



Queensland
PROFESSIONAL CREDIT UNION Ltd

**40TH ANNUAL
FINANCIAL
REPORT 2007**

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Chairman's Report

In my 2006 report, I discussed some significant matters which had occupied the attention of both the board and management - this is an update:

Conversion of the Credit Union's Core Banking Platform

The software conversion has now stabilised. This will allow us to focus on the development and delivery of enhanced business solutions for all members.

Regulation and Compliance

The new Prudential Standards for "Corporate Governance" and "Fit and Proper Persons" have been fully implemented and have become part of our normal board processes.

This is our second annual report which conforms to the new International Financial Reporting Legislation.

The Financial Sector Reform Act has been amended to remove many prescriptive procedures. The amendments now simplify our delivery of basic deposit products and non cash payment services.

How are we coping as a Small Player in a crowded and fiercely competitive Financial Market Place?

As displayed in this year's financial accounts, our gross profit was \$1.59M. While this result is moderate when compared to some others it aligns with our performance over many years and is an accurate reflection of our financial forecasts.

Rather than pursuing higher profits comparative to other larger financial institutions, **safety and security** have always been the paramount factors we have relied upon to underpin our future sustainability:

- Our operating model produces consistent results which eliminates performance volatility over the longer term.
- With the participation of our loyal members, we can produce sound annual financial results which provide tangible benefits for all members.
- The resultant steady growth in retained earnings underpins the safety and security of members' deposits and also allows us to continue to offer superior interest rates not only for deposits and but also for loans.

Operations

Loans. Our loans staff have worked hard to maintain credit standards and fund \$36M for a net increase of \$6M - our loans portfolio growing to \$114.63M. This growth result is consistent with previous years. However, the hallmark of our lending follows our safety and security stance with no loans written off during the year. All borrowing members should be congratulated.

Deposits. Towards the end of the financial year, members were able to maximise the financial benefits contained in the new superannuation laws. We experienced some significant cash movements but overall there was minimal effect on our liquidity.

We pride ourselves on offering a cash management account which offers the ultimate in premium interest rates, flexibility and security, whether these accounts are used for superannuation purposes or for ordinary savings. Members can really control their finances on a 24/7 basis.

Acknowledgements

Some of our staff have retired during the year with our best wishes, and we have welcomed others as replacements. On behalf of all our members and directors, I acknowledge the considerable efforts of all our dedicated and efficient staff.

I also thank all members for their continued loyalty during the year. Really, your financial interests are our primary concern.

The board has had another busy year, being fully occupied with the legislative demands of supervision as well as current events. Directors, Peter Hall and more recently, Bryce Beikoff, have retired and we wish both of them the best for the future. Upon retirement of these two directors, the board has decided to reduce the number of directors from seven to five. I also thank our other directors for their continued endeavours during the past year.

John Strachan
Chairman

Directors' Report

The Directors present their report together with the financial statements of Queensland Professional Credit Union Ltd ("the Credit Union") for the year ended 30 June 2007 and the auditors' report thereon.

Directors		
Mr John Strachan	Chairman Age 61 FAICD Director since 1997	<i>Director on the following Committee: Risk and Performance</i>
Mr Ralph Donnet	Vice-Chairman Chairman – Risk and Performance Committee Non-Executive Director Age 59 Bachelor of Agricultural Economics Diploma of Financial Management GAICD Director since 1980	<i>Director on the following Committee: Risk and Performance</i>
Mr Stephen Barnard	Non-Executive Director Age 42 Bachelor of Business Chartered Accountant Chartered Company Secretary MAICD Director since 2005	<i>Director on the following Committee: Audit and Compliance</i>
Mr Bryce Beikoff	Non-Executive Director Age 74 Fellow of Mapping Science Institute of Australia Director since 1967 – Retired July 2007	<i>Director on the following Committee: Audit and Compliance</i>
Mr Desmond Boyland	Non-Executive Director Chairman – Audit and Compliance Committee Age 66 Master of Science FAICD Director from 1973 to 1980, and since 1982	<i>Director on the following Committee: Audit and Compliance</i>
Mr Peter Hall	Non-Executive Director Age 67 Director since 1999 – Retired April 2007	<i>Director on the following Committee: Risk and Performance</i>
Mr Gordon Rutherford	Managing Director Company Secretary Age 62 Diploma of Financial Services FAICD Director since 1991	

Directors Meetings

The number of Directors meetings (including meetings of committees and Directors) and number of meetings attended by each of the Directors of the Credit Union during the financial year are:

Director	Directors Meetings		Audit and Compliance Committee Meetings		Risk and Performance Committee Meetings	
	A	B	A	B	A	B
J C Strachan	14	13	0	0	9	7
R J Donnet	14	14	0	0	9	9
S Barnard	14	12	8	8	0	0
V B Beikoff	14	13	8	6	0	0
D E Boyland	14	14	8	8	0	0
P J Hall	12	11	0	0	8	7
G K Rutherford	14	14	0	0	0	0

A – number of meetings that the Director was eligible to attend during the time the Director held office

B – number of meetings attended

Principal Activities

The principal activities of the Credit Union during the course of the financial year were:

- a) The raising of funds from Members and in any other way authorised by the APRA legislation;
- b) To apply these funds in making loans to our continuing credit arrangements with Members or in such other ways authorised by the Prudential Standards and the Credit Union Constitution; and
- c) To provide other services to Members.

There were no significant changes in the nature of the activities of the Credit Union during the year.

Employees

The Queensland Professional Credit Union Ltd employed 19 employees as at 30 June 2007 (2006: 18 employees)

Result

The operating profit after income tax for the year attributable to the Members of Queensland Professional Credit Union Ltd was:

	2007	2006
	\$	\$
Operating profit after income tax	1,104,624	942,444

Review of Operations

A Review of operations of the Credit Union for the financial year, the results of those operations and future developments are set out on pages 2 to 38 of this report and/or in the financial statements.

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union that occurred during the financial year under review not otherwise disclosed in this report or in the financial statements.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union, in subsequent financial years.

Likely Developments

Information as to likely developments in the operations of the Credit Union and the expected results of those operations in subsequent financial years has not been included in this report, because in the opinion of the Directors, it would prejudice the interests of the Credit Union.

Directors' Indemnification and Insurance

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the company against liability. The Officers of the company covered by in the insurance contract include the Directors, Executive Officers, Secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditors of the company.

Auditors Independence

The Directors have received the Auditor's Independence Declaration from our auditors Ernst & Young. This declaration is included following this report.

Dated at Brisbane this twenty-seventh day of August 2007.

Signed in accordance with a resolution of the Directors:

J C Strachan (Chairman)

R J Donnet (Director)



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Auditor's Independence Declaration to the Directors of Queensland Professional Credit Union

In relation to our audit of the financial report of Queensland Professional Credit Union for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Mark Phelps
Partner

Independent auditor's report to the members of Queensland Professional Credit Union Ltd

We have audited the accompanying financial report of Queensland Professional Credit Union Ltd (the credit union), 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 credit union are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls 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.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Queensland Professional Credit Union Ltd is in accordance with:
 - (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Queensland Professional Credit Union Ltd at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (b) other mandatory financial reporting requirements in Australia.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Ernst & Young

Mark Phelps
Partner
Brisbane
27 August 2007

Directors Declaration

In accordance with a resolution of the Directors of Queensland Professional Credit Union Ltd, I state that:

In the opinion of the Directors:

- a) the financial statements and notes of the Credit Union are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- b) 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.

On behalf of the Board

J C Strachan (Chairman)

Brisbane

27 August 2007

INCOME STATEMENT
For the Year Ended 30 June 2007

	Note	2007 \$	2006 \$
Interest revenue	3,5	11,018,963	9,778,369
Interest expense	4,5	(7,119,836)	(6,095,239)
Net interest income		3,899,127	3,683,130
Non interest revenues	3	530,239	574,561
Other expenses	4	(2,838,961)	(2,900,104)
Profit before income tax		1,590,405	1,357,587
Income tax expense	6	(485,781)	(415,143)
Net profit for the period attributable to the members of the Credit Union.		1,104,624	942,444

The accompanying notes form part of these financial statements

BALANCE SHEET
As at 30 June 2007

	Note	2007 \$	2006 \$
ASSETS			
Cash and liquid assets	7	1,588,553	1,976,349
Loans and advances	8	114,625,659	108,405,964
Held to maturity investments	9	32,901,537	33,448,888
Available for sale investments	10	73,548	73,538
Property, plant and equipment	11	137,507	174,163
Intangible assets	12	172,033	226,934
Deferred tax asset	6	147,512	148,506
Other Assets	13	52,585	24,762
TOTAL ASSETS		149,698,934	144,479,104
LIABILITIES			
Balances due to other banks	14	595,280	280,385
Deposits	15	126,617,240	123,085,533
Current tax liabilities	6	147,311	42,756
Other liabilities	16	523,826	392,420
Provisions	17	397,909	365,266
TOTAL LIABILITIES		128,281,566	124,166,360
NET ASSETS		21,417,368	20,312,744
MEMBERS' FUNDS			
Redeemed preference share capital account	18 (b)	3,450	-
Reserves	18 (a)	21,413,918	20,312,744
Retained profits		-	-
TOTAL MEMBERS' FUNDS		21,417,368	20,312,744

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT
For the year ended 30 June 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		11,118,111	9,540,878
Non-interest income received		570,916	661,701
Dividend income		47,196	45,954
Interest paid		(7,107,475)	(6,180,632)
Payments to suppliers and employees (inclusive of GST)		(2,741,259)	(2,742,054)
Income taxes paid		(380,232)	(456,288)
Net cash flows from operating activities	29(c)	1,507,257	869,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption/(Purchase) of securities and investments		514,990	(15,452,107)
Net (increase)/ decrease in member loans		(6,219,696)	4,325,279
Payments for property, plant and equipment		(24,376)	(240,945)
Net cash flows used in investing activities		(5,729,082)	(11,367,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in member deposits		3,519,794	9,746,413
Net (payments for)/proceeds from issuance of withdrawable shares		(660)	(1,340)
Net cash flows from financing activities		3,519,134	9,745,073
Net decrease in cash and cash equivalents		(702,691)	(753,141)
Cash and cash equivalents at the beginning of period		1,695,964	2,449,105
Cash and cash equivalents at the end of period	29(a)	993,273	1,695,964

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	General Reserve	Redeemed Preference Share Capital Account	Retained Profits	Total
	\$	\$	\$	\$
At 1 July 2005				
Opening Balances	18,860,493	-	248,007	19,108,500
Provision for Doubtful Debts - Adjustment Transition to AASB132 and AASB139			374,000	374,000
Deferred Tax Asset on Provision for Doubtful Debts			(112,200)	(112,200)
Total Income/Expense for the year	-	-	942,444	942,444
Transfer from Retained Profits	1,452,251	-	(1,452,251)	-
At 30 June 2006	20,312,744	-	-	20,312,744
Total Income / Expense for the year			1,104,624	1,104,624
Redemption of Preference Shares		3,450	(3,450)	-
Transfer from Retained Profits to General Reserve	1,101,174	-	(1,101,174)	-
At 30 June 2007	21,413,918	3,450	-	21,417,368

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The financial report of Queensland Professional Credit Union Limited (the Credit Union) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 27 August 2007.

Queensland Professional Credit Union Limited is a mutual organisation limited by shares and incorporated in Australia.

The nature of the operations and principal activities of the Credit Union are described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has also been prepared on a historical costs basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or are ended but not yet effective and have not been adopted by the Credit Union for the annual reporting period ending 30 June 2007. These are outlined in the table below:

Reference	Title	Nature of change to accounting policy	Application date of standard*	Application date for the Credit Union
AASB 7	<i>Financial Instruments: Disclosures</i>	New standard replacing disclosure requirements of AASB 132. No change to accounting policy required, but will result in changes to the financial instrument disclosures included in the Credit Union's financial report	1 January 2007	1 July 2007
AASB 2005-10	<i>Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]</i>	As above	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Credit Union and therefore have no impact, AASB 8, AASB 2007-1, AASB 2007-2, AASB 2007-3, AASB 2007-5, AASB 2007-6, AASB 123 (amended), AASB Interpretation 10, AASB Interpretation 11 and AASB Interpretation 12.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES *continued*

(c) Significant accounting judgements, estimates and assumptions

In applying the Credit Union's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Credit Union. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Provision for impairment on loans and advances

Collective provisions are based on management estimates after assessing historical loss data and current available information for any potential impaired losses. Information analysed included bad debt write-offs in recent years, associated risks to the loan portfolio and other assets within the loan portfolios with similar risk profiles.

(d) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, effect neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payables, which are stated with the amount of GST included

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STATEMENT OF ACCOUNTING POLICIES *continued*

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Investments & other financial assets

Financial assets in the scope of AASB 139 Financial instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale investments as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. At the date of transition, any changes to carrying amounts were recognised directly in retained earnings.

(i) Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Credit Union has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Subordinated debt is measured at amortised cost using the effective interest rate method.

(ii) Available for sale investments

Available for sale investments have been valued at cost as there is no reliable market value available.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STATEMENT OF ACCOUNTING POLICIES *continued*

Fees

Loan origination fees are recognised as income when received. The results of this recognition have been assessed as being not materially different from the results generated from the use of the effective interest rate method.

(g) Loans to Members

Loans and advances to Members are measured at amortised cost. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Loan impairment is calculated as the difference between the amortised cost of the loan and the recoverable amount.

Specific provisions are raised for losses that may be incurred for loans that are known to be impaired. Estimated losses on these impaired loans are discounted to their present value. All loans are subject to continuous management review to assess whether there is any reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

Loans that are not known to be impaired are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective allowance is raised. When estimating potential losses, the security of the loan portfolio is taken into account. Adjustments to the collective provisions are recognised as an expense in the income statement.

(h) Property, Plant and Equipment

Cost and Valuation

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment losses.

Depreciation

Depreciation is provided on a straight line basis over the estimated useful life of the assets as follows:

Office Furniture	5 to 11 years	Office Machines	4 to 7 years
Office Equipment	3 to 10 years	Motor Vehicles	5 years
Office Software	2.5 years	ATM	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(i) Impairment of non financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STATEMENT OF ACCOUNTING POLICIES *continued*

(j) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Office Software classified as Intangible assets has a life of 2.5 years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred on a straight line basis. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(l) Members' Deposits

Members' deposits are brought to account at amortised cost of the outstanding balance. Interest on deposits, when charged, is recognised as an expense and is brought to account on an accrual basis. Interest accrued at balance date is shown as part of members' deposits.

(m) Balances due to other banks

Payables due to other financial institutions are primarily settlement account balances due to other financial institutions. They are brought to account at amortised cost of the outstanding balance. Interest is taken to net profit when incurred.

Balances due to other banks are classified as current liabilities unless the Credit Union has unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Employee Benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STATEMENT OF ACCOUNTING POLICIES *continued*

(o) Cash and Cash Equivalents

For the purpose of the Balance Sheet and the Cash Flow Statement, the Credit Union recognises cash to include cash at bank and in hand and in short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(p) Provisions

Provisions are recognised when the Credit Union has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) Financial risk management objectives and policies

The Credit Union's principal financial instruments comprise loans and advances, deposits held to maturity investments, cash and available for sale investments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in notes 2 and 25 to the financial statements.

NOTE 3: REVENUE

	2007 \$	2006 \$
Revenue		
Interest revenue	10,931,090	9,703,585
Net loan fee income	87,873	74,784
	<u>11,018,963</u>	<u>9,778,369</u>
Other Income		
Fees and commissions revenue	474,904	528,597
Bad debts recovered	4,200	10
Dividend Income	47,196	45,954
Other income	3,939	-
	<u>530,239</u>	<u>574,561</u>
Total Revenue	<u>11,549,202</u>	<u>10,352,930</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: EXPENSES AND LOSSES/(GAINS)

(a) Expenses

	2007 \$	2006 \$
Interest expense	7,119,836	6,095,239
Depreciation of non current assets		
Plant and equipment	48,621	50,104
Motor vehicles	12,068	11,771
Amortisation		
Intangibles	54,901	47,567
Total depreciation & amortisation of non current assets	115,590	109,442
Impairment Losses - Loans & Advances	212	4,640
Operating lease rental - minimum lease payments	285,203	283,443
ATM expenditure	190,244	193,531
Computer Costs	248,705	236,298
Salaries & Wages	1,313,477	1,164,366
Loan and Chequing costs	48,684	66,641
Promotion & Advertising	30,274	130,987
Stationary & Printing	61,555	56,490
Net loss on disposal of property, plant and equipment	343	541
Other Expenses	544,674	654,266
Total Other Expenses	2,838,961	2,900,104

(b) Significant Items

There were no significant items included in the profit from ordinary activities before income tax expense whose disclosure is relevant in explaining the financial performance of the entity.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: INTEREST REVENUE AND INTEREST EXPENSE

The following table shows the average balance for each major category of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. All averages are month-end averages and are representative of the company's operations during the year

	Average Balance \$	Interest \$	Average Rate %
<u>Interest revenue 2007</u>			
Investment securities	42,272,368	2,593,597	6.14%
Loans and advances	110,739,341	8,425,366	7.61%
	<u>153,011,709</u>	<u>11,018,963</u>	<u>7.20%</u>
<u>Interest revenue 2006</u>			
Investment securities	36,179,571	1,954,422	5.40%
Loans and advances	108,016,709	7,823,947	7.24%
	<u>144,196,280</u>	<u>9,778,369</u>	<u>6.78%</u>
<u>Interest expense 2007</u>			
Member deposits	130,959,263	7,119,836	5.44%
	<u>130,959,263</u>	<u>7,119,836</u>	<u>5.44%</u>
<u>Interest expense 2006</u>			
Member deposits	123,056,318	6,095,239	4.95%
	<u>123,056,318</u>	<u>6,095,239</u>	<u>4.95%</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: INCOME TAX

	2007 \$	2006 \$		
(a) A reconciliation between tax expense and the accounting profit before income tax provided by the Credit Union's applicable income tax rate is as follows:				
Accounting profit before income tax	1,590,405	1,357,587		
At the Credit Union's statutory income tax rate of 30% (2006:30%)	477,122	407,276		
Non-Deductible Expenses - Entertainment	2,363	1,958		
Franking Credits on Dividends received	6,068	5,909		
Adjustments in respect of previous years	228	-		
Income tax expense contributable to operating profit	485,781	415,143		
Deferred Tax Assets and Liabilities				
Deferred Tax Asset	147,512	148,506		
Current Tax Liabilities	147,311	42,756		
(b) The income tax expense comprises amounts set aside as:				
Income tax payable on current year profits	484,559	392,189		
Adjustments in respect of previous years	228	-		
Deferred Income Tax	994	22,954		
	485,781	415,143		
(c) Deferred tax assets at 30 June:				
			<u>Balance Sheet</u>	<u>Income Statement</u>
			2007	2006
			2007	2006
Accelerated depreciation - Accounting	(26,100)	(11,174)	(14,926)	(12,313)
Deferred losses (Trade Creditors)	15,240	11,100	4,140	(8,360)
Provision for Long Service Leave	70,195	66,928	3,267	(8,642)
Provision for Annual Leave	49,177	42,652	6,525	6,361
Collective Provision	39,000	39,000	-	-
	147,512	148,506	(994)	(22,954)
(d) The amount of franking credits available for the subsequent financial year are: (The franking credits are not available for distribution)				
Franking credits as at the end of financial year at 30% (2006:30%)	4,449,495	4,049,036		
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	106,332	119,343		
	4,555,827	4,168,379		

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: CASH AND CASH EQUIVALENTS

	2007	2006
	\$	\$
Cash on hand	156,224	85,778
Deposits at call	1,432,329	1,362,260
Cash at bank	-	528,311
	<u>1,588,553</u>	<u>1,976,349</u>

NOTE 8: LOANS AND ADVANCES

	2007	2006
	\$	\$
Overdrafts	351,849	410,790
Term loans	114,403,810	108,125,174
	<u>114,755,659</u>	<u>108,535,964</u>
Gross Loans and Advances		
Less: Provision for impairment		
- Specific provision	(201)	(222)
- Collective provision	(129,799)	(129,778)
	<u>114,625,659</u>	<u>108,405,964</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: LOANS AND ADVANCES *continued*

	2007 \$	2006 \$
(a) Aggregate amounts receivable from related parties		
Directors and Director-related entities - loans to Directors (Note 19(b))	2,714,911	1,545,867
(b) Maturity Analysis		
Overdrafts	351,849	410,790
Not longer than 3 months	1,159	1,893
Longer than 3 and not longer than 12 months	116,650	110,517
Longer than 1 year and not longer than 5 years	2,974,801	3,205,434
Longer than 5 years	111,311,200	104,807,330
	<u>114,755,659</u>	<u>108,535,964</u>
(c) Concentration of Risk		
The loan portfolio of the Credit Union includes loans or groups of related loans which represents 10% or more of member funds. The loan details of these exposures are shown in Note 25(b).		
The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:		
- Queensland	113,398,496	107,717,078
(d) Provision for Impairment		
Change to Income Statement for bad and doubtful debts comprises:		
Specific provision	21	4,561
Collective provision	(21)	(4,561)
Bad debts recognised directly	212	(4,640)
	<u>212</u>	<u>(4,640)</u>
(e) Impairment of Loans and Advances		
Non Accrual Loans with Specific Provision		
Loan balance	-	-
Specific Provision for impairment	-	-
Net non-accrual Loans	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: HELD TO MATURITY INVESTMENTS

	2007 \$	2006 \$
Bank receivables	29,302,977	31,884,328
Other ADIs' receivables	1,475,360	1,441,360
Other investments	2,123,200	123,200
	32,901,537	33,448,888
 <u>Maturity Analysis</u>		
Not longer than 3 months	23,325,970	25,807,593
Longer than 3 and not longer than 12 months	9,575,567	7,641,295
	32,901,537	33,448,888

NOTE 10: AVAILABLE FOR SALE INVESTMENTS

	2007 \$	2006 \$
Unlisted shares at cost - Indue	73,538	73,538
Qld Country Credit Union	10	-
	73,548	73,538

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2007 \$	2006 \$
(a) Plant, Equipment and Motor Vehicles		
At cost	711,934	766,918
Accumulated depreciation	(574,427)	(592,755)
Total Plant, Equipment and Motor Vehicles	137,507	174,163
(b) Reconciliations		
<i>Motor Vehicles</i>		
Carrying amount at beginning	52,547	64,318
Additions	-	-
Disposals	-	-
Depreciation expense	(12,068)	(11,771)
	40,479	52,547
 <i>Plant and Equipment</i>		
Carrying amount at beginning	121,616	162,129
Additions	24,376	9,591
Disposals	(343)	-
Depreciation expense	(48,621)	(50,104)
	97,028	121,616
	137,507	174,163

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: INTANGIBLE ASSETS

	2007	2006
	\$	\$
Intangible Assets		
At cost	316,773	276,630
Accumulated depreciation	(144,740)	(49,696)
Total Intangible Assets	<u>172,033</u>	<u>226,934</u>
<i>Software</i>		
Carrying amount at beginning	226,934	43,687
Additions	-	231,355
Disposals	-	(541)
Amortisation expense	(54,901)	(47,567)
	<u>172,033</u>	<u>226,934</u>

NOTE 13: OTHER ASSETS

	2007	2006
	\$	\$
Sundry Debtors	<u>52,585</u>	<u>24,762</u>

NOTE 14: BALANCES DUE TO OTHER BANKS

	2007	2006
	\$	\$
Bank Payables	<u>595,280</u>	<u>280,385</u>
	<u>595,280</u>	<u>280,385</u>
<u>Maturity Analysis</u>		
At call	<u>595,280</u>	<u>280,385</u>

NOTE 15: DEPOSITS

	2007	2006
	\$	\$
Member Call Deposits (including withdrawable shares)	103,129,273	96,450,108
Member Term Deposits	23,487,967	26,635,425
	<u>126,617,240</u>	<u>123,085,533</u>

(a) Maturity analysis

At call	103,129,273	96,450,108
Not longer than 3 months	11,212,337	10,705,305
Longer than 3 and not longer than 12 months	11,282,151	15,148,756
Longer than 1 and not longer than 5 years	993,479	781,364
	<u>126,617,240</u>	<u>123,085,533</u>

(b) Concentration of Risk

The deposit portfolio of the Credit Union includes deposits or groups of related deposits which represents 10% or more of capital. The deposit details of these exposures are shown in Note 25 (b).

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:

- Queensland	<u>115,598,713</u>	<u>115,639,138</u>
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NOTE 16: OTHER LIABILITIES

	2007	2006
	\$	\$
Other Creditors	221,499	244,762
Interest received in advance	302,327	147,658
	<u>523,826</u>	<u>392,420</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PROVISIONS

	2007 \$	2006 \$
Provision for employee benefits	397,909	365,266
	<u>397,909</u>	<u>365,266</u>
Long Service Leave		
Opening Balance	223,092	251,901
Benefits arising during year	34,537	15,692
Benefits utilised	(23,545)	(18,023)
Discount rate adjustment	(99)	(26,478)
At 30 June	<u>233,985</u>	<u>223,092</u>
Annual Leave		
Opening Balance	142,174	120,970
Benefits arising during year	84,869	77,858
Benefits utilised	(65,697)	(65,110)
Discount rate adjustment	2,578	8,456
At 30 June	<u>163,924</u>	<u>142,174</u>

NOTE 18: RESERVES

		2007 \$	2006 \$
General Reserves	18 (a)	21,413,918	20,312,744
Redeemed Preference Share Capital Account	18 (b)	3,450	-
		<u>21,417,368</u>	<u>20,312,744</u>
(a) General Reserves			
<i>(i) Nature and purpose of reserve</i>			
The general reserve contains amounts of retained profits that have been set aside by Directors for the purpose of funding specific projects that are announced from time to time.			
<i>(ii) Movements in reserve</i>			
Balance at the beginning of the year		20,312,744	18,860,493
Transfer from capital profits reserve		-	-
Transfer from retained profits		1,101,174	1,452,251
Balance at the end of the year		<u>21,413,918</u>	<u>20,312,744</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: RESERVES *continued*

	2007 \$	2006 \$
(b) Redeemed Preference Share Capital Account		
Redeemed member shares	3,450	-
<p>Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.</p>		
(c) Reconciliation of Retained Profits		
Retained profits at the beginning of year	-	248,007
Net profit attributable to Members of Queensland Professional Credit Union Ltd.	1,104,624	942,444
Total available for appropriation	1,104,624	1,190,451
Transfer to Redeemed Preference Share Capital Account	(3,450)	-
Provision of Doubtful Debts written back on adoption of AASB139 on transition to AIFRS as at 1 July 2005	-	374,000
Deferred tax asset adjustment on Provision	-	(112,200)
Aggregate of amounts transferred to general reserve 18 (a)	(1,101,174)	(1,452,251)
Retained profits at end of year	-	-

NOTE 19: RELATED PARTIES DISCLOSURES

Details of Directors

J. Strachan	Chairperson
R. Donnett	Vice-Chairperson (Non-Executive Director)
D. Boyland	Director (Non-Executive)
P. Hall	Director (Non-Executive) Retired April 2007
V. Beikoff	Director (Non-Executive) Retired July 2007
S. Barnard	Director (Non-Executive)
G. Rutherford	Managing Director

		2007	2006
		\$	\$
(a) Compensation of Directors and Key Management Personnel			
Short Term	Salary & Fees	389,125	357,278
	Cash Bonus	-	-
	Non Monetary Benefits	7,130	5,224
	Other	-	-
Post Employment	Superannuation	28,654	25,833
	Retirement Benefits	-	-
Long Term	Incentive Plans	-	-
Share-based Payment	Options	-	-
	Total	424,909	388,335
Total Performance Related		0%	0%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: RELATED PARTIES DISCLOSURES *continued*

(b) Transactions with Directors and Key Management Personnel of Queensland Professional Credit Union Ltd

Loans have been made to Directors and Key Management Personnel and families of Directors and Key Management Personnel on terms and conditions no more favourable than those available on similar transactions to Members of the Credit Union. The amounts disclosed below are for Directors and Key Management Personnel and close family members of Directors and Key Management Personnel.

The terms and conditions in respect of all loans to Directors and Key Management Personnel and Associates have not been breached.

Queensland Professional Credit Union Ltd has provided loans to the following Directors and Key Management Personnel and Associates with the following aggregate amount outstanding at the balance date.

	2007 \$	2006 \$
Aggregate amount outstanding at balance date	2,714,911	1,545,867
Aggregate amount of loans funded during the financial year	2,147,213	205,445
Directors and Key Management Personnel Concerned:		
- D E Boyland		
- G K Rutherford		
- J C Strachan		
- S T Barnard		
Aggregate amount of repayments received during the financial year	1,123,144	248,863
Aggregate amount of interest received during the financial year	144,975	107,851
Directors and Key Management Personnel Concerned:		
- D E Boyland		
- G K Rutherford		
- J C Strachan		
- S T Barnard		

All loans are secured by first mortgages (Average rate at 30/06/07: 7.05%, 2006: 7.35%). All overdrafts are unsecured (Average rate at 30/06/07: 13.5%, 2006: 13.5%). Overdrafts make up 0.48% (2006: 1.64%) of total loans outstanding to Directors and Key Management Personnel and close family members of Directors and Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: RELATED PARTIES DISCLOSURES *continued*

(c) Transactions with Directors and Key Management Personnel of Queensland Professional Credit Union Ltd

Savings and Term Deposits made by Directors and Key Management Personnel and families of Directors and Key Management Personnel on terms and conditions no more favourable than those available on similar transactions to Members of the Credit Union. The amounts disclosed below are for Directors and Key Management Personnel and lose family members of Directors and Key Management Personnel.

The terms and conditions in respect of all savings and term deposits by Directors and Key Management Personnel and Associates have not been breached.

	2007 \$	2006 \$
Aggregate amount at balance date	1,521,040	1,529,641
Directors and Key Management Personnel Concerned:		
- V B Beikoff		
- D E Boyland		
- R J Donnet		
- P J Hall		
- G K Rutherford		
- J C Strachan		
- S T Barnard		
Aggregate amount of interest paid during the financial year	110,902	125,054

Savings & Term Deposits make up 1.20% (2006: 1.24%) of total savings & term deposits balance held by Queensland Professional Credit Union at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: EXPENDITURE COMMITMENTS

	2007 \$	2006 \$
(a) Lease Expenditure Commitments for non-cancellable operating leases		
Minimum lease payments contracted for but not provided for in the financial statements:		
Not longer than 1 year	283,517	283,517
Later than 1 year not longer than 5 years	252,330	535,848
Aggregate lease expenditure contracted for at balance date	535,847	819,365

Operating Leases have an average lease term of 5 years with the rental linked to market reviews. As which are subject of operating leases include office premises located at 85 George Street Brisbane.

(b) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year

Loans approved but not funded	1,553,324	1,748,819
Undrawn overdraft, line of credit and VISA	1,426,963	1,365,509
	2,980,287	3,114,328

NOTE 21: CHARGE OVER ASSETS

A full equitable mortgage over all the assets and undertakings of the Credit Union exists in favour of Credit Union Services Ltd to secure the following:

Standby line facility to the value of \$5,000,000

NOTE 22: SEGMENTAL REPORTING

The Credit Union operates predominantly in the finance industry within Queensland. The operations comprise the acceptance of deposits and the making of loans to members.

NOTE 23: DERIVATIVES

The Credit Union does not trade in derivative investments or any related financial transactions.

NOTE 24: AUDITORS REMUNERATION

	2007 \$	2006 \$
Amounts received or due and receivable by Ernst & Young, the Auditors of Queensland Professional Credit Union Ltd for:		
Audit of the financial statements of the Credit Union	43,200	38,200
Regulatory audit requirements	11,800	11,800
	55,000	50,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: FINANCIAL INSTRUMENTS

Interest Rate Risk

The Credit Union's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2007

Financial Instruments	Floating Interest Rate	Fixed Interest Rate maturing in:			Non-interest bearing	Total carrying amount as per Balance Sheet	Weighted average - Effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
(i) Financial Assets	\$	\$	\$	\$	\$	\$	%
Cash and liquid assets	1,432,329	-	-	-	156,224	1,588,553	4.54%
Held to maturity investments	-	32,901,537	-	-	-	32,901,537	6.36%
Loans and advances	86,195,897	26,412,049	2,017,713	-	-	114,625,659	7.43%
Available for sale investments	-	-	-	-	73,548	73,548	N/A
TOTAL	87,628,226	59,313,586	2,017,713	-	229,772	149,189,297	
(ii) Financial Liabilities	\$	\$	\$	\$	\$	\$	%
Balances due to ther banks	-	-	-	-	595,280	595,280	N/A
Deposits	103,074,703	22,494,488	993,479	-	54,570	126,617,240	5.47%
TOTAL	103,074,703	22,494,488	993,479	-	649,850	127,212,520	5.47%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: FINANCIAL INSTRUMENTS *continued*

Interest Rate Risk

The Credit Union's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2006

Financial Instruments	Floating Interest Rate	Fixed Interest Rate maturing in:			Non-interest bearing	Total carrying amount as per Balance Sheet	Weighted average - Effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
(i) Financial Assets	\$	\$	\$	\$	\$	\$	%
Cash and liquid assets	1,362,260	-	-	-	614,089	1,976,349	4.90%
Held to maturity investments	-	33,448,888	-	-	0	33,448,888	5.94%
Loans and advances	90,316,589	17,590,845	498,530	-	0	108,405,964	7.07%
Available for sale investments	-	-	-	-	73,538	73,538	N/A
TOTAL	91,678,849	51,039,733	498,530	-	687,627	143,904,739	
(ii) Financial Liabilities	\$	\$	\$	\$	\$	\$	%
Balances due to ther banks	-	-	-	-	280,385	280,385	N/A
Deposits	96,394,878	25,854,061	781,364	-	55,230	123,085,533	4.98%
TOTAL	96,394,878	25,854,061	781,364	-	335,615	123,365,918	

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: FINANCIAL INSTRUMENTS *continued*

Terms, Conditions and Accounting Policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Interests	Statement of Balance Sheet Notes	Accounting Policies	Terms & Conditions
(i) Financial Assets			
Short-term deposits	7,8,9	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.	Short-term deposits have an average maturity of 72.29 days and effective interest rates of 6.34% to 6.65% (2006: 5.61% to 6.19%)
Loans and Advances - Overdrafts - Credit Cards - Term Loans - Other	10	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount. Further details on the classification for loans is in Note 2.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
(ii) Financial Liabilities			
Balances due to other banks	14	The borrowings are carried at the principal amount. If interest is charged, it is recognised as an expense as it accrues.	Amounts due to other financial institutions are non-interest bearing.
Deposits	15	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15. Interest is calculated on the daily balance outstanding.
Other Liabilities	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: FINANCIAL INSTRUMENTS *continued*

Credit Risk

(a) Maximum Credit Risk Exposure

The Credit Union's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet.

(b) Concentrations of Credit Risk

The following groups represent concentrations of financial assets in excess of 10% of Members Funds.

	2007 \$	2006 \$
Other ADIs' - Deposits	2,892,118	2,090,918
Banks - Deposits	25,515,571	29,955,428

The Credit Union's membership is made up predominantly of Public Sector employees, their families and other persons as approved by the Board of Directors. The majority of these Members reside in Queensland.

Loans which represent 10% or more of Members Funds:

Concentrations of credit risk on loans or groups of related loans to individual Members (including associated Members) greater than 10% of Members Funds are detailed as follows:

		Total of Loans		Number of Loans
2007	\$	3,043,274	2007	1
2006	\$	3,688,773	2006	1

Deposits which represent 10% or more of Members Funds:

Concentrations of deposits or groups of related deposits from individual Members (including associated Members) greater than 10% of Members Funds are detailed as follows:

		Total of Deposits		Number of Deposits
2007	\$	8,711,786	2007	2
2006	\$	5,441,265	2006	1

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: FINANCIAL INSTRUMENTS *continued*

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Credit Union's financial instruments recognised in the financial statements.

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

- The carrying values of cash, liquid assets, accrued receivables, investment securities, loans and advances and other investments approximate their net fair values.
- The net fair value of receivables due from other financial institutions are determined by valuing them at cost and including an interest accrual based on effective interest rates at balancing date.
- The carrying value of payables due to other financial institutions and creditors approximate their net fair value.
- The net fair value of Member deposits represents the carrying value plus the total of interest accrued based on effective interest rates at balance date.

	2007		2006	
	Carrying Value \$	Net Fair Value \$	Carrying Value \$	Net Fair Value \$
Assets				
Cash and liquid assets	1,588,553	1,588,553	1,976,349	1,976,349
Held to maturity investments	32,901,537	32,901,537	33,448,888	33,448,888
Available for sale investments	73,548	73,548	73,538	73,538
Loans and advances	114,625,659	114,625,659	108,405,964	108,405,964
Liabilities				
Balances due to other banks	595,280	595,280	280,385	280,385
Deposits	126,617,240	126,617,240	123,085,533	123,085,533

NOTE 26: SUPERANNUATION COMMITMENTS

As at 30 June for each of the financial periods, there exists superannuation benefit plans in which the Credit Union participates. The principal type of benefit provided is a lump sum benefit. The basis of contribution to the plans is as follows:

- The Credit Union contributes to a multi-industry superannuation fund, the trustee of which is Sunsuper Pty Ltd. The fund provides for accumulation benefits for its members. Employees are not required to contribute to the fund. The Credit Union has a legally enforceable obligation to contribute to the fund at the rate determined by the relevant industrial award or government legislation. As the plan provides for accumulation benefits for its Members, actuarial assessment is not required.
- The Credit Union contributes to employee superannuation funds, by paying an agreed amount of some employees' gross salary to the plan by way of salary sacrifice. All funds to which the Credit Union contributes are "complying funds" in terms of the Superannuation Industry (Supervision) Act 1993. As the funds provide for accumulation benefits, actuarial assessment is not required.

To the extent of the Credit Union's participation in the plans and to the best knowledge of the Credit Union, funds are available for the purpose of the plans to satisfy all benefits that would have been vested under the plan in the event of:

- termination of the plan; or
- voluntary termination of the employment of each employee of the Credit Union on the initiative of that employee; or
- compulsory termination of the employment of each employee of the Credit Union by the Credit Union.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27: ECONOMIC DEPENDENCY

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

(a) FDI Ltd

This company operates the switching computer used to link Cuecards operated through Cuecard and other ATM suppliers to the Credit Union's computer systems.

(b) Indue Limited

This company 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 bureau to supply computer support to staff and services to meet the day to day needs of the Credit Union and compliance with relevant Prudential Standards.

(c) Ultradata Pty Ltd

This company provides core banking software and day to day support 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, services, and software to meet the day to day needs of the Credit Union and compliance with relevant Prudential Standards.

(d) Swift Call Pty Ltd

This company operates the IVR (telephone banking) facility in conjunction with Indue Limited and FDRA Limited, through which members are able to facilitate transactions. The Credit Union has a maintenance contract with Swift Call Pty Ltd.

NOTE 28: EVENTS AFTER THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union, in subsequent financial years.

NOTE 29: STATEMENT OF CASH FLOWS

(a) Reconciliations of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and "at bank" and short term deposits "at call" net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2007	2006
	\$	\$
Cash	156,224	85,778
Deposits at Call	1,432,329	1,362,260
Cash Receivables	-	528,311
Bank Payables	(595,280)	(280,385)
	<u>993,273</u>	<u>1,695,964</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29: STATEMENT OF CASH FLOWS *continued*

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

1. cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date
2. the placement of deposits with and withdrawal of deposits
3. cash advances and loans made to customers and the repayment of those advances and loans.
4. purchases of and redemptions of investment securities.

(c) Reconciliations of operating profit after income tax to net cash provided by operating activities

	2007 \$	2006 \$
Net profit after income tax	1,104,624	942,444
<i>Adjustments for:</i>		
Depreciation	60,689	61,875
Amortisation	54,901	47,567
<i>Changes in assets and liabilities</i>		
(Decrease)/increase in interest payable	12,362	(85,393)
(Increase)/decrease in interest receivable on held to maturity investments	32,352	(200,634)
Increase/(decrease) in interest received in advance	154,669	37,927
Increase/(decrease) in rent abatement	(34,134)	124,333
Increase/(decrease) in income taxes payable	104,555	(64,099)
Increase/(decrease) in accrued expenses	16,245	(17,415)
(Increase)/decrease in deferred tax asset	994	22,954
Net cash from operating activities	<u>1,507,257</u>	<u>869,559</u>

END OF REPORT

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