

Annual Report For The Year Ended 30 June, 2007 for Intech Credit Union Limited

ABN 70 087 650 190 AFSL 236779

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Chairmans Report 2007

On behalf of the Board of Directors of your Credit Union, I have much pleasure in presenting the 36th Annual Report of Intech Credit Union Limited for the year ended 30 June 2007.

Overall, we had a very positive financial result for the year, in which our total assets increased by 15% to \$149m. Loans increased by 11% to \$119m and Reserves and Retained Profits increased to \$17.8million. After tax profit of \$81k was achieved. The full year profit was impacted by a number of one-off expenses, including the introduction of the new core banking computer system.

This year we were able to save our members \$472k in transaction fees due to our Member Bonus Allowance. The total cost to the credit union from other financial institutions for transaction fees was \$652k and we only charged our members a total of \$180k. This is one example of the benefits of being a member.

In addition, nearly 600 new members joined Intech and have taken advantage of our products and services. This growth in membership followed a face-to-face awareness campaign on-site at IBM, Telstra and other related organisations at their locations around Australia.

During 2006/7, a significant proportion of both management's and staff's time was spent on the introduction of a new core banking platform. To the credit of all concerned the new system successfully went live on the 4th May 2007. The project was delivered on time and under budget and the Board and I would like to thank Kellie Tait, and her dedicated team of two, Pieta Laker and Diane Gibbs for the way in which they managed the largest project ever undertaken by the Credit Union.

Leigh Glaser was appointed as Acting GM in November 2006 following the departure of the previous CEO, and in February 2007, following a rigorous review process, he was officially appointed to the position of CEO.

The Board continues to work as a strong team. We focus on the key areas of strategic planning, corporate governance and policy making, and are committed to providing our members with a trusted alternative for their financial needs. The following is a summary of some of the legislative changes, strategic vision and corporate social responsibility activities that are underway.

Legislative

This year we have seen the introduction of Fit and Proper legislation for Directors and during 2007/2008 we will begin preparing for the introduction of the Anti-Money Laundering and Counter Terrorist Financing legislation and Basel II legislation.

Strategic Direction 2008 and beyond

As part of our strategy deliberations this year, the Board and Management developed a new Vision Statement and Promise to our members. Out of these we will now develop our marketing and procedural directions.

Vision Statement

Every member of our credit union is treated as an individual. We will anticipate their needs and provide them with products and services to help them to achieve their financial goals.

Our Promise to our Members

We promise you that:

- In all our dealings with you, we will take the time to understand and anticipate your individual needs.
- We will proactively promote the products and services that will best meet your needs and be of benefit to you.
- We will treat you with respect and communicate with you intelligently and honestly.

Corporate Social Responsibility (CSR)

An important component in Intech's long term strategic direction will be our approach to Corporate Social Responsibility. We recognise that success cannot be measured just in terms of profits and growth, but how we relate to the community and the ways in which we minimise our environmental impact. By integrating our financial performance with non-financial criteria we will enhance value for our Members and all stakeholders.

Chairmans Report 2007

Key elements in our CSR program are:

1. Maintaining ethical and responsible marketplace practices

Such as ethical communication with members, health and safety practices, privacy policies and whistleblower policies.

2. Respecting and engaging staff

This includes culture and values in the workplace, diversity, antidiscrimination, policies, talent /succession management practices, learning development practices, performance management, reward and recognition and employee engagement.

3. Taking care of the environment in which Intech operates

Relevant practices involve natural environment conservation, water and energy saving practices, and paper usage/recycling.

4. Strengthening Intech's place within the community

This covers our relationship within the communities in which we operate, the Credit Union Movement, IBM and Telstra as well as the broader community, alignment of corporate sponsorships and donations.

As part of the process of developing and implementing these policies, we have formed an employee committee, reporting to the CEO, with the aim of raising awareness of CSR throughout the organisation, choosing the best tools available and making a real difference to the future.

We intend to establish benchmarks as at 30 June 2007 and set environmentally sustainable indicators in order to:

- Minimise paper consumption;
- Minimise and reduce electricity usage;
- Minimise water usage;
- Source and utilise environmentally sustainable products.

In addition we will make the following annual donations to:

- The Credit Union Foundation of Australia (CUFA) to support their initiatives in supporting sustainable development in indigenous communities, as well as the continued development of their Financial Literacy program;
- World Vision to support their initiatives within our region.

We will also develop a new Green Car Loan with an advantageous interest rate based on the vehicle star rating and fuel consumption according to www.greenvehicleguide.gov.au.

Members

We are always pleased to welcome new members to the Credit Union. In the coming year, we hope to see many more employees and their families from IBM, Telstra, other ICT companies and the self employed join the Credit Union and experience what it is like to be not only a customer but an owner of their own financial institution. On behalf of the Board I extend my appreciation for each and every one of our existing members' continued loyalty and support of the Credit Union.

Intech Staff

Once again our staff has performed under intense pressure. Firstly, to provide a quality of service to our members that they do not experience elsewhere and secondly, to meet the challenges of an ever-changing financial services industry. On behalf of the Board I thank them for their dedication and hard work in particular the preparation for, and successful implementation of the new core banking platform.

The Board would like to thank the management team comprising: Leigh Glaser – CEO, Kellie Tait – Risk, Compliance and HR Manager, Daniel Ming – Finance and Administration Manager, Janet Jameson – Customer Service and Sales Manager and Peter Naylor – Loans Manager, for their major contribution to the success of the Credit Union.

Over the past 12 months they have developed into an extremely effective team, balancing the goals of growth, compliance and legislative change which will take us into the future.

Board

All Directors and Associate Directors once again gave generously of their energy and time, serving not only on the Board but also the Audit, Governance and Risk Committees. Their professionalism has made a major contribution to the Credit Union.

It gives me great pleasure to record here my appreciation of the fine team spirit and co-operation that exists between the Board and Management of the Credit Union and we look forward to serving our members in the years to come.



Jim Jefferis
Chairman

Corporate Governance Disclosures

Board

The Credit Union Board has a majority of independent Directors and has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management and are elected by Members on a rotation of every 3 years.

Each Director must be eligible to act under the constitution as a Member of the Credit Union and Corporations Act 2001 criteria. The Directors must also satisfy the Fit and Proper criteria set down by the Australian Prudential Regulatory Authority (APRA).

The Board has established policies to govern the conduct of the Board meetings, director conflicts of interest and training so as to maintain director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration

The Board receives remuneration from the Credit Union in the form of allowances agreed each year at the Annual General Meeting and specified out of pocket expenses. There are no other benefits received from the Credit Union by the directors.

Board Committees

An Audit Committee, Risk Committee and Governance and Board Renewal Committee have been formed to assist the Board in relevant matters of financial prudence and corporate governance. The Directors form the majority of these committee members with Senior Managers as participating members.

Audit Committee

The Audit Committee is established to oversee the financial reporting and audit process. Its role includes:

- Monitoring audit reports received from Internal and external auditors, and management's responses thereto;
- Liaising with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Recommending approval of financial budgets;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations;
- Monitoring the compliance with applicable laws; and
- Monitoring the performance KPI's against budget.

Risk Committee

The Risk Committee is established to assist the Board of Directors in the discharge of its responsibilities for:

- Formulating the risk strategy of the Credit Union;
- Determining the policies that ensure the strategy is adhered to, and
- Monitoring adherence to those policies.

Governance and Board Renewal Committee

The Governance and Board Renewal committee oversees the compliance and assists the Board in continually improving its governance practices. Its role includes:

- Monitor corporate governance and raise issues for improvement;
- Corporate strategy recommendations;
- Determining the CEO Remuneration and key performance criteria;
- Development of governance policies regarding Board processes, succession plans, disclosure of information;
- Manage the Board and director assessment programs; and
- Monitoring policy compliance with the relevant statutory authorities.

The Governance and Board Renewal Committee also acts as the Board Renewal Committee responsible for:

- Establishing and monitoring the Board and Director evaluation to ensure all directors have the skills, necessary to make an effective contribution to the Board;
- Ensure the Board has a majority of independent Directors at all times;
- Specify how the Credit Union will recruit new directors with appropriate skills, knowledge and experience to enhance the Board composition;
- Develop a process and interview any nominees for Board positions including Directors that are retiring and seeking a further 3 year term; and
- Recommend to the Board appropriateness of candidates for Board endorsement.

Corporate Governance Disclosures

Policies

The Board has endorsed a set of compliance and risk management policies to suit the risk profile of the Credit Union.

Key Risk Management Policies include:

- Capital adequacy management;
- Liquidity management;
- Credit risk management;
- Operations risk management;
- Business continuity management.

Compliance Officer

The Credit Union has a compliance officer who is responsible for maintaining the awareness of staff for all changes in compliance legislation and responding to staff enquiries on compliance matters. The officer also monitors the FSR License obligations and responds to all member complaints and disputes should they arise.

External Audit

Audit is performed by BDO Kendalls as part of the BDO International group, a major international accounting body. The firm of Kendalls has been auditing credit unions for over 30 years and audits over 28 credit unions in NSW. The firm utilises sophisticated Computer Assisted Audit Software to supplement the compliance testing.

The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Internal Audit

An internal audit function has been outsourced to an Internal Audit Consultant to deal with the areas of internal control compliance and regulatory compliance only. These matters are also examined by the external auditors.

This role is also supplemented by other external compliance reviews performed by security audits on the Data Processing centres for adequacy of the back up, disaster recovery and Internet security systems.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the Prudential risk management of the Credit Union;
- Australian Securities & Investment Commission (ASIC) for adherence to Corporations Act, Accounting Standards and disclosures in the financial report, and Financial Services Reform (FSR) requirements. The FSR legislation requires the Credit Union to disclose details of products and services; maintain training for all staff who deal with the Members, and provide an effective and independent complaints handling process.

Under the Australian Financial Services (AFS) licensing arrangements, all staff that deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both ASIC and APRA conduct periodic inspections and the auditors report both quarterly and annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the Prudential policy compliance.

Occupational Health & Safety

The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless our two most valuable assets are our staff and our members and steps need to be taken to maintain their security and safety when circumstances warrant.

OH & S policies have been established for the protection of both Members and staff and are reviewed annually for relevance and effectiveness.

Staff are trained in procedures in the event of a robbery and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas;
- Cameras and counter screens to allow detection of persons.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the work place.

Directors' Report

Your Directors present their report on the Credit Union for the financial year ended 30 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 prior year are:-

Mr. D Chhabra, (Associate)
Mr. R Dean, Mr. A Esteban,
Mr. J Jefferis,
Mr. D Mackay,
Ms. D MacLean,
Ms. A Risku,
Mr. G Smith,
Mr. L Norman, (Associate)

Directors Meetings Attendance

Director	Meetings Held	Meetings Attended	Period of Appointment
Chhabra D*	14	12	Associate Director
Dean R	14	13	01/04/05 to present
Esteban A	14	13	01/12/05 to present
Jefferis J	14	13	23/11/06 to present
Mackay D	14	12	01/12/05 to present
MacLean D	14	11	01/04/05 to present
Norman L**	14	14	Associate Director
Risku A	14	13	13/11/05 to present
Smith G	14	13	23/11/06 to present

*Mr. Chhabra (Associate Director) acted as Alternate on 4 occasions.

**Mr. Norman (Associate Director) acted as Alternate on 5 occasions.

Company Secretary as at 30 June 2007

Leigh Glaser

Qualifications

Diploma of Finance, FACU

Experience

General Manager Telstra Credit Union 1994-2005.
Executive Manager – Business Development 2005-2006.
CEO 2006 to present

Audit Committee Attendance

Director	Meetings Held	Meetings Attended
Esteban A	15	14
Risku A	15	14
Mackay D	15	12

Risk Committee Attendance

Director	Meetings Held	Meetings Attended
Chhabra D	10	9
Esteban A	10	10
Jefferis J	10	10
MacLean D	10	10

Governance Committee Attendance

Director	Meetings Held	Meetings Attended
Dean R	6	5
Jefferis J	6	6
Norman L	6	6
Smith G	6	4

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 25 of the financial report.

Directors' 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 \$81,397 (\$447,452 in 2006).

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 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 matters or 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.

Directors' Report

Information on Current Directors

Jim Jefferis (Chairman)

Qualifications

BSc Hons, Pure Mathematics, University of Manchester, Manchester

Post Graduate Certificate of Education, University of Wales

Fellow Australasian Mutuals Institute (FAMI)

Experience

A member of Intech since 1986 and a Board member since 2000. Chairman since January 2004. Chairman of Governance Committee and member of the Risk Committee.

Served 30 years with IBM comprising 10 years to senior SE level in London and 20 years in Sydney as an IBM Brand and Client Relationship Manager, mainly in banking and finance.

Anna-Leena Risku (Vice Chairman)

Qualifications

Bachelor of Arts (Mathematical Statistics and Psychology)

Master of Business Administration

Graduate Member, Australian Institute of Company Directors (GAICD)

Associate CPA Australia

Member, Australasian Mutuals Institute (MAMI)

Member, The Finance and Treasury Association (FTA)

Experience

A member of Intech since 1984 and a Board member since 2002. Chair of Audit Committee and Vice-Chair since 2003.

22 years experience in IBM, mainly in Finance and Planning. Roles include Corporate Planner, Finance Manager of cost pools, brand revenue and profitability, and large-scale outsourcing contracts. Chief Financial Officer – IBM Business Consulting Services ANZ 2002-2005. Chief Financial Officer – IBM Global Financing A/NZ 2005-2007. Currently Associate Partner, Financial Services Sector, IBM Global Business Services.

Davender Chhabra (Associate Director)

Qualifications

Certificate in Information Technology UTS

M PHIL Physics University of Delhi

Master of Science (Hons) Electronics University of Delhi

Member of Australasian Mutuals Institute (MAMI)

Experience

Intech member since 1985. Board member since 2003 to 2005, Associate Director since 2005.

24 years in Information Technology. 15 years in IBM Australia in various roles – finance and planning, system engineer, sales representative, business development manager. 5 years in IT industry in India and US. Currently working as client services Manager NSW KAZ Technology Services mainly with Finance and Banking customers.

Robert Dean (Director)

Qualifications

Bachelor of Business Charles Sturt University

Fellow Australasian Institute of Company Directors (FAICD)

Fellow Australasian Mutuals Institute (FAMI)

Experience

Member Telstra Credit Union since 1971. Director Telstra Credit Union 1976-2005. Chair Telstra Credit Union 2000-2005.

Appointed to Intech CU Board on merger April 2005. Member of Governance Committee since 2005.

31 years experience with Telstra Corporation, working in company secretariat and corporate governance.

Alf Esteban (Director)

Qualifications

Bachelor of Science

Graduate Diploma in Commercial Bank Management

Master of Business Administration

Fellow, Finance and Securities Institute

Graduate Member Australian Institute of Company Directors (GAICD)

Member Australasian Mutuals Institute (MAMI)

Member Australian Compliance Institute

Associate, Global Association of Risk Professionals

Directors' Report

Experience

Member Intech Credit Union since 1986. Director 1993 to 1995, Vice Chair 1995, Member Audit Committee 1995. Rejoined Board as Associate Director, 2005. Elected as Director 2005. Member Audit Committee, Member Risk Committee.

Director and Company Secretary RIA Financial Services Australia, Director and Company Secretary Associated Foreign Exchange Australia. Managing Principal StratEdge Consulting. Previously General Manager OM Technology Asia Pacific, and 21 years at IBM (Australia, UK, Singapore), primarily focused on banking and financial markets clients.

David Mackay (Director)

Qualifications

Bachelor Science

LLB University of NSW (1990)

Practiced as Solicitor in NSW 1991-1994

Member Australasian Mutuals Institute (MAMI)

Experience

Member of Intech since 2004 and appointed as Associate Director in March 2004. Elected as Director 2005. Member of Audit Committee.

12 years experience in IT/ Telco with both customer and vendor companies including Hostworks, SUN, IBM, Solution, Optus and Hutchison within Australia as well as CitiBank, PeoplesBank and the Federal Reserve Bank in the USA (Boston).

Diane MacLean (Director)

Qualifications

Bachelor of Arts, Bachelor of Laws, University of Sydney

Admitted to practice as a Solicitor in NSW and the High Court

Associate Fellow Australasian Mutuals Institute (AFAMI)

Experience

Member of Telstra Credit Union since 1986. Member of Telstra CU Board 1995-2005. Appointed to the Intech Board on merger, April 2005. Member of Risk Committee since 2005.

General Counsel, Telstra Country Wide and Strategic Marketing with Telstra Corporation.

Len Norman (Associate Director)

Qualifications

Bachelor of Science (Pure Mathematics) UNSW

Diploma of Management (UTS)

Member Australasian Mutuals Institute (MAMI)

Experience

Member of Intech since inception and Director 1999 – 2004. Re-appointed as Director 2005. Appointed as Associate Director 2005 Member of Governance Committee.

33 years at IBM with the majority in management positions, especially in education. Self employed in a company operating in areas of personal development, skills management and general HR consulting.

Graeme Smith (Director)

Qualifications

Graduate Member Australian Institute of Company Directors (GAICD)

Graduate of Surveying Studies, University of South Australia

Executive Program Harvard Business School

Fellow Australasian Mutuals Institute (FAMI)

Experience

Member of Intech since 1980 and Board member since 2002. Member Governance Committee. Served on Audit Committee, Governance Committee and Strategic Development Committee. Board activity includes, Intech, Cirrus Communications and previously IBM Credit Company.

Current position IBM Alliance Executive ASIA Pacific. Previous management experience with IBM in Australia and USA. Other General Manager positions held in Telstra and CSC Australia.

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:



Jim Jefferis

Chairman

Signed and dated this 6th day of October 2007

Auditors' Independence Declaration and Independent Audit Report

The auditors have provided the following declaration of independence to the board as prescribed by the Corporations Act 2001.

Pursuant to S 308A of the Corporations Act 2001, I, Neville Sinclair, a partner of BDO Kendalls declare that there have been;

- (i) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Neville Sinclair

Partner BDO Kendalls

Dated 26th September, 2007.

Auditors' Independence Declaration and Independent Audit Report

To the members of Intech Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Intech Credit Union Limited, which comprises 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, 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 Intech Credit Union Limited on 26th September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Intech 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 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.



Neville Sinclair

Partner BDO Kendalls
Chartered Accountants
2 Market Street Sydney NSW 2151

Dated October 2007

Directors' Declaration

The directors' of Intech 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 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.



Jim Jefferis

Chairman

Signed and dated this 6th day of October 2007

Income Statement

For The Year Ended 30 June 2007

	Note	2007 \$	2006 \$
Interest revenue	2.a	9,938,995	9,411,356
Interest expense	2.c	5,248,221	4,649,192
Net interest income		4,690,774	4,762,164
Other income	2.b	981,232	1,013,547
Sub Total		5,672,006	5,775,711
Less			
Non interest expenses			
Impairment losses on loans and advances	2.d	186,268	374,166
Fee and commission expenses		668,885	607,714
General administration			
– Employees compensation and benefits		2,498,483	2,109,448
– Depreciation and amortisation	2.f	214,660	181,826
– Information technology		368,303	307,093
– Office occupancy		334,769	300,410
– Other administration		1,314,834	1,300,415
Total general administration		4,731,049	4,199,192
Other operating expenses			
Total non interest expenses		5,586,202	5,181,072
Profit before income tax		85,804	594,639
Income tax expense	3	4,407	147,187
Profit after income tax		81,397	447,452

Statement of Changes in Member Equity

For The Year Ended 30 June 2007

	Capital Reserve \$	General Reserve \$	Asset Revaluation Reserve \$	Reserve for Credit Losses \$	Retained Profits \$	Total \$
Total at 1 July 2005	47,872	941,918	52,027	450,000	15,842,894	17,334,711
Movement in value on available for sale assets			4,415			4,415
Income and expense recognised directly in equity			(1,325)			(1,325)
Profit for the year					447,452	447,452
Total at 30 June 2006	47,872	941,918	55,117	450,000	16,290,346	17,785,253
Movement in value on available for sale assets						
Profit for the year					81,397	81,397
Transfers to (from) reserves						
Transfer to reserve for credit losses in year						
Transfer to capital account on redemption of shares	3,790				(3,790)	-
Total as at 30 June 2007	51,662	941,918	55,117	450,000	16,367,953	17,856,650

Balance Sheet

as at 30 June 2007

	Note	2007 \$	2006 \$
ASSETS			
Cash	4	3,023,893	561,475
Advances to other financial institutions	5	23,200,000	21,500,000
Receivables	6	1,230,519	725,271
Prepayments		64,530	58,770
Loans and advances to members	7 & 8	119,205,822	105,459,623
Available for sale investments	9	541,897	610,495
Property, plant and equipment	10	680,588	657,145
Taxation assets	11	407,619	297,587
Intangible assets	12	470,771	13,629
TOTAL ASSETS		148,825,639	129,883,995
LIABILITIES			
Borrowings	13	500	-
Deposits from other financial institutions		14,402,000	2,225,986
Deposits from members	14	111,801,253	107,561,673
Creditor accruals and settlement accounts	15	4,315,177	1,600,403
Taxation liabilities	16	-	194,126
Provisions	17	416,438	492,933
Deferred tax liability	18	23,621	23,621
TOTAL LIABILITIES		130,958,989	112,098,742
NET ASSETS		17,866,650	17,785,253
MEMBERS' EQUITY			
Capital reserve account		51,662	47,872
Asset revaluation reserve		55,117	55,117
General Reserve		941,918	941,918
General reserve for credit losses		450,000	450,000
Retained earnings		16,367,953	16,290,346
TOTAL MEMBERS' EQUITY		17,866,650	17,785,253

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Cash Flow Statement

For The Year Ended 30 June 2007

	Note	2007 \$	2006 \$
OPERATING ACTIVITIES			
Revenue inflows		9,883,189	9,394,786
Interest received		769,528	883,553
Fees and commissions		67,061	61,664
Dividends		69,768	68,330
Revenue outflows			
Interest paid		(4,867,792)	(4,557,438)
Suppliers and employees		(5,454,574)	(5,086,771)
Income taxes paid		(308,565)	(49,511)
Net cash from revenue activities	30.c	158,615	714,613
Inflows from other operating activities			
Advances to other financial institutions (net movement)		(1,700,000)	(4,300,000)
Decrease in member loans (net movement)		(13,960,333)	2,090,737
Increase in member deposits and shares (net movement)		6,381,571	2,263,321
Decrease in receivables from other financial institutions (net movement)			
Net cash from operating activities		(9,120,147)	768,671
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investment in shares		99,598	116,460
Proceeds on sale of property, plant and equipment		25,000	57,838
Net cash received on transfer of engagements			
Less: Outflows			
Purchase of investments in shares			
Purchase of property plant and equipment		(229,623)	(343,809)
		(488,925)	(11,621)
Net cash from investing activities		(593,950)	(181,132)
FINANCING ACTIVITIES			
Inflows (outflows)			
Increase in deposits from other financial institutions		12,902,000	(5,350,006)
Net cash from financing activities		12,902,000	(5,350,006)
Total net cash increase/ (decrease)		3,187,903	(4,762,467)
Cash at beginning of year		(164,510)	4,597,957
Cash at end of year	30.a	3,023,393	(164,510)

Notes to the Accounts for the year ended 30 June 2007

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for INTECH Credit Union Limited as a single entity, for the year ended the 30th June 2007. The report was authorised for issue on 27 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), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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 real property and Available for Sale Assets which are stated at fair value]. The accounting policies are consistent with the prior year unless otherwise stated. Compliance with AIFRS ensures that the financial report complies with the International Financial Reporting Standards.

b. Loan 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 second day of each month.

Credit Cards – The card interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the 15th 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. 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.

(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 9.

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.

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES *Cont.*

ii) Reserve for Credit Losses (formerly held as a General Provision)

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

As a result of changes to Accounting Standards prescribed by AIFRS, the General Provision is no longer eligible for recognition as a provision to be offset against the gross balance of loans. The provision for general credit risk in the loan portfolio is now recognised as the Reserve for Credit Losses.

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

Land and buildings are measured at at fair value less accumulated depreciation. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets an previous revaluation increase in the same asset in the asset revaluation reserve.

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 \$1000 are not capitalised.

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 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.

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES *Cont.*

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.

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 on 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

Under the AIFRS, items of computer software which not integral to the computer hardware owned by the credit union are classified as intangible assets, not as part of plant and equipment.

Computer software held as intangible assets is amortised over the expected useful life of the software. These lives range from 2 to 7 years.

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES *Cont.*

n. Goods and Services Tax

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 (GST), 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. Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their market value as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

p. 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.

q. 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 Accounts

2. INCOME STATEMENT

a. Analysis of interest revenue

Category of interest bearing assets	Interest Revenue	2007 Average Balance	Average Interest Rate
	\$	\$	%
Cash – deposits at call	193,857	3,500,413	5.54
Advances to other financial institutions	1,277,488	19,730,769	6.47
Loans and advances to members	8,467,650	113,379,474	7.45
TOTAL INTEREST REVENUE	9,938,995	136,610,656	7.28

Category of interest bearing assets	Interest Revenue	2006 Average Balance	Average Interest Rate
	\$	\$	%
Cash – deposits at call	220,967	5,134,941	4.30
Advances to other financial institutions	1,271,870	22,223,077	5.72
Loans and advances to members	7,918,519	104,333,061	7.52
TOTAL INTEREST REVENUE	9,411,356	131,691,079	7.15

	2007 \$	2006 \$
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b. Non-interest revenue comprises

Fee and commission revenue

Loan fee income – other than loan origination fees	146,512	58,146
Other fee income	314,521	376,845
Insurance commissions	34,326	25,911
Other commissions	347,347	422,651
TOTAL FEE AND COMMISSION REVENUE	842,706	883,553

Other income

Dividends received	67,061	61,664
Profit from sale of shares	-	-
Bad debts recovered	69,768	68,330
Gain on disposal of assets		
– Property, plant and equipment	1,697	-
TOTAL NON INTEREST REVENUE	981,232	1,013,547

Notes to the Accounts

2. INCOME STATEMENT *Cont.*

c. Interest expenses

Analysis of interest expense

Category of interest bearing liabilities	Interest	2007	Average
	Expense	Average	Interest Rate
	\$	Balance	%
Deposits from other financial institutions	683,050	9,258,462	7.37
Deposits from members	4,547,398	108,311,316	4.20
Overdraft	17,773	191,725	9.27
TOTAL INTEREST EXPENSES	5,248,221	117,761,503	4.46

Category of interest bearing liabilities	Interest	2006	Average
	Expense	Average	Interest Rate
	\$	Balance	%
Deposits from other financial institutions	269,320	4,607,727	5.84
Deposits from members	4,374,719	107,644,011	4.06
Overdraft	5,153	62,027	8.31
TOTAL INTEREST EXPENSES	4,649,192	112,313,765	4.14

d. Impairment losses on loans and advances

	Note	2007	2006
		\$	\$
Increase in provision for impairment	8	996	140,790
Bad debts written off directly against profit		185,272	233,376
TOTAL IMPAIRMENT LOSSES ON LOANS AND ADVANCES		186,268	374,166

e. Individually significant items

The following items of income & expense are considered significant to the understanding of the financial performance of the Credit Union:

– Write back of provision for core banking conversion against expenses incurred in IT core banking conversion	17	120,000	-
– Merger costs incurred			(2,554)

Notes to the Accounts

	2007 \$	2006 \$
f. Prescribed expense disclosures		
General Administration – Employees costs include:		
Net movement in provisions for employee annual leave	9,016	29,901
Net movement in provisions for employee LSL	37,289	19,543
General Administration – Depreciation expense comprises		
Buildings	-	10,109
Plant and equipment	93,363	155,279
Plant and equipment – assets scrapped	74,195	-
Leasehold improvements (incl. lease make good prov.)	15,319	6,385
Amortisation of software	31,783	10,053
	214,660	181,826
General Administration – Office Occupancy costs include -		
Property operating lease payments – minimum lease payments lease	296,396	236,030
Other Administration expenses include		
Auditor’s remuneration (excluding GST)		
– Audit fees	40,850	38,200
– Other Services – taxation	3,000	4,000
– Other Services – compliance	1,500	3,000
– Other Services – other	-	8,700
	45,350	53,900
Loss on disposal of assets		
– Property, plant, equipment	-	477
– Investments	-	-

Notes to the Accounts

	2007 \$	2006 \$
3. INCOME TAX EXPENSE		
a. The income tax expense comprises amounts set aside as:		
Provision for income tax – current year	19,279	232,473
Under (over) provision in prior years	(12,750)	(20,971)
Increase (Decrease) in the deferred tax liability		
Decrease (Increase) in the deferred tax asset	(2,122)	(64,315)
Income tax expense attributable to profit	4,407	147,187
b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	85,804	594,639
Prima facie tax payable on profit before income tax at 30%	25,741	178,389
Add tax effect of expenses not deductible		
– Other non-deductible expenses	222	9,967
Subtotal	25,963	188,356
Add		
– Adjustment to recognise Deferred Tax Assets at 30%		
– Adjustment to Deferred tax Benefits	19,934	
Less		
– Overprovision of tax in prior year	(12,750)	(20,971)
– Imputation credits	(28,740)	(18,499)
– Adjustment to recognise Deferred Tax Assets reduction	-	(1,699)
Income tax expense attributable to profit	4,407	147,187
c. Franking Credits		
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:-	3,322,553	3,274,533
4. CASH		
Cash on hand	459,298	561,475
Deposits at call	2,564,595	-
	3,023,893	561,475

Notes to the Accounts

	2007 \$	2006 \$
5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS		
Deposits with industry bodies – CUSCAL (refer note 28)	13,000,000	20,500,000
Deposits with banks and other ADI's	10,200,000	1,000,000
	23,200,000	21,500,000
6. RECEIVABLES		
Interest receivable on deposits with other financial institutions	417,842	334,170
Sundry debtors and settlement accounts	812,677	391,101
	1,230,519	725,271
7. LOANS AND ADVANCES		
a. Amount due comprises:		
Overdrafts and revolving credit	25,941,878	22,011,465
Term loans	93,603,608	83,770,189
Subtotal	119,545,486	105,781,654
Less:		
Unamortised loan origination fees	109,819	81,953
Unearned Income	-	11,229
Subtotal	119,435,667	105,688,472
Less:		
Provision for impaired loans (Note 8)	229,845	228,849
	119,205,822	105,459,623
b. Security dissection		
Secured by mortgage over business assets		
Secured by mortgage over real estate	101,697,370	86,288,036
Partly secured by goods mortgage	7,445,096	8,372,065
Wholly unsecured	10,403,020	11,121,553
	119,545,486	105,781,654

Notes to the Accounts

	2007 \$	2006 \$
2. LOANS AND ADVANCES <i>Cont.</i>		
c. Concentration of loans		
(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	1,834,855	5,406,738
(ii) Loans to members are concentrated to individuals employed in the Information Technology and Telecommunication industries.		
(iii) Loans to members are concentrated solely in Australia, and principally in the following region NSW 79% Queensland 5% Victoria 12% Other states 4%		
(iv) Loans by customer type were:		
Loans to natural persons		
- Residential loans and facilities	67,074,137	57,364,018
- Personal loans and facilities	50,597,627	46,957,106
- Business loans and facilities	1,873,722	1,460,529
TOTAL	119,545,486	105,781,654
8. PROVISION ON IMPAIRED LOANS		
a. Total provision comprises		
Individually specific provisions	229,845	111,789
Collective provisions	-	117,060
Total Provision	229,845	228,849
b. Movement in the provision		
Balance at the beginning of year	228,849	88,059
Add (deduct):		
Transfers from (to) income statement	996	140,790
Bad debts written off provision	-	
Provision balance at end of year	229,845	228,849
c. The specific loans provision consists of:		
(i) Prescribed provision required under the APRA Prudential Standards	229,845	111,789
(ii) Additional specific provision		117,060
d. Impaired loans written off		
Amounts written off against the provision for impaired loans	-	-
Amounts written off directly to expense	170,363	233,376
Total bad debts	170,363	233,376
Bad debts recovered in the period	69,768	68,330

Notes to the Accounts

	2007 \$	2006 \$
e. Impaired loan disclosures		
Impaired loans as at balance date		
Balance of the impaired loans	383,848	282,888
Estimated value of loans which is secured	-	-
Renegotiated Loans not impaired		
Balance of the Renegotiated loans	-	-
Estimated value of loans which is secured	-	-
Loans upon which interest is not being accrued		
Loans with provision for impairment	802,673	165,420
Less: specific provision	229,845	78,672
	572,828	86,748
Loans with no provision for impairment	-	96,881
Total non accrual loans	572,828	183,629
Restructured loans with no provision for impairment	-	-
Loans with repayments past due but not impaired (due to security held)	39,946	-
Assets acquired via enforcement of security (excluding loans reported)		
- Real estate	-	-
- Other	-	-
	-	-
Revenue on impaired loans (non accrual & restructured)		
Interest and other revenue recognised as revenue earned during the year	8,237	8,595
Interest and other revenue accrued but not recognised as revenue (i.e. foregone) in the year	25,019	12,548
Key assumptions in determining the provision for impairment		
<p>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. An estimate is based on the period of impairment:</p>		
Period of impairment	% of balance	
Up to 90 days	0	
90 days to 181 days	40	
181 days to 270 days	60	
270 days to 265 days	80	
Over 365 days	100	

Notes to the Accounts

	Note	2007 \$	2006 \$
9. AVAILABLE FOR SALE INVESTMENTS			
Shares in listed companies – at market value			
– shares in Baycorp Advantage Ltd (a)		76,040	78,738
Shares in unlisted companies – at cost			
– Credit Union Services Corporation (Aust) Limited (c)	26	465,857	465,857
– Combined Financial Processing Pty Limited		-	96,900
Less provisions for impairment			
		-	(31,000)
		-	65,900
TOTAL INVESTMENTS net of provision		541,897	610,495

a. Baycorp Advantage Ltd

The Credit Union was allocated shares through the demutualisation of Credit Reference Association of Australia Limited. These shares have been acquired at no cost and are valued in the accounts of the credit union at market value 3.21 per share (2006 3.21). The reduction in the value of the shares related to the return of capital of 0.35c per share by Baycorp in November 2006.

b. CUSCAL Limited

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. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 27. The shares are not able to be traded and are not redeemable.

The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but 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. Combined Financial Processing Pty Limited

On conversion to the new core banking systems, the shares in CFP were sold to other credit unions for the cost value. The provision was returned to the operating profit.

10. PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

Plant and equipment – at cost	1,446,073	1,320,978
Less: provision for depreciation	862,813	775,117
	583,260	545,861
Capitalised leasehold improvements at cost	173,059	166,030
Less: provision for amortisation	75,731	54,746
	97,328	111,284
Total property, plant and equipment	680,588	657,145

Notes to the Accounts

Movement in the assets balances during the year were:

	2007		
	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$
Opening balance	545,861	111,284	657,145
Purchases	229,511	1,363	230,874
Less			
Assets disposed	98,749	-	98,749
Depreciation charge	93,363	15,319	108,682
Balance at the end of the year	583,260	97,328	680,588

	2006		
	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$
Opening balance	484,845	58,580	543,425
Purchases	274,611	69,198	343,809
Less			
Assets disposed	58,316	-	58,316
Depreciation charge	155,279	16,494	171,773
Balance at the end of the year	545,861	111,284	657,145

11. TAXATION ASSETS

	Note	2007 \$	2006 \$
Income tax refundable	17	107,909	-
Deferred Tax Asset		299,710	297,587
Tax Asset		407,619	297,587
Deferred tax asset comprise:			
- Accrued expenses not deductible until incurred		26,100	48,254
- Provisions for impairment on loans		68,954	68,655
- Provisions for employee benefits		124,931	111,068
- Depreciation on fixed assets		46,779	45,024
- Effective interest rate		32,946	24,586
		299,710	297,587

Notes to the Accounts

	2007 \$	2006 \$
12. INTANGIBLE ASSETS		
Computer software	591,842	229,744
Less provision for amortisation	121,071	216,115
	470,771	13,629
Movement in the assets balances during the year were:		
Opening balance	13,629	12,060
Purchases	488,925	11,622
Less		
Assets disposed		
Depreciation charge	31,783	10,053
Balance at the end of the year	470,771	13,629
13. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS		
Deposits from other ADI's	14,402,000	1,500,000
Overdraft	500	725,986
TOTAL BORROWINGS	14,402,500	2,225,986
14. DEPOSITS FROM MEMBERS		
Member Deposits		
– at call	59,395,246	57,046,336
– term	52,310,517	50,422,387
Member withdrawable shares	95,490	92,950
TOTAL DEPOSITS & SHARES	111,801,253	107,561,673
Concentration of member deposits		
Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:	-	-
Member deposits at balance date were received from individuals employed in Australia and principally in the IT and telecommunications industry		
15. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS		
Creditors and accruals	3,064,744	773,027
Accrual for other tax liabilities	76,990	34,362
Interest payable on deposits	1,173,443	793,014
TOTAL AMOUNTS PAYABLE	4,315,177	1,600,403

Notes to the Accounts

	2007 \$	2006 \$
16. TAXATION LIABILITIES		
Current income tax liability	-	194,126
TOTAL TAXATION LIABILITIES	-	194,126
Current income tax liability comprises:		
Balance – previous year	194,126	30,039
Less paid	(181,376)	(9,068)
Over (under) statement transferred to expense	12,750	20,971
Net prior year	-	-
Liability for income tax in current year	19,279	232,473
Less Instalments paid in current year	(127,170)	(38,347)
Balance – current year	(107,909)	194,126
The instalments recoverable are shown as Taxation assets in Note 11		
17. PROVISIONS		
Annual leave	113,533	104,517
Long service leave	253,000	215,711
Provision for implementing core banking systems	-	122,615
Provisions – VISA fraud	49,905	50,090
TOTAL PROVISIONS	416,438	492,933
Provisions movements comprises:		
Core Banking System		
Balance – previous year	122,615	121,520
Less paid		
Liability increase in current year	-	
Less amount applied against expenses paid	(119,161)	1,095
Non utilised amount transferred to profit	3,454	-
Balance – current year	-	122,615
VISA Fraud		
Balance – previous year	50,090	51,551
Less paid		
Liability increase in current year		
Less amount written off	185	1,461
Transfer to profit and loss		
Balance – current year	49,905	50,090

Notes to the Accounts

	2007	2006
	\$	\$
18. DEFERRED INCOME TAX LIABILITIES		
Deferred tax liabilities	23,621	23,621

Deferred income tax liability comprises:

Tax due on 'available for sale assets held in equity'

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The credit union has undertaken the following strategies to minimise the risks arising from financial instruments

Market risk and hedging 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 the market interest rates.

Details of the interest rate risk profile are set out in note 20.

The policy of the credit union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The policy of the credit union is not to undertake derivative 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 maintain at least 60% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less. Note 7(b) describes the nature of the security held against the loans as at the balance date.

The credit union has a concentration in the retail lending for members who comprise employees and family in the IT and Telecommunications industry. This concentration is considered acceptable on the basis that the credit union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 7.

Credit risk – liquid investments

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

The board policy is to maintain at least 60% of the investments in Cuscal), a company set up to support the member credit unions and which has an AAB rating. All investment must be with financial institutions with a rating in excess of BBB minus.

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.

The shares in Baycorp Limited are the exception whereby the shares were received on the demutualisation of the company and have not been traded as yet.

Liquidity risk

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 12% 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, borrowing facilities available. Note 30 describes the borrowing facilities as at the balance date.

Notes to the Accounts

20. 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.

	%	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	Non interest bearing \$	Total \$
2007								
ASSETS								
Cash	2.47	2,564,595					459,298	3,023,893
Advances to other financial institutions	6.52	5,000,000	11,000,000	7,200,000				23,200,000
Receivables							1,230,519	1,230,519
Prepayments							64,530	64,530
Loans & advances	7.75	112,073,084	3,325,521	4,037,062				119,435,667
Investments							541,897	541,897
Fixed assets							680,588	680,588
Taxation assets							407,619	407,619
Intangible assets							470,771	470,771
Total Assets		119,637,679	14,325,521	11,237,062			3,855,222	149,055,484
LIABILITIES								
Borrowings	8.26	500						500
Deposits from other financial institutions	6.00		1,900,000	12,502,000				14,402,000
Deposits from members	4.58	66,826,114	20,538,287	22,535,345	1,901,507			111,801,253
Creditors							4,315,177	4,315,177
Tax Liabilities							-	-
Provisions							416,438	416,438
Deferred tax liability							23,621	23,621
Total Liabilities		66,826,614	22,438,287	35,037,345	1,901,507	-	4,755,236	130,958,989

Notes to the Accounts

20. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES *Cont.*

	%	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	Non interest bearing \$	Total \$
2006								
ASSETS								
Cash	1.89	561,475						561,475
Advances to other financial institutions	5.82	8,500,000	12,000,000	1000000				21,500,000
Receivables							725,271	725,271
Prepayments							58,770	58,770
Loans & Advances	7.63	98,836,866	699,611	6,151,995				105,688,472
Investments							610,495	610,495
Fixed assets							657,145	657,145
Taxation assets							297,587	297,587
Intangible assets							13,629	13,629
Total Assets		107,898,341	12,699,611	7,151,995			2,362,897	130,112,844
LIABILITIES								
Borrowings	8.31	725,986		1,500,000				2,225,986
Deposits from other financial institutions								
Deposits from members	3.87	30,786,652	51,656,141	23,132,536	1,986,344			107,561,673
Creditors							1,600,403	1,600,403
Tax liabilities							194,126	194,126
Provisions							492,933	492,933
Deferred tax liability							23,621	23,621
Total Liabilities		31,512,638	51,656,141	24,632,536	1,986,344		2,311,083	112,098,742

Notes to the Accounts

21. 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 the 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 are held regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities.

	2007			2006		
	Fair Value \$	Book Value \$	Variance \$	Fair Value \$	Book Value \$	Variance \$
ASSETS						
Cash	3,023,893	3,023,893		561,475	561,475	
Advances to other financial institutions	23,206,051	23,200,000	6,051	21,503,065	21,500,000	3,065
Receivables	1,230,519	1,230,519		725,270	725,271	
Prepayments	64,530	64,530		58,770	58,770	
Loans & advances	119,205,822	119,205,822		105,519,638	105,459,623	60,015
Investments	541,897	541,897		610,495	610,495	
Fixed assets	680,588	680,588		657,145	657,145	
Taxation assets	407,619	407,619		297,587	297,587	
Intangible assets	470,771	470,771		13,629	13,629	
Total Assets	148,831,690	148,825,639	6,051	129,947,074	129,883,995	63,080
LIABILITIES						
Borrowings	500	500		-	-	
Deposits from other financial institutions	14,402,000	14,402,000		2,224,525	2,225,986	(1,461)
Deposits from members	113,766,888	111,801,253	1,965,635	107,736,444	107,561,673	174,771
Creditors	4,315,177	4,315,177		1,600,403	1,600,403	
Tax liabilities	-	-		194,126	194,126	
Provisions	416,438	416,438		492,933	492,933	
Deferred tax	23,621	23,621		23,621	23,621	
Total Liabilities	132,924,624	130,958,989	1,965,635	112,272,052	112,098,742	173,310

Notes to the Accounts

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

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.

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 June 30. 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
	\$	\$
22. FINANCIAL COMMITMENTS		
a. Outstanding loan commitments		
The loans approved but not funded	2,139,983	3,031,292
b. Loan redraw facilities		
The loan redraw facilities available	6,859,746	6,555,801
c. Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	46,023,816	42,145,760
Less: Amount advanced	25,941,878	22,003,537
Net undrawn value	20,081,938	20,142,223

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

Notes to the Accounts

	2007	2006
	\$	\$
d. Future capital commitments		
The Credit Union has entered into a contract to purchase (computer equipment and software) for which the amount is to be paid over the following periods:		
Within 1 year	-	237,500
1 to 2 years		
2 to 5 years		
Over 5 years		
	-	237,500

e. Computer capital commitments

The costs committed under contracts with Data Action are as follows:

Not later than one year	124,000	2,000
Later than 1 year but not 2 years	124,000	12,000
Later than 2 years but not 5 years	372,000	36,000
Later than 5 years	124,000	34,000
	744,000	84,000

The commitment in 2006 related to the port access commitment in the period prior to conversion. The 2007 commitments relate to the database access, helpdesk, and report generation licenses since the conversion to the systems.

f. Lease expense commitments for operating leases on property occupied by the credit union

Not later than one year	249,505	278,584
Later than one year but not later than five years	854,006	942,803
Over five years	-	56,208
	1,103,511	1,277,595

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.

Notes to the Accounts

23. STANDBY BORROWING FACILITIES

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

	2007		
	Gross	Current	Net
	\$	Borrowing	Available
Loan facility	-	-	-
Overdraft facility	2,500,000	500	2,499,500
TOTAL STANDBY BORROWING FACILITIES	2,500,000	500	2,499,500
	2006		
	Gross	Current	Net
	\$	Borrowing	Available
Loan Facility			
Overdraft Facility	2,500,000	725,985	1,774,015
TOTAL STANDBY BORROWING FACILITIES	2,500,000	725,985	1,774,015

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.

24. 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 CU 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.

25. 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) has 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.

Notes to the Accounts

	2007	2006
	\$	\$
The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:		
(a) short-term employee benefits;	349,864	378,582
(b) post-employment benefits – superannuation contributions	147,576	104,433
(c) other long-term benefits – net increases in long service leave provision	13,974	3,455
(d) termination benefits – former CEO	158,647	-
(e) share-based payment.	-	-
Total	670,061	486,470

In the above 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.

c. Loans to Directors and other Key Management Persons

(i) The aggregate value of loans to directors and other key management persons as at balance date amounted to	3,343,524	3,330,202
(ii) The total value of revolving credit facilities to directors and other key management persons, as at balance date amounted to	1,699,380	1,692,500
Less amounts drawn down and included in (i)	285,862	286,963
Net balance available	1,413,518	1,405,537
(iii) During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:		
Revolving credit facilities	1,005,852	1,017,085
Term Loans	-	1,655,723
	1,005,852	2,672,808
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to directors and other key management persons amounted to:	20,000	250,000
	20,000	250,000
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	163,350	129,200

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 29.b. above.

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

Notes to the Accounts

25. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL *Cont.*

Other transactions between related parties include deposits from directors, and other KMP are:

	2007	2006
	\$	\$
Total value term and savings deposits from KMP	152,168	39,052
Total Interest paid on deposits to KMP	462	63

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.

d. 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.

The Credit Union uses board assessment programs provided by Jeito Pty Ltd using software owned by a director of the Credit Union, Len Norman. This director receives no benefit from the Credit Union's participation in these programs.

26. ECONOMIC DEPENDENCY

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

a. Cuscal Limited

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, direct entry 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 all of its liquid assets with the entity to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. First Data International Limited (FDI)

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. Data Action Limited

This entity provides and maintains the application software utilised by the Credit Union.

The Credit Union converted to the Phoenix core banking systems in May 2007.

27. SEGMENTAL REPORTING

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

Notes to the Accounts

28. SUPERANNUATION LIABILITIES

The Credit Union contributes 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.

29. 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 30 June 2007 is \$3,176,488 (2006: \$4,402,975).

	2007	2006
	\$	\$

30. NOTES TO STATEMENT OF CASH FLOWS

a. Reconciliation of Cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

- Cash on hand	459,298	561,475
- Deposits at call	2,564,595	
- Bank overdraft	(500)	(725,985)
Total Cash	3,023,393	(164,510)

b. Cash unavailable for use

Cash which is excluded from the above amount of cash since it is not readily available for use by reason of it securing overnight settlement obligations.

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Notes to the Accounts

c. Reconciliation of cash from operations to accounting profit

The net cash increase/(decrease) from operating activities is reconciled to the profit after tax.

Profit after income tax	81,397	447,452
Add (Deduct):		
Increase in Deferred fees on loans	27,866	10,199
Increase in Provision for impairment	996	140,790
Bad debts written off	185,272	
Depreciation expense	182,877	171,773
Amortisation of intangibles	31,783	10,053
Loss on sale of assets	-	477
Gain on sale of assets	(1,697)	
Increase in provisions for staff leave	46,305	4,729
Increase in provision for income tax	(302,035)	164,087
Increase in other provisions	(122,800)	(370)
Increase in accrued expenses	(211,452)	(189,749)
Increase in interest payable	380,429	91,754
Increase in accrued taxes – GST	(133,576)	
Increase in accrued taxes	115,805	(4,925)
Loss (Gain) on sale of assets		
Decreases in prepayments	(5,760)	(58,770)
Decreases in sundry receivables		
Decreases in deferred Tax Assets	(2,123)	(66,411)
Decrease in other Assets		20,293
Decrease in Interest Receivable	(83,672)	(26,769)
Decrease in provision for shares	(31,000)	
Net Cash From Revenue Activities	158,615	714,613

31. 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 is 599 Pacific Highway, St Leonards, NSW 2065.

The address the principal place of business is 599 Pacific Highway, St Leonards, NSW 2065.

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.