,055,141	3.43%
Overdraft	53,313	585,868	9.1%
Subordinated debt	89,532	1,159,920	7.72%
<b>TOTAL INTEREST EXPENSES</b>	<b>3,780,850</b>	<b>107,800,929</b>	<b>3.51%</b>

Category of interest bearing liabilities	2006		
	Interest Expense \$	Average Balance \$	Average Interest Rate %
Deposits from members	3,016,679	97,312,226	3.10%
Overdraft	16,179	208,068	7.78%
Subordinated debt	2,235	31,172	7.17%
<b>TOTAL INTEREST EXPENSES</b>	<b>3,035,093</b>	<b>97,551,466</b>	<b>3.11%</b>

	2007 \$	2006 \$
d. Impairment losses on loans and advances		
Bad debts written off	4,034	-
Increase in provision for impairment	1,200	23,586
<b>TOTAL IMPAIRMENT LOSSES ON LOANS AND ADVANCES</b>	<b>5,234</b>	<b>23,586</b>

	2007 \$	2006 \$
e. Prescribed expense disclosures		
General Administration - Depreciation expense comprises		
Plant and equipment	90,001	83,717
Leasehold improvements (incl. lease make good prov.)	59,204	55,262
Amortisation of software	46,187	53,703
	<b>195,392</b>	<b>192,682</b>
General Administration – Office Occupancy costs include -		
Property operating lease payments		
- minimum lease payments	403,962	385,822

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

	Note	2007 \$	2006 \$
Other Operating expenses include			
Auditor's remuneration (excluding GST)			
- Audit fees		53,120	48,370
- Other Services – taxation		4,000	2,400
- Other Services – compliance		3,000	8,500
- Other Services – other		5,000	3,500
		65,120	62,770
Loss on disposal of assets			
- Property, plant, equipment		-	(4,503)
		-	(4,503)

**3. INCOME TAX EXPENSE**

- a. The income tax expense comprises amounts set aside as:-

Provision for income tax - current year	394,804	310,369
Increase (Decrease) in the deferred tax liability	-	2,605
Decrease (Increase) in the deferred tax asset	(40,777)	(27,793)
Income tax expense attributable to profit	354,027	285,181

- b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

Profit	1,221,893	987,264
Prima facie tax payable on profit before income tax at 30%	366,568	296,179
Add / (less) tax effect of:		
- Other non-deductible expenses	5,922	16,913
- Deductions allowed	-	(2,605)
- Adjustment to deferred tax benefits for capital expenses	-	2,605
- Overprovision of tax in prior year	-	(1,535)
- Franking rebate	(18,463)	(26,376)
Income tax expense	354,027	285,181

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

	Note	2007 \$	2006 \$
<b>3. INCOME TAX EXPENSE (continued)</b>			
<b>c. Franking Credits</b>			
Franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:-		2,834,036	2,412,857
<b>d. Deferred tax recognised directly in equity</b>			
Deferred tax Asset arising during the year on capital raising expenses		-	13,026
		-	13,026
<b>4. CASH AND CASH EQUIVALENTS</b>			
Cash on hand		183,621	81,753
Deposits at call		1,651,645	3,544,592
		1,835,266	3,626,345
<b>5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS</b>			
Deposits with industry bodies - CUSCAL	31	14,300,000	17,300,000
Deposits with other societies		-	1,062,500
		14,300,000	18,362,500
<b>6. RECEIVABLES</b>			
Interest receivable on deposits with other financial institutions		208,142	165,768
Sundry debtors and settlement accounts		78,587	52,027
Prepayments		68,962	62,998
		355,691	280,793
<b>7. LOANS AND ADVANCES</b>			
<b>a. Amount due comprises:</b>			
Overdrafts and revolving credit		4,286,085	4,140,009
Term loans		107,255,294	84,940,872
<b>Subtotal</b>		111,541,379	89,080,881
Less:			
Unamortised loan origination fees		133,520	93,685
<b>Subtotal</b>		111,407,859	88,987,196
Less:			
Provision for impaired loans (Note 8)		58,670	57,470
		111,349,189	88,929,726

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

	Note	2007 \$	2006 \$
<b>7. LOANS AND ADVANCES (continued)</b>			
<b>b. Security dissection</b>			
Secured by mortgage over real estate		91,061,762	69,184,197
Partly secured by goods mortgage		16,767,695	16,176,388
Wholly unsecured		3,711,922	3,720,296
		111,541,379	89,080,881

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the quality of the security on a portfolio basis is as follows:

Security held as mortgage against real estate is on the basis of

- loan to valuation ratio of less than 80%	86,472,447	64,763,268
- loan to valuation ratio of more than 80% but mortgage insured	4,137,784	4,420,929
- loan to valuation ratio of more than 80% but not mortgage insured	452,531	-
Total	91,061,762	69,184,197

**c. Concentration of loans**

(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	1,889,626	1,856,640
(ii) Loans by customer type were		
<b>Loans to natural persons</b>		
Residential loans and facilities	88,786,556	68,934,198
Personal loans and facilities	21,691,383	19,238,706
Business loans and facilities	1,063,440	907,977
<b>TOTAL</b>	111,541,379	89,080,881

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

	Note	2007 \$	2006 \$
<b>8. PROVISION ON IMPAIRED LOANS</b>			
<b>a. Total provision comprises</b>			
Specific provisions		58,670	57,470
General provisions		-	-
<b>Total Provision</b>		<b>58,670</b>	<b>57,470</b>
<b>b. Movement in the specific provision</b>			
Balance at the beginning of year		57,470	94,360
Add (deduct):			
Transfers from (to) Additional Specific Provision		1,200	18,000
Bad debts written off provision		-	(54,890)
<b>Specific provision balance at end of year</b>		<b>58,670</b>	<b>57,470</b>
<b>c. The specific loans provision consists of :</b>			
(i) Prescribed provision required under the APRA Prudential Standards		58,670	57,470
(ii) Additional specific provision		-	-
		<b>58,670</b>	<b>57,470</b>
<b>d. Impaired loans written off</b>			
Amounts written off against the provision for impaired loans		-	30,368
Amounts written off directly to expense		4,034	-
<b>Total bad debts</b>		<b>4,034</b>	<b>30,368</b>
Bad debts recovered in the period		-	(71)
		<b>4,034</b>	<b>30,297</b>
<b>e. Impaired loan disclosures</b>			
<b>Impaired loans as at balance date</b>			
Balance of the impaired loans		70,292	33,176
Estimated value of loans which is secured		-	-
<b>Renegotiated Loans not impaired</b>			
Balance of the Renegotiated loans		-	-
Estimated value of loans which is secured		-	-

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

	Note	2007 \$	2006 \$
<b>8. PROVISION ON IMPAIRED LOANS (continued)</b>			
<b>Loans upon which interest is not being accrued</b>			
Loans with provision for impairment		70,292	33,176
Less: specific provision		61,503	33,176
Loans with no provision for impairment		-	-
<b>Total non accrual loans</b>		70,292	33,176
<b>Restructured loans with no provision for impairment</b>		-	-
<b>Loans with repayments past due but not impaired (due to security held)</b>		-	93,725
<b>Revenue on impaired loans (non accrual &amp; restructured)</b>			
Interest and other revenue recognised as revenue earned during the year		1,594	3,291
Interest and other revenue accrued but not recognised as revenue (i.e. foregone) in the year		743	14,624

**Key assumptions in determining the provision for impairment**

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses than estimated.

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

	Note	2007 \$	2006 \$
<b>9. AVAILABLE FOR SALE INVESTMENTS</b>			
<b>Shares in unlisted companies – at cost</b>			
- Credit Union Services Corporation (Aust) Limited (b)	31	492,352	492,352
- C U Technology Development (c)		3,663	3,663
- Transaction Solutions Pty Limited		381,168	381,168
<b>Loan to unlisted companies</b>			
C U Technology Development (a)		182,194	219,010
C U Technology Development Pty Ltd (d)		27,146	27,146
<b>Total value of investments</b>		1,086,523	1,123,339
<b>Less provisions for impairment</b>			
- Transaction Solutions Pty Limited		73,920	55,440
<b>TOTAL INVESTMENTS net of provision</b>		1,012,603	1,067,899
<b>a. Loan to C U Technology Development Ltd (CUTD).</b>			
Loan receivable		366,274	366,274
Provision against loan		(184,080)	(147,264)
Net value		182,194	219,010

This loan is an interest free unsecured loan with no fixed maturity date.

**Disclosures on shares held at cost**

**b. Credit Union Services Corporation (Aust) Limited (CUSCAL)**

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. The shares are not able to be traded and are not redeemable.

Due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

**c. Shares in C U Technology Development Pty Ltd (CUTD)**

The Credit Union owns B Class Shares in this company, which is contracted to provide new information technology facilities in accordance with the Credit Union movement's long term strategy.

**d. Loan to C U Technology Development Pty Ltd (CUTD)**

This is a loan on commercial terms repayable to the Credit Union by providing CUTD with 24 months notice. Interest is payable each Quarter.

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

	Note	2007 \$	2006 \$
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>a. Fixed assets</b>			
<b>Plant and equipment - at cost</b>		840,586	783,116
Less: Provision for depreciation		636,798	577,975
		203,788	205,141
<b>Capitalised leasehold improvements at cost</b>		639,814	591,409
Less: Provision for amortisation		488,278	429,074
		151,536	162,335
<b>Total property, plant and equipment</b>		355,324	367,476

Movement in the assets balances during the year were:

	2007			2006		
	<i>Plant &amp; equipment</i> \$	<i>Leasehold improvements</i> \$	<i>Total</i> \$	<i>Plant &amp; equipment</i> \$	<i>Leasehold improvements</i> \$	<i>Total</i> \$
Opening balance	205,141	162,335	367,476	244,905	155,103	400,008
Purchases	126,537	48,405	174,942	67,631	62,494	130,125
Assets disposed	(37,889)	-	(37,889)	(23,678)	-	(23,678)
Depreciation charge	(90,001)	(59,204)	(149,205)	(83,717)	(55,262)	(138,979)
Balance at the end of the year	203,788	151,536	355,324	205,141	162,335	367,476

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

	2007	2006
	\$	\$
<b>11. TAXATION ASSETS</b>		
Deferred Tax Asset	281,596	228,207
GST Taxes Receivable	39,876	36,823
	<u>321,472</u>	<u>265,030</u>
Deferred tax asset comprises:		
Accrued expenses not deductible until incurred	93,303	24,163
Provisions for impairment on loans	17,601	15,565
Provisions for employee benefits	80,385	125,229
Depreciation on fixed assets & Amortisation of intangible assets	46,043	32,545
Effective interest rate	40,056	28,100
Black hole Expenditure	4,208	2,605
	<u>281,596</u>	<u>228,207</u>

<b>12. INTANGIBLE ASSETS</b>		
Computer software	1,271,823	1,219,933
Less: Provision for amortisation	1,193,400	1,147,213
	<u>78,423</u>	<u>72,720</u>

	2007	2006
	\$	\$
Movement in the assets balances during the year were:		
Opening balance	72,720	53,771
Purchases	51,890	72,651
Amortisation expense	(46,187)	(53,702)
Balance at the end of the year	<u>78,423</u>	<u>72,720</u>

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

13. OTHER RECEIVABLES	Note	2007 \$	2006 \$
<b>Loans to capital investors</b>			
Subordinated loans to Subordinated debt investors	19	120,000	120,000
		<u>120,000</u>	<u>120,000</u>

These loans are issued as subordinated loans to the respective investors and on the following terms and conditions :

- the loans are unsecured
- interest is payable quarterly
- interest may be withheld if the Credit Union fails to pay dividends or interest on the respective liabilities
- no repayments are required until the respective liabilities are settled in accordance with the agreements

14. BORROWINGS			
Bank overdraft		1,273,534	-
<b>TOTAL BORROWINGS</b>		<u>1,273,534</u>	<u>-</u>

15. DEPOSITS FROM MEMBERS			
Member Deposits			
- at call		51,306,383	51,386,478
- term		61,899,736	47,517,685
Member withdrawable shares		121,030	115,652
<b>TOTAL DEPOSITS &amp; SHARES</b>		<u>113,327,149</u>	<u>99,019,815</u>

16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS			
Creditors and accruals		166,516	147,626
Interest payable on deposits		1,141,531	957,560
Sundry creditors		480,330	507,398
<b>TOTAL AMOUNTS PAYABLE</b>		<u>1,788,377</u>	<u>1,612,584</u>

17. TAXATION LIABILITIES			
Current income tax liability		358,430	266,544
Accrual for GST payable		14,807	9,348
Accrual for other tax liabilities		35,889	51,049
<b>TOTAL TAXATION LIABILITIES</b>		<u>409,126</u>	<u>326,941</u>

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

	Note	2007 \$	2006 \$
<b>17. TAXATION LIABILITIES (continued)</b>			
<b>Current income tax liability comprises:</b>			
Balance at beginning of financial year		266,544	234,157
Less paid		270,216	232,622
Over / (under) provision in prior year		3,672	(1,535)
Variance		-	-
Liability for income tax in current year		403,751	298,292
Less Instalments paid in current year		45,321	31,748
Balance at end of financial year		358,430	266,544

<b>18. PROVISIONS</b>			
Annual leave		138,314	132,401
Long service leave		129,635	137,766
Other Provisions		11,539	-
<b>TOTAL PROVISIONS</b>		<b>279,488</b>	<b>270,167</b>

<b>19. SUBORDINATED DEBT ACCOUNT</b>			
Balance at the beginning of the year		1,159,920	-
Increase due to debt issued		-	1,159,920
Amortisation of capitalised debt raising costs		4,008	-
Balance at the end of year		1,163,928	1,159,920

The Credit Union entered into an agreement to issue subordinated debt in the 2006 financial year which was approved at the members meeting held on 27<sup>th</sup> January 2006. The agreement specified that the Credit Union place also loans equivalent to 10% of the liability with the investors as security for payment of interest. The amount represents the loans capital borrowed at an interest rate 0.125% above the 90 day BBSW Rate. The debt has no repayment obligations until June 2016.

<b>20. PREFERENCE SHARES</b>			
Balance at the beginning of the year		1,139,606	-
Increase due to shares issued		-	1,300,000
Less expenses		-	(43,420)
Add Deferred tax		-	13,026
Less Loss reserve loans		-	(130,000)
Balance at the end of year		1,139,606	1,139,606

The Credit Union entered into an agreement to issue 13,000 preference shares at \$100 each in the 2006 financial year which was approved at the members meeting held on the 27<sup>th</sup> January 2006. The agreement specified that the Credit Union also place loans equivalent to 10% of the value of the shares as subordinated debt with the investors as security for payment of dividends and interest respectively.

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

	2007 \$	2006 \$
<b>21. CAPITAL RESERVE ACCOUNT</b>		
Balance at the beginning of the year	99,462	82,478
Transfer from retained earnings on share redemptions	10,306	16,984
<b>Balance at the end of year</b>	<b>109,768</b>	<b>99,462</b>

Share Redemption

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

**22. GENERAL RESERVE FOR CREDIT LOSSES**

General reserve for credit losses	432,563	432,563
<b>TOTAL RESERVE</b>	<b>432,563</b>	<b>432,563</b>

Balance at the beginning of financial year	432,563	438,149
Transfer to retained profits	-	(5,586)
<b>Balance at end of financial year</b>	<b>432,563</b>	<b>432,563</b>

**23. RETAINED PROFITS**

Retained profits at the beginning of the financial year	-	-
Add: Operating profit for the year	867,866	702,083
Add: Transfer to reserve for credit losses in year	-	5,587
Add: Net Expenses of Share Issue	-	100
Less: Dividends Paid	84,562	-
Less: Transfer to capital account on redemption of shares	10,306	16,984
Less: Transfer to General Reserve	772,998	690,786
<b>Retained profits at the end of the financial year</b>	<b>-</b>	<b>-</b>

## Sutherland Credit Union Limited Annual Financial Report 2007

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

#### 24. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

2007	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	No Maturity \$	Total \$
<b>ASSETS</b>							
Cash and cash equivalents	1,835,266	-	-	-	-	-	1,835,266
Advances to other financial institutions	2,000,000	6,800,000	5,500,000	-	-	-	14,300,000
Receivables	-	-	-	-	-	355,691	355,691
Loans & advances	784,958	1,560,196	6,942,234	29,768,020	63,241,219	9,052,562	111,349,189
Investments	-	-	-	-	-	1,012,603	1,012,603
Fixed Assets	-	-	-	-	-	355,324	355,324
Tax Assets	-	-	-	-	-	321,472	321,472
Intangible Assets	-	-	-	-	-	78,423	78,423
Subordinated loan	-	-	-	-	120,000	-	120,000
<b>Total Assets</b>	<b>4,620,224</b>	<b>8,360,196</b>	<b>12,442,234</b>	<b>29,768,020</b>	<b>63,361,219</b>	<b>11,176,075</b>	<b>129,727,968</b>
<b>LIABILITIES</b>							
Borrowings	1,273,534	-	-	-	-	-	1,273,534
Deposits from members	60,551,927	37,973,814	12,289,590	2,511,818	-	-	113,327,149
Creditors	-	-	-	-	-	1,788,377	1,788,377
Tax liabilities	-	-	-	-	-	409,126	409,126
Provisions	-	-	-	-	-	279,488	279,488
Subordinated debt	-	-	-	-	-	1,163,928	1,163,928
<b>Total Liabilities</b>	<b>61,825,461</b>	<b>37,973,814</b>	<b>12,289,590</b>	<b>2,511,818</b>	<b>-</b>	<b>3,640,919</b>	<b>118,241,602</b>
<b>2006</b>							
	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	No Maturity \$	Total \$
<b>ASSETS</b>							
Cash and cash equivalents	3,626,345	-	-	-	-	-	3,626,345
Advances to other financial institutions	6,000,000	6,000,000	6,362,500	-	-	-	18,362,500
Receivables	-	-	-	-	-	280,793	280,793
Loans & advances	4,140,009	1,537,387	4,744,934	23,004,889	44,385,158	11,117,349	88,929,726
Investments	-	-	-	-	-	1,067,899	1,067,899
Fixed Assets	-	-	-	-	-	367,476	367,476
Tax Assets	-	-	-	-	-	265,030	265,030
Intangible Assets	-	-	-	-	-	72,720	72,720
Subordinated loan	-	-	-	-	-	120,000	120,000
<b>Total</b>	<b>13,766,354</b>	<b>7,537,387</b>	<b>11,107,434</b>	<b>23,004,889</b>	<b>44,385,158</b>	<b>13,291,267</b>	<b>113,092,489</b>
<b>LIABILITIES</b>							
Borrowings	-	-	-	-	-	-	-
Deposits from members	57,585,186	13,005,319	26,137,736	2,291,574	-	-	99,019,815
Creditors	-	-	-	-	-	1,612,584	1,612,584
Tax liabilities	-	-	-	-	-	326,941	326,941
Provisions	-	-	-	-	-	270,167	270,167
Subordinated debt	-	-	-	-	-	1,159,920	1,159,920
<b>Total Liabilities</b>	<b>57,585,186</b>	<b>13,005,319</b>	<b>26,137,736</b>	<b>2,291,574</b>	<b>-</b>	<b>3,369,612</b>	<b>102,389,427</b>

## Sutherland Credit Union Limited Annual Financial Report 2007

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

#### 25. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial 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		Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
Cash and cash equivalents	2.35%	1,835,266	-	-	-	-	-	1,835,266
Advances to other financial institutions	6.49%	2,000,000	6,800,000	5,500,000	-	-	-	14,300,000
Receivables	-	-	-	-	-	-	355,691	355,691
Loans & advances	7.83%	110,738,286	-	-	478,593	132,310	-	111,349,189
Investments	-	-	-	-	-	-	1,012,603	1,012,603
Fixed Assets	-	-	-	-	-	-	355,324	355,324
Tax Assets	-	-	-	-	-	-	321,472	321,472
Intangible Assets	-	-	-	-	-	-	78,423	78,423
Subordinated loan	6.57%	-	-	-	-	-	120,000	120,000
<b>Total Assets</b>		<b>114,573,552</b>	<b>6,800,000</b>	<b>5,500,000</b>	<b>478,593</b>	<b>132,310</b>	<b>2,243,513</b>	<b>129,727,968</b>
<b>LIABILITIES</b>								
Borrowings	9.60%	1,273,534	-	-	-	-	-	1,273,534
Deposits from members	3.43%	60,430,897	37,973,814	12,289,590	2,511,818	-	121,030	113,327,149
Creditors	-	-	-	-	-	-	1,788,377	1,788,377
Tax Liabilities	-	-	-	-	-	-	409,126	409,126
Provisions	-	-	-	-	-	-	279,488	279,488
Subordinated debt	7.70%	-	-	-	-	-	1,163,928	1,163,928
<b>Total Liabilities</b>		<b>61,704,431</b>	<b>37,973,814</b>	<b>12,289,590</b>	<b>2,511,818</b>	<b>-</b>	<b>3,761,949</b>	<b>118,241,602</b>
<b>2006</b>								
		Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
Cash and cash equivalents	2.10%	3,626,345	-	-	-	-	-	3,626,345
Advances to other financial institutions	5.48%	6,000,000	6,000,000	6,362,500	-	-	-	18,362,500
Receivables	-	-	-	-	-	-	217,795	217,795
Prepayments	-	-	-	-	-	-	62,998	62,998
Loans & Advances	7.47%	87,877,117	1,573	4,551	932,510	113,975	-	88,929,726
Investments	-	-	-	-	-	-	1,067,899	1,067,899
Fixed Assets	-	-	-	-	-	-	367,476	367,476
Taxation assets	-	-	-	-	-	-	265,030	265,030
Intangible assets	-	-	-	-	-	-	72,720	72,720
Subordinated loan	6.16%	-	-	-	-	-	120,000	120,000
<b>Total Assets</b>		<b>97,503,462</b>	<b>6,001,573</b>	<b>6,367,051</b>	<b>932,510</b>	<b>113,975</b>	<b>2,173,918</b>	<b>113,092,489</b>
<b>LIABILITIES</b>								
Borrowings	-	-	-	-	-	-	-	-
Deposits from members	3.10%	57,585,186	13,005,319	26,137,736	2,291,574	-	-	99,019,815
Creditors	-	-	-	-	-	-	1,612,584	1,612,584
Tax liabilities	-	-	-	-	-	-	326,941	326,941
Provisions	-	-	-	-	-	-	270,167	270,167
Subordinated debt	7.19%	-	-	-	-	-	1,159,920	1,159,920
<b>Total Liabilities</b>		<b>57,585,186</b>	<b>13,005,319</b>	<b>26,137,736</b>	<b>2,291,574</b>	<b>-</b>	<b>3,369,612</b>	<b>102,389,427</b>

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

**26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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

Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities.

	Book Value	2007 Fair Value	Variance	Book Value	2006 Fair Value	Variance
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
Cash and cash equivalents	1,835,266	1,835,266	-	3,626,345	3,626,345	-
Advances to other financial institutions	14,300,000	14,304,212	4,212	18,362,500	18,365,670	3,170
Receivables	355,691	355,691	-	280,793	280,793	-
Loans & advances	111,349,189	111,348,831	(358)	88,929,726	88,929,726	-
Investments	1,012,603	1,012,603	-	1,067,899	1,067,899	-
Fixed Assets	355,324	355,324	-	367,476	367,476	-
Tax Assets	321,472	321,472	-	265,030	265,030	-
Intangible Assets	78,423	78,423	-	72,720	72,720	-
Subordinated loan	120,000	120,000	-	120,000	120,000	-
<b>Total Assets</b>	<b>129,727,968</b>	<b>129,731,822</b>	<b>3,854</b>	<b>113,092,489</b>	<b>113,095,659</b>	<b>3,170</b>
<b>LIABILITIES</b>						
Borrowings	1,273,534	1,273,534	-	-	-	-
Deposits from members	113,327,149	113,423,602	96,453	99,019,815	99,019,815	-
Creditors	1,788,377	1,788,377	-	1,612,584	1,612,584	-
Tax liabilities	409,126	409,126	-	326,941	326,941	-
Provisions	279,488	279,488	-	270,167	270,167	-
Subordinated debt	1,163,928	1,163,928	-	1,159,920	1,159,920	-
<b>Total Liabilities</b>	<b>118,241,602</b>	<b>118,338,055</b>	<b>96,453</b>	<b>102,389,427</b>	<b>102,389,427</b>	<b>-</b>

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

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

**Liquid assets and receivables from other financial institutions**

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

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

**26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Cont.**

**Loans and advances**

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

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

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

**Deposits from members**

The fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the amount shown in the Balance Sheet as at 30<sup>th</sup> June 2007. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other term deposits.

**Short term borrowings**

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

	2007 \$	2006 \$
<b>27. FINANCIAL COMMITMENTS</b>		
<b>a. Outstanding loan commitments</b>		
The loans approved but not funded	4,491,000	1,919,087
<b>b. Loan redraw facilities</b>		
The loan redraw facilities available	4,690,011	4,500,006
<b>c. Undrawn loan facilities</b>		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	13,677,929	15,349,787
Less: Amount advanced	(8,111,914)	(9,682,634)
Net undrawn value	5,566,015	5,667,153

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

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

	2007 \$	2006 \$
d. Lease expense commitments for operating leases on property occupied by the Credit Union		
<b>Not later than one year</b>	399,751	360,026
<b>Later than one year but not later than five years</b>	1,794,688	1,608,762
<b>Over five years</b>	-	-
	2,194,439	1,968,788

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases, borrow funds or issue dividends

**28. STANDBY BORROWING FACILITIES**

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

2007			
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Overdraft facility	3,000,000	1,273,534	1,726,466
<b>TOTAL STANDBY BORROWING FACILITIES</b>	3,000,000	1,273,534	1,726,466
2006			
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Overdraft Facility	5,000,000	-	5,000,000
<b>TOTAL STANDBY BORROWING FACILITIES</b>	5,000,000	-	5,000,000

Withdrawal of the loan facility is subject to the availability of funds at CUSCAL.

CUSCAL holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn.

**29. CONTINGENT LIABILITIES**

**Liquidity support scheme**

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of the total assets as deposits with Credit Union Services Corporation (Australia) Limited (CUSCAL).

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the Credit Union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating credit union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

**30. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL**

**a) Remuneration of key management persons [KMP]**

*Key management persons* are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**Key management persons (KMP)** have been taken to comprise the Directors and the 3 members of the executive management responsible for the day to day financial and operational management of the Credit Union.

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

	<b>2007</b>	<b>2006</b>
	\$	\$
Director Remuneration	121,595	93,987
<hr/>		
	<b>2007</b>	<b>2006</b>
	<b>Directors &amp; Other KMP</b>	<b>Directors &amp; Other KMP</b>
	\$	\$
(a) short-term employee benefits;	508,420	377,074
(b) post-employment benefits - superannuation contributions	145,034	124,803
(c) other long-term benefits – net increases in long service leave provision	4,787	8,946
(d) termination benefits	-	-
(e) share-based payment	-	-
<b>Total</b>	<b>658,241</b>	<b>510,823</b>

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

30. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL (continued)

In the preceding table, remuneration shown as short term benefits means (where applicable) wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

	2007 \$	2006 \$
<b>b) Loans to Directors and other Key Management Persons</b>		
(i) The aggregate value of loans to Directors and other key management persons as at balance date amounted to	708,365	491,216
(ii) The total value of revolving credit facilities to Directors and other key management persons, as at balance date amounted to	40,000	48,050
Less amounts drawn down and included in (i)	-	4,639
Net balance available	40,000	43,411
(iii) During the year the aggregate value of loans disbursed to Directors and other key management persons amounted to:		
Revolving credit facilities	-	8,050
Personal loans	-	-
Term Loans	1,012,627	17,500
	1,012,627	25,550
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other key management persons amounted to:	-	8,050
	-	8,050
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	37,675	26,005

The Credit Union's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of loans to KMP who are not Directors.

There are no loans which are impaired in relation to the loan balances with director's or other KMPs.

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits where subject to fringe benefits tax are included in the remuneration in 30(a). above.

There are no benefits or concessional terms and conditions applicable with close family members of the key management persons (KMP). There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and other KMP.

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

30. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL (continued)

Other transactions between related parties include deposits from Directors, and other KMP are –

	2007 \$	2006 \$
<b>Total value term and savings deposits from KMP</b>	<u>548,370</u>	<u>468,639</u>
<b>Total Interest paid on deposits to KMP</b>	<u>14,044</u>	<u>3,494</u>

The Credit Union's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

c. Transactions with Other Related Parties

Other transactions between related parties include deposits from director related entities or close family members of Directors, and other KMP.

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

There are no benefits paid or payable to the close family members of the key management persons.

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

Payments to David Milne & Associates for Collections Services performed on behalf of the Credit Union (David Milne is a Director)	<u>26,338</u>	<u>25,756</u>
Payments to Southside Six Pty Ltd for marketing services on behalf of the Credit Union. (Denis McCormack is a Director)	<u>13,069</u>	<u>13,043</u>

These transactions were on the same terms and conditions as those that take place with other suppliers to the Credit Union.

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

**31. ECONOMIC DEPENDENCY**

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

**a) Credit Union Services Corporation (Australia) Limited (CUSCAL)**

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. This entity:

- (i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, as well as the production of Visa and Redicards for use by members;
- (ii) provides treasury and money market facilities to the Credit Union. The Credit Union has invested at least 90% of its liquid assets with the entity to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

**b) First Data Resources Australia Limited (FDRA)**

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

**c) Transaction Solutions Pty Limited**

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

**32. SEGMENTAL REPORTING**

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

**33. SUPERANNUATION LIABILITIES**

The Credit Union contributes predominantly to the CUE Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee.

The Credit Union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

**34. SECURITISATION**

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also manages the loans portfolio on behalf of the trust. The Credit Union bears no risk exposure in respect of these loans. The amount of securitised loans under management as at the 30<sup>th</sup> June 2007 is \$3,057,412 (2006: \$9,713,424).

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

	Note	2007 \$	2006 \$
<b>35. CASH FLOW INFORMATION</b>			
<b>a. Reconciliation of Cash</b>			
<b>Cash includes cash on hand and deposits at call with other financial institutions and comprises:</b>			
Cash on hand		183,621	81,753
Deposits at call		1,651,645	3,544,592
Sub total	4	1,835,266	3,626,345
Bank overdraft	14	(1,273,534)	-
<b>Total Cash</b>		<b>561,732</b>	<b>3,626,345</b>
		<b>2007 \$</b>	<b>2006 \$</b>
<b>b. Cash unavailable for use</b>			
Cash which is excluded from the above amount of cash since it is not readily available for use by reason of it securing overnight settlement obligations.			
		-	-
<b>c. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>			
Profit after income tax		867,866	702,083
<i>Non-cash flows in profit:</i>			
Amortised fees on loans		39,834	15,745
Bad debts written off		4,034	-
Amortisation of Borrowing Costs		4,004	-
Amortisation of intangible assets		46,187	53,703
Doubtful debts provision increase		1,200	(36,890)
Depreciation expense		149,205	138,979
(Gain) / loss on sale of assets		(1,032)	4,503
<i>Changes in assets and liabilities</i>			
Increase in provisions for staff leave		(2,218)	45,867
Increase in accrued expenses		20,555	(3,975)
Increase in interest payable		183,971	135,871
Increase in provision for income tax		91,886	32,387
Increase in other provisions for shares		55,296	20,020
Decreases in prepayments		(5,964)	7,228
Decreases in sundry receivables		-	48,691
Increases in deferred Tax Assets		(53,396)	(38,214)
Decrease in other Assets		-	-
Decrease in Receivables		(75,744)	3,138
Decrease (increase) in GST receivable		-	(6,929)
<b>Net Cash From Revenue Activities</b>		<b>1,325,684</b>	<b>1,122,207</b>

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

**36. CORPORATE INFORMATION**

The Credit Union is a company limited by shares, and is registered under the Corporations Act 2001

The address of the registered office and principal place of business is

Level 2, 670 Princes Highway Sutherland NSW 2232
---

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the Credit Union.