



**LABORATORIES
CREDIT UNION LIMITED**

A.B.N. 77 087 650 217

Incorporated in Australia

2007 ANNUAL

FINANCIAL REPORT

Registered Office:

No. 1 The Village, Riverside Corporate Park, Julius Ave
NORTH RYDE NSW 2113

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 year are:-

K.J. Greene B.A.	Chairman Director - since 1999 Risk Committee since November 2005
F. Benito de Valle B Econ. FAIDC Dip. FCIS FCPA	Deputy Chairman Director - since January 2000 Audit Committee - since November 2005
J Clark GD Bus Adm	Director – since November 2006 Risk Committee since November 2006
A.B. Murphy BSc.,Hons.PhD.	Director – since January 1998 Risk Committee since November 2005
I.R. McDonald B.Comm.	Director - since June 1982 Finance Committee since November 2000
D.E. Shaw BSc. M.S. PhD	Director - since June 1974 Risk Committee since November 2005
P.B. Steele CPA, Grad Dip Tech Management	Director - since January 1990 Finance Committee - since November 2005 Audit Committee – since November 2005
R.J.Steele BSc., PhD., M.B.A., ARACI.	Director – since March 2003 Finance Committee since November 2005

DIRECTORS' MEETINGS ATTENDANCE									
	Board		Audit		Risk		Finance		Comments
	A	H	A	H	A	H	A	H	
K.J.Greene	14	15			5	6			
F.Benito de Valle	12	15	10	12					
A.B.Murphy	12	15			6	6			
A.D.Hocking	4	6	3	4					Resigned from Board November 2006
J. E. Clark	8	10			3	3			Appointed to Board November 2006
I.R.McDonald	14	15					1	1	
D.E.Shaw	14	15			6	6			
P.B.Steele	14	15	12	12			1	1	
R.J.Steele	12	15	12	12			1	1	
Meetings:	A = Attended				H = Held				

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

M. Sinclair PNA, FAMI	Company Secretary – since 1986
---------------------------------	--------------------------------

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 29 of the financial report.

Indemnifying Officer or Auditor

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

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

FINANCIAL PERFORMANCE DISCLOSURES

Principal Activities

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

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

Operating Results

The net profit of the Credit Union for the year after providing for income tax was \$512,504 [2006 - \$530,640].

Dividends

The Directors of the Credit Union, since the end of the financial year, have declared a dividend of \$17,576.00 in respect of the Tier 1 Preference Shares.

Review of Operations

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

Significant Changes in State of Affairs

Events Occurring After Balance Sheet Date

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

CORPORATE GOVERNANCE STATEMENT

Your Board of Directors remain committed to the highest standards of corporate governance. The Board believes its primary role is to operate a financially viable credit union for the benefit of its members and accordingly, seeks to ensure that all aspects of the LCU operations meet all regulatory requirements and ethical standards governing credit union operations.

Board

The Credit Union Board 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.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

Each director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 criteria. The directors also need to satisfy the Fit and Proper criteria as set down by APRA.

The Board has established policies to govern 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

Non-Executive Officers

As part of our succession planning process, LCU has appointed two Non-Executive Officers who attend Board meetings, participate on various committees and generally assist the Board in carrying out their duties. These two Non-Executive Officers are ideally placed to be appointed to the Board if and when a vacancy occurs.

Board Remuneration

The board receives remuneration from the credit union in the form of allowances agreed to each year at the AGM and 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 Finance Committee have been formed to assist the Board in relevant matters of financial prudence. The directors form the majority of these committees with CEO participation.

Audit Committee:

The Audit Committee is established to oversight 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;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations; and
- Monitoring the compliance with applicable laws.

Risk Committee

The Risk Committee is established to monitor and identify means of mitigating the risks to which LCU is exposed. Its role includes

- Anticipating and evaluating strategic risks affecting LCU business and governance;
- Formulating and recommending a risk strategy for LCU;
- Reviewing LCU policy and recommending policy changes to the Board, as needed, to address this risk strategy; and
- In consultation with the Audit Committee, overseeing alignment of LCU practice with policy, primarily on identified risk mitigation policy.

Finance Committee:

The finance committee deals with

Financial budgets and performance criteria.

All management are remunerated by salary packages only. There are no bonus or equity benefits available to the management.

Policies

The board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union's ethical guidelines to staff, and to reinforce the practice of providing efficient service to members with courtesy and recognition of members as owners.

Key Risk Management Policies Include :-

- Capital adequacy management
- Liquidity Management
- Credit risk management
- Data risk management
- Operations risk 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 inquiries 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 30 years and audits over 36 credit unions in NSW. The firm utilises sophisticated Computer Assisted Audit Software to supplement the compliance testing.

Internal Audit

An internal audit function has been established using the services of Geoffrey Bannister Consultancy to deal with the areas of internal control compliance and regulatory compliance.

These matters are also examined by the external auditors. 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. .

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

Regulations

The Credit Union is regulated by

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

Under the FSR licensing arrangements all staff which 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 to both 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.

O H & S

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 the 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.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

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

- Little or no cash being held in accessible areas
- Security cameras are installed in the office for the detection of persons

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs to the public and staff. Independent security consultants report annually on the areas of improvement which may be considered.

The credit union has established the OH&S committee of employees which meets monthly to consider any concerns regarding security or safety raised by the employee's and the public. All matters of concern are reported to the CEO for actioning by management. Secure cash handling policies are in place, and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

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

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 year subsequent to this financial year.

Auditors' Independence

The auditors have provided the declaration of independence to the board as prescribed by the Corporations Act 2001 as set out on page 4.

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:

K.J. Greene
Chairman

F. Benito de Valle
Deputy Chairman

Auditors' Independence Declaration

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

I, Max Perry, 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 F1 issued by the Institute of Chartered Accountants in Australia, in relation to the audit.

Signed Max Perry
Partner BDO Kendalls

Dated 2007.

INDEPENDENT AUDIT REPORT

To the members of Laboratories Credit Union Limited

Scope

The financial report comprises the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, accompanying notes to the financial statements, and the directors' declaration for Laboratories Credit Union Limited, for the year ended 30 June 2007.

The directors of the credit union are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. 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 the International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards.

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

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

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The declaration set out in the Director's Report would be in the same terms if it had been given to the relevant directors at the time that this audit report was made.

Audit Opinion

In our opinion, the financial report of Laboratories Credit Union Limited is in accordance with:

- (a) 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 the Corporations Regulations; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

BDO KENDALLS

Chartered Accountants

Dated 23rd September 2007

Max Perry

Partner

DIRECTORS' DECLARATION

The directors' of Laboratories 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.

K.J. Greene
Chairman

F. Benito de Valle
Deputy Chairman

Dated this _____ day of _____ 2007.

**INCOME STATEMENT
FOR THE YEAR ENDED 30 June 2007**

	Note	2007 \$	2006 \$
Interest revenue	2.a	6,202,364	5,250,544
Interest expense	2.c	4,084,658	3,290,932
Net interest income		2,117,706	1,959,612
Other income	2.b	294,477	356,640
Sub Total		2,412,183	2,316,252
Less			
Non Interest Expenses			
Impairment losses on loans and advances	2.d	78,997	26,763
Fee and commission expenses		197,932	159,273
General administration			
- Employees compensation and benefits		685,889	632,075
- Depreciation and amortisation	2.e	92,867	90,548
- Information technology		162,439	151,591
- Office occupancy		73,634	80,338
- Other administration		80,045	77,851
Total general administration		1,094,874	1,032,403
Other operating expenses		321,191	354,565
Total non interest expenses		1,692,994	1,573,004
Profit before income tax		719,189	743,248
Income tax expense	3	206,685	212,608
Profit after income tax		512,504	530,640

**STATEMENT OF CHANGES IN MEMBER EQUITY
 FOR THE YEAR ENDED 30 June 2007**

	Capital	Retained Profits	Reserve for Credit Losses	Other reserves	Total
	\$	\$	\$	\$	\$
Total at 1 July 2005	0	1,984,606	686,315	3,611,848	6,282,769
Profit for the year		530,640			530,640
Share capital issued in the period	866,600				866,600
Transfers to (from) Reserves		(44,747)	43,237	1,510	0
Total at 30 June 2006	866,600	2,470,499	729,552	3,613,358	7,680,009
Profit for the year		512,504			
Dividends Paid		(64,885)			
Transfers to (from) Reserves		(2,000)		2,000	
Total as at 30 June 2007	866,600	2,916,118	729,552	3,615,358	

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

**BALANCE SHEET
AS AT 30 June 2007**

	Note	2007 \$	2006 \$
ASSETS			
Cash	4	3,392,240	2,024,124
Advances to other financial institutions	5	21,800,952	15,314,392
Receivables	6	193,053	149,311
Loans and advances to members	7 & 8	66,896,303	66,133,366
Available for sale investments	9	235,300	235,300
Property, plant and equipment	10	253,025	284,554
Taxation assets	11	210,056	198,101
Intangible assets	12	24,009	38,658
TOTAL ASSETS		93,004,938	84,377,806
LIABILITIES			
Deposits from members	13	82,298,784	74,237,136
Creditor accruals and settlement accounts	14	1,124,990	973,589
Taxation liabilities	15	49,870	106,300
Provisions	16	430,386	414,172
Subordinated debt	17	973,280	966,600
TOTAL LIABILITIES		84,877,310	76,697,797
NET ASSETS		8,127,628	7,680,009
MEMBER'S EQUITY			
Preference shares	18	866,600	866,600
Capital reserve account	19	12,730	10,730
Other Reserves	20	3,602,628	3,602,628
Reserve for credit losses	21	729,552	729,552
Retained earnings	22	2,916,118	2,470,499
TOTAL MEMBERS EQUITY		8,127,628	7,680,009

Table of other notes to accounts

23	Maturity Profile Of Financial Assets And Liabilities
24	Interest Rate Change Profile Of Financial Assets And Liabilities
25	Net Fair Value Of Financial Assets And Liabilities
26	Financial Commitments
27	Standby Borrowing Facilities
28	Contingent Liabilities
29	Disclosures On Directors And Other Key Management Personnel
30	Economic Dependency
31	Segmental Reporting
32	Superannuation Liabilities
33	Securitisation
34	Notes To Statement Of Cash Flows
35	Corporate Information

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2007**

	Note	2007 \$	2006 \$
OPERATING ACTIVITIES			
Revenue Inflows			
Interest received		6,133,438	5,239,558
Fees and commissions		234,913	281,183
Dividends		29,411	29,411
Other income		18,585	44,679
Revenue Outflows			
Interest paid		(4,003,266)	(3,209,258)
Suppliers and employees		(1,420,507)	(1,447,830)
Income taxes paid		(267,444)	(191,787)
Net cash from revenue activities	34c	725,130	745,956
Inflows from other operating activities			
Advances to other financial institutions (net movement)		(841,931)	2,685,608
Increase in member loans (net movement)		8,080,746	(8,039,879)
Increase in member deposits and shares (net movement)		(6,486,560)	1,866,318
Net cash from all operating activities		817,140	(2,741,997)
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investment in shares		0	68,823
Proceeds on sale of property, plant and equipment		22,580	0
Less: Outflows			
Purchase of Intangible Assets		(11,550)	0
Purchase of Fixed Assets		(55,414)	(7,147)
Net cash from investing activities		(44,384)	61,676
FINANCING ACTIVITIES			
Inflows (Outflows)			
Dividends paid		(64,885)	0
Issue of preference share capital		0	866,600
Proceeds of subordinated debt issued		0	966,600
Net cash from financing activities		(64,885)	1,833,200
Total net cash increase/ (decrease)		1,368,116	(847,121)
Cash at beginning of year		2,024,124	2,871,245
Cash at end of year	34.a	3,392,240	2,024,124

1. STATEMENT OF ACCOUNTING POLICIES

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

a. Basis of Measurement

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

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 on the basis of the daily balance outstanding and is charged in arrears to a members account.

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.

1. STATEMENT OF ACCOUNTING POLICIES Continued

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.

ii) Reserve for Credit Losses

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

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

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 fair value less accumulated depreciation. And 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 a 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 is appropriate at each reporting date. Estimated useful lives at the balance date are as follows:

- Buildings - 40 years.
- Leasehold Improvements - 10 years.
- Plant and Equipment - 3 to 7 years.
- Assets less than \$300 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.

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 entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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.

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 are 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 5 years.

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. Impairment of Assets

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

p. Accounting Estimates and Judgements

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

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

q. 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 policy of the credit union is not to undertake derivative to match the interest rate risks.

The board monitors these risks through the reports from management.

Details of the interest rate risk profile are set out in Note 24.

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) described 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 Scientific and Information Technology industries. 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.

Significant Accounting Judgements

The significant accounting judgements are related to the determination of the provision for impairment of loans are set out in Note 8

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 Credit Union Services Corporation (Aust) Limited (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. The policies of the board limit the investments outside CUSCAL to ADI's supervised by APRA.

Credit risk – Equity Investments

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

Liquidity Risk

The credit union has set out in Note 23 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The credit union policy is to apply 14.5% 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 or the available borrowing facilities. Note 27 describes the borrowing facilities as at the balance date

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

2. INCOME STATEMENT**a. Analysis of interest revenue**

	2007		
Category of interest bearing assets	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Cash – deposits at call	159,467	2,688,151	5.65%
Advances to other financial institutions	1,191,361	19,055,743	6.51%
Loans and advances to members	4,851,636	65,763,771	7.35%
TOTAL INTEREST REVENUE	<u>6,202,364</u>	<u>87,507,665</u>	<u>7.12%</u>

	2006		
Category of interest bearing assets	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Cash – deposits at call	132,462	3,557,272	3.72%
Advances to other financial institutions	699,029	14,104,797	4.96%
Loans and advances to members	4,419,053	60,196,890	7.34%
TOTAL INTEREST REVENUE	<u>5,250,544</u>	<u>77,858,959</u>	<u>6.74%</u>

	Note	2007 \$	2006 \$
b. Non-Interest revenue comprises			
Fee and commission revenue			
Loan fee income – other than loan origination fees		4,427	5,120
Other fee income		145,711	106,428
Insurance commissions		6,238	5,648
Other commissions		86,165	165,354
TOTAL FEE AND COMMISSION REVENUE		<u>242,541</u>	<u>282,550</u>
Other Income			
Dividends received		29,411	29,411
Bad debts recovered		7,650	13,060
Gain on disposal of assets			
- Property, plant and equipment		3,942	
- Investments			
Miscellaneous revenue		10,933	31,619
TOTAL NON INTEREST REVENUE		<u>294,477</u>	<u>356,640</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

c. Interest expenses**Analysis of interest expense**

Category of interest bearing liabilities	2007	Interest Expense	Average Balance	Average Interest Rate
		\$	\$	%
Deposits from members		3,999,949	77,613,791	5.15%
Overdraft		10,203	0	9.55%
Long term borrowings		0	0	
Subordinated debt		74,506	1,000,000	7.45%
Other		0	0	
TOTAL INTEREST EXPENSES		4,084,658	78,613,791	5.18%

Category of interest bearing liabilities	2006	Interest Expense	Average Balance	Average Interest Rate
		\$	\$	%
Deposits from members		3,278,037	68,977,102	4.75%
Overdraft		9,202	100,559	9.15%
Long term borrowings		0	0	
Subordinated debt		3,693	57,694	6.29%
Other		0	0	
TOTAL INTEREST EXPENSES		3,290,932	69,135,355	4.76%

	Note	2007	2006
		\$	\$
d. Impairment losses on loans and advances			
Increase in provision for impairment		0	26,763
Bad debts written off directly against profit		78,997	0
TOTAL IMPAIRMENT LOSSES ON LOANS AND ADVANCES		78,997	26,763

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
e. Prescribed expense disclosures			
General Administration - Depreciation expense comprises			
Buildings		0	0
Plant and equipment		39,490	41,164
Leasehold improvements		27,178	27,178
Amortisation of software		26,199	22,206
		<u>92,867</u>	<u>90,548</u>
General Administration – Office Occupancy costs include -			
Property operating lease payments			
- minimum lease payments		68,291	66,453
- contingent rents, and;		0	0
- sublease payments		0	0
Other Operating expenses include			
Auditor's remuneration (excluding GST)			
- Audit fees		25,600	22,130
- Other Services – taxation		3,500	2,500
- Other Services – compliance		2,500	900
- Other Services		1,000	2,700
		<u>32,600</u>	<u>28,230</u>
Defined contribution superannuation expenses		<u>76,557</u>	<u>74,655</u>
Loss on disposal of assets			
- Property, plant, equipment		<u>1,637</u>	<u>0</u>
Supervision levy paid to APRA		<u>5,330</u>	<u>5,590</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
3. INCOME TAX EXPENSE			
a. The income tax expense comprises amounts set aside as:-			
Provision for income tax - current year		219,269	228,912
Under (over) provision in prior years			
Increase (Decrease) in the deferred tax liability account.			
Decrease (Increase) in the deferred tax asset account.		(12,584)	(16,304)
Income tax expense attributable to operating profit		<u>206,685</u>	<u>212,608</u>
b. The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Profit from operations		<u>719,189</u>	<u>743,248</u>
Prima facie tax payable on operating Profit before income tax at 30%		215,757	222,974
Add tax effect of expenses not deductible		4,162	2,239
Subtotal		219,919	225,213
Less			
- Overprovision of tax in prior year		(629)	
- Franking rebate		(12,605)	(12,605)
Income tax expense attributable to operating profit		<u>206,685</u>	<u>212,608</u>
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:-		<u>2,870,508</u>	<u>2,667,182</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
4. CASH			
Cash on hand		127,978	121,216
Deposits at call		3,264,262	1,902,908
		<u>3,392,240</u>	<u>2,024,124</u>
5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS			
Deposits with industry bodies - CUSCAL (refer note 31)		16,200,000	14,300,000
Deposits with other societies		4,524,402	
Deposits with banks		1,076,550	1,014,392
		<u>21,800,952</u>	<u>15,314,392</u>
6. RECEIVABLES			
Interest receivable on deposits with other financial institutions		193,053	124,127
Sundry debtors and settlement accounts		0	25,184
		<u>193,053</u>	<u>149,311</u>
7. LOANS AND ADVANCES			
a. Amount due comprises:			
Overdrafts and revolving credit		1,591,919	1,340,228
Term loans		65,388,557	64,877,314
Subtotal		<u>66,980,476</u>	<u>66,217,542</u>
Less:			
Provision for impaired loans (Note 8)		84,173	84,176
		<u>66,896,303</u>	<u>66,133,366</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
b. Security Dissection			
Secured by mortgage over business assets		0	0
Secured by mortgage over real estate		63,939,497	62,977,784
Partly secured by goods mortgage		1,793,365	1,288,103
Wholly unsecured		1,247,614	1,951,655
		66,980,476	66,217,542
c. Concentration of Loans			
(i) Loans to Individual or related groups of members which exceed 10% of member funds in aggregate		2,933,241	2,188,532
(ii) Loans to members are concentrated to individuals employed primarily in the technology and scientific research industries.			
(iii) Loans by Customer type were			
Loans to Natural persons			
Residential loans and facilities		62,460,483	60,355,182
Personal loans and facilities		2,940,979	3,977,857
Business loans and facilities		1,579,014	1,884,503
TOTAL		66,980,476	66,217,542
Loans to Capital Investors			
Subordinated loans to Subordinated debt investors	17	1,000,000	1,000,000

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

- the loans are unsecured
- interest is payable quarterly at BBSW plus 1.19%.
- no repayments are required until the respective liabilities are settled in accordance with the agreements

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
8. PROVISION ON IMPAIRED LOANS			
a. Total provision comprises			
Specific provisions		84,173	84,176
General provisions		0	0
Total Provision		<u>84,173</u>	<u>84,176</u>
b. Movement in the Specific Provision			
Balance at the beginning of year		84,176	64,415
Add (deduct):			
Transfers from Profit and Loss account		78,984	26,763
Bad Debts written off provision		(78,987)	(7,002)
Specific Provision Balance at end of year		<u>84,173</u>	<u>84,176</u>
c. The specific loans provision consists of :			
(i) Prescribed provision required under the APRA Prudential Standards		62,928	84,176
(ii) Additional specific provision		21,245	Nil
		<u>84,173</u>	<u>84,176</u>
d. Impaired Loan Disclosures			
Impaired Loans as at Balance Date			
Balance of the impaired loans		104,750	111,071
Estimated value of loans which is secured		0	0
Loans upon which interest is not being Accrued			
Loans upon which interest is not being accrued		104,750	111,071
Less: Specific provision		(84,173)	(84,176)
Total Non Accrual Loans		<u>20,577</u>	<u>26,895</u>
Revenue on Impaired Loans			
Interest and other revenue recognised as revenue earned during the year		5,589	0
Interest and other revenue accrued but not recognised as revenue (i.e. foregone) in the year		10,546	6,590

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

Key assumptions in determining the provision for impairment

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

Period of impairment

% of loan balance

Up to 90 days

0

90 days to 181 days

40

181 days to 270 days

60

270 days to 365 days

80

Over 365 days

100

	2007 \$	2006 \$
9. AVAILABLE FOR SALE INVESTMENTS		
Shares in Unlisted companies – at cost		
- Credit Union Services Corporation (Aust) Limited	235,300	235,300
TOTAL INVESTMENTS net of provision	235,300	235,300

Disclosures on Shares held at cost

c. Credit Union Services Corporation (Aust) Limited (CUSCAL)

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 30. 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.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
10. PROPERTY, PLANT AND EQUIPMENT			
a. Fixed Assets			
Plant and equipment - at cost		136,243	331,833
Less: Provision for depreciation		39,490	230,729
		<u>96,573</u>	<u>101,104</u>
Capitalised Leasehold Improvements at cost		271,778	271,778
Less: Provision for amortisation		115,506	88,328
		<u>156,272</u>	<u>183,450</u>
Total Property, Plant and Equipment		<u><u>253,025</u></u>	<u><u>284,554</u></u>

Movement in the assets balances during the year were :

	2007			2006		
	<i>Plant & equipment</i>	<i>Leasehold improvement</i>	<i>Total</i>	<i>Plant & equipment</i>	<i>Leasehold improvement</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Opening balance	101,104	183,450	284,554	135,121	210,628	345,749
Purchases	55,415		55,415	7,146		7,146
Less						
Assets disposed	20,276		20,276			
Depreciation charge	39,490	27,178	66,668	41,163	27,178	68,341
Balance at the end of the year	<u>96,753</u>	<u>156,272</u>	<u>253,025</u>	<u>101,104</u>	<u>183,450</u>	<u>284,554</u>

	2007 \$	2006 \$
11. TAXATION ASSETS		
Deferred Tax Asset	<u>210,056</u>	<u>198,101</u>
Deferred tax asset comprise		
Accrued expenses not deductible until incurred	28,110	23,965
Provisions for impairment on loans	25,252	25,253
Provisions for employee benefits	109,616	104,751
Provisions for other liabilities	19,500	19,500
Depreciation on fixed assets	29,006	26,770
Amortisation of intangible assets	(1,428)	(2,138)
	<u>210,056</u>	<u>198,101</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	2007	2006
	\$	\$
12. INTANGIBLE ASSETS		
Computer Software	152,350	140,800
Less Provision for amortisation	128,341	102,142
	<u>24,009</u>	<u>38,658</u>

Movement in the assets balances during the year were :

	<i>2007</i>	<i>2006</i>
	\$	\$
Opening balance	38,658	46,564
Purchases	11,550	14,300
Less		
Assets disposed		
Depreciation charge	26,199	22,206
Balance at the end of the year	<u>24,009</u>	<u>38,658</u>

13. DEPOSITS BY MEMBERS

Member Deposits		
- at call	52,111,332	42,340,552
- term	30,155,682	31,864,874
Member withdrawable shares	31,770	31,710
TOTAL DEPOSITS & SHARES	<u>82,298,784</u>	<u>74,237,136</u>

Concentration of Member Deposits

There were no 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.

Approximately one third of members are employed in the scientific and information technology industry.

	Note	2007	2006
		\$	\$
14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS			
Creditors and accruals		240,578	164,483
Interest payable on borrowings			
Interest payable on deposits		731,671	650,279
Sundry creditors		152,741	158,827
TOTAL AMOUNTS PAYABLE		<u>1,1124,990</u>	<u>973,589</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
15. TAXATION LIABILITIES			
Provision for income tax		49,870	98,674
Provisions for deferred income tax			
Accrual for GST payable			7,626
Accrual for other tax liabilities			
TOTAL TAXATION LIABILITIES		<u>49,870</u>	<u>106,300</u>
Provision for Income Tax comprises:			
Provision – previous year		98,774	83,760
Less paid		98,045	83,760
Over / under statement in prior year		629	0
		<u>221,638</u>	<u>228,911</u>
Provision for tax for current year		221,638	228,911
Less Instalments paid in current year		171,768	130,237
		<u>49,870</u>	<u>98,674</u>
16. PROVISIONS			
Annual leave		197,961	202,138
Long service leave		167,425	147,034
Provisions – other		65,000	65,000
TOTAL PROVISIONS		<u>430,386</u>	<u>414,172</u>
Total number of employees at year end		<u>11</u>	<u>10</u>
17. SUBORDINATED DEBT ACCOUNT			
		966,600	Nil
Balance at the beginning of the year			
Increase due to debt issued			
- subordinated debt		Nil	966,600
Amortisation of costs		(6,680)	Nil
Balance at the end of year		<u>973,280</u>	<u>966,600</u>

The credit union entered into an agreement to issue subordinated debt in the year which was approved at the members meeting held on 20th February 2006. The agreement specified that the credit union will place loans being the equivalent to 10% of the liability with the investors as security for payment of interest.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	Note	2007 \$	2006 \$
18. PREFERENCE SHARE CAPITAL			
Balance at the beginning of the year		866,600	Nil
Increase due to shares issued		Nil	866,600
Balance at the end of year		866,600	866,600

The credit union entered into an agreement to issue redeemable preference shares in the year which was approved at the members meeting held on 20th February 2006.

The credit union issued 10,000 redeemable preference shares with a face value of \$100 each to Australian Mutual T1 Capital Funding Trust. The shares may be redeemable after June 2016.

	1,000,000	1,000,000
Less capital raising costs associated with the issue	(33,400)	(33,400)
As part of the capital raising scheme, the credit union was required to provide a limited recourse unsecured subordinated loan to the Trustee for 10% of the face value of shares issued. The loan is repayable upon the redemption of the shares.	(100,000)	(100,000)
Net amount received for the issue of shares.	866,600	866,600

Key Assumptions

The structure of the share issue agreement and the T1 Loss Reserve are considered to be effectively one transaction to raise capital. This view is consistent with the way the capital is treated for prudential capital adequacy requirements.

	2007 \$	2006 \$
21. CAPITAL RESERVE ACCOUNT		
Balance at the beginning of the year	10,730	9,220
Transfer from retained earnings on share redemptions		
Increase due to shares issued to members of Laboratories Credit Union where the value exceeds \$10.	2,000	1,510
Balance at the end of year	12,730	10,730

Share Redemption

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

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	2007	2006
	\$	\$
20. RESERVES		
General Reserves	3,602,628	3,602,628
TOTAL RESERVES	<u>3,602,628</u>	<u>3,602,628</u>

21. GENERAL RESERVE FOR CREDIT LOSSES

General reserve for credit losses	729,552	729,552
Other reserve for credit losses	0	0
TOTAL RESERVES	<u>729,552</u>	<u>729,552</u>

General Reserve for Credit Losses

This reserve records amount previously set aside as a General provision and is maintained to comply with the Prudential Standards set down by APRA

Balance at 30 June 2006	729,552	686,315
	<hr/>	<hr/>
Add: increase (decrease) transferred from retained earnings	0	43,237
Balance at end of year	<u>729,552</u>	<u>729,552</u>

	2007	2006
	\$	\$
22. RETAINED EARNINGS		
Retained profits at the beginning of the financial year	2,470,499	1,984,606
Add operating profit for the year	512,504	530,640
Less Dividends Paid	(64,885)	
Less Transfer to reserve for credit losses in year		(43,237)
Less Transfer to capital account on redemption of shares	(2,000)	(1,510)
Retained Profits at the end of the Financial Year	<u>2,916,118</u>	<u>2,470,499</u>

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

23. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2007	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	No Maturity \$	Total \$
ASSETS							
Cash	3,392,240						3,392,240
Advances to Other Financial Institutions	7,724,402	14,076,550					21,800,952
Receivables	193,053						193,053
Prepayments							0
Loans & Advances		1,764,061	2,174,636	9,821,780	52,543,908		66,807,850
Investments						235,500	235,500
Total	11,309,695	15,840,611	2,174,636	9,821,780	52,543,908	363,478	92,429,395
LIABILITIES							
Borrowings							0
Deposits from other FI's							0
Deposits from members	55,377,649	9,334,895	17,156,096	430,142			82,298,784
Creditors	1,124,990						1,124,990
Tax Liabilities	49,870						49,870
Subordinated debt					973,280		973,280
Total	56,552,509	9,334,895	17,156,096	430,142	973,280		84,446,924
2006							
2006	Within 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	After 5 years \$	No Maturity \$	Total \$
ASSETS							
Cash	2,024,123						2,024,123
Advances to other financial institutions	4,000,000	11,314,392					15,314,392
Receivables	149,311						149,311
Prepayments							0
Loans & advances	1,340,228	1,966,262	2,057,112	10,006,522	50,863,241		66,233,366
Investments						235,500	235,500
Total	7,364,351	13,280,654	2,057,112	10,006,522	50,863,241	235,500	83,956,692
LIABILITIES							
Borrowings							0
Deposits from other FI's							0
Deposits from members	45,760,580	11,654,195	16,251,277	571,084			74,237,136
Creditors	973,589						973,589
Tax liabilities	106,300						106,300
Subordinated debt					966,600		966,600
Total Liabilities	45,760,580	11,654,195	16,251,277	571,084	966,600		76,283,625

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

24. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2007	Weighted average interest	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS		\$	\$	\$	\$	\$	\$	\$
Cash	5.65%	3,264,262					127,978	3,392,240
Advances to other financial institutions	6.57%	7,724,402	14,076,550					21,800,952
Receivables							193,053	193,053
Prepayments								0
Loans & advances	7.39%	49,038,080	622,305	11,057,218	6,090,247			66,807,850
Investments							235,300	235,300
Total		60,026,744	14,698,855	11,057,218	6,090,247		556,331	92,429,395
LIABILITIES								
Borrowings								0
Deposits from other FI's								0
Deposits from members	5.25%	55,345,880	9,334,896	17,156,096	430,142		31,770	82,298,784
Creditors							1,124,990	1,124,990
Tax Liabilities							49,870	49,870
Subordinated debt	7.47%		973,280					973,280
Total		55,345,880	10,308,175	17,206,788	430,142		1,206,630	84,446,924
2006		Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS		\$	\$	\$	\$	\$	\$	\$
Cash	5.30%	1,902,908					121,216	2,024,123
Advances to other financial institutions	5.82%	4,000,000	11,314,392					15,314,392
Receivables							149,311	149,311
Prepayments								0
Loans & Advances	7.17%	47,080,598	3,103,952	10,092,638	6,040,354			66,317,542
Investments							235,300	235,300
Total		52,983,506	14,418,344	10,092,638	6,040,354		505,827	84,040,668
LIABILITIES								
Borrowings								0
Deposits from other FI's								0
Deposits from members	4.90%	44,761,398	9,395,180	17,692,651	539,742			74,237,366
Creditors							973,589	973,589
Tax liabilities							106,300	106,300
Subordinated debt	6.29%		966,600					966,600
Total Liabilities		44,761,398	10,361,780	17,692,651	539,742		1,079,889	76,283,855

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Net 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.

	Fair Value	2007 Book Value	Variance	Fair Value	2006 Book Value	Variance
	\$	\$	\$	\$	\$	\$
2007						
ASSETS						
Cash	3,392,240	3,392,240	0	2,024,124	2,024,124	0
Advances to other financial institutions	21,800,952	21,800,952	0	15,314,392	15,314,392	0
Receivables	193,053	193,053	0	149,311	149,311	0
Loans & advances	66,840,741	66,896,303	(55,552)	65,995,631	66,133,366	(137,735)
Investments	235,300	235,300	0	235,300	235,300	0
Total	92,462,286	92,517,838	(55,552)	83,718,758	83,856,493	(137,735)
LIABILITIES						
Borrowings						
Deposits from other FI's						
Deposits from members	82,292,215	82,298,784	(6,569)	74,243,806	74,237,136	6,670
Creditors						
Tax liabilities	49,870	49,870	0	106,300	106,300	0
Subordinated debt	1,000,000	973,280	26,720	1,000,000	966,600	33,400
Total	83,342,085	83,321,934	20,151	75,350,106	75,310,036	40,070

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 net 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.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

25. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES Cont.**Loans, 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 \$
26. FINANCIAL COMMITMENTS		
a. Outstanding Loan commitments		
The loans approved but not funded	<u>2,421,173</u>	<u>1,367,106</u>
b. Loan Redraw facilities		
The loan redraw facilities available	<u>8,125,423</u>	<u>8,689,256</u>
c. Undrawn Loan Facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	4,098,002	4,104,206
Less: Amount advanced	<u>1,591,919</u>	<u>1,340,228</u>
Net undrawn value	<u>2,506,083</u>	<u>2,763,978</u>

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

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	2007 \$	2006 \$
d. Lease expense commitments for operating leases on property occupied by the credit union		
Within 1 year	71,634	69,089
1 to 2 years	73,783	68,504
2 to 5 years	227,989	218,091
Over 5 years	44,331	109,622
	<u>417,737</u>	<u>465,306</u>

e. Computer Capital Commitments

As referred to in Note 30(c) the Credit Union will be converting to the Ultracs core banking systems by 2009. The costs of conversion and the final contractual arrangements with Ultradata Australia Pty Limited are yet to be determined.

27. STANDBY BORROWING FACILITIES

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

	2007 Gross \$	2007 Current Borrowing \$	Net Available \$
Loan Facility	1,200,000	0	1,200,000
Overdraft Facility	500,000	0	500,000
TOTAL STANDBY BORROWING FACILITIES	<u>1,700,000</u>	<u>0</u>	<u>1,700,000</u>

	2006 Gross \$	2006 Current Borrowing \$	Net Available \$
Loan Facility	1,200,000	0	1,200,000
Overdraft Facility	500,000	0	500,000
TOTAL STANDBY BORROWING FACILITIES	<u>1,700,000</u>	<u>0</u>	<u>1,700,000</u>

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.

28. 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.

29. 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 General Manager and Assistant General Manager who are responsible for the day to day financial and operational management of the credit union.

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

	2007	2006
	Directors & other KMP	Directors & other KMP
	\$	
(a) short-term employee benefits;	340,892	290,020
(b) post-employment benefits - Superannuation contributions	35,448	23,539
(c) other long-term benefits – net increases in Long Service Leave provision	7,281	11,076
(d) termination benefits;	0	0
(e) share-based payment.	0	0
Total	383,621	324,635

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.

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

	2007 \$	2006 \$
b. 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	2,458,031	1,252,120
(ii) The total value of revolving credit facilities to directors and other key management persons, as at Balance date amounted to	117,000	92,000
Less amounts drawn down and included in	80,797	51,048
(i) Net balance available	36,203	40,952
(iii) During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:	1,325,032	1,518,302
(iv) During the year the aggregate value of Revolving Credit Facility limits granted or increased to directors and other Key management persons amounted to:	Nil	3,000
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	104,417	94,981

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 KMP's.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Persons. There are no loans which are impaired in relation to the loan balances with close family relatives of directors and KMP's.

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

	2007 \$	2006 \$
Total value term and savings deposits from KMP	1,049,792	216,236
Total Interest paid on deposits to KMP	11,909	10,593

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

c. Transactions with Other Related Parties

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

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

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

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

30. ECONOMIC DEPENDENCY

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

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

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

- (i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, as well as the production of Visa cards 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 Resources Australia Limited (FDRA)

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

c. Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Credit Union. This product known as CORVIS was sold by CUSCAL to Ultradata in February 2004. The Credit Union anticipates converting to the Ultracs core banking systems by 2009. The evaluation of the new systems is presently being undertaken by the industry to minimise the costs and operational impact.

d. Co-Processing Pty Limited

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

31. SEGMENTAL REPORTING

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

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

32. 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.

33. 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 \$ 2,447,188 (2006 \$3,104,900)

34. 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:

	2007 \$	2006 \$
Cash on hand	127,978	121,216
Deposits at call	3,264,262	1,902,908
Bank overdraft	0	0
Total Cash	<u>3,392,240</u>	<u>2,024,124</u>

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.

<u>0</u>	<u>0</u>
----------	----------

LABORATORIES CREDIT UNION LTD

ABN 77 087 650 217

2007 Annual Financial Report

c. Reconciliation of Cash from Operations to Accounting Profit

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

Profit after income tax	512,504	530,640
Add (Deduct) :		
Increase in Provision for Doubtful Debts	78,994	19,761
Depreciation and Amortisation expense	92,867	90,548
Loss on sale of assets	1,637	0
Increase in provisions for staff leave	16,214	23,424
Increase in provision for income tax	(48,804)	14,914
Increase in other provisions	0	0
Increase in accrued expenses	68,469	11,712
Increase in interest payable	81,392	81,764
Increases in sundry receivables	0	(10,418)
Decreases in sundry receivables	0	0
Loss (Gain) on sale of assets	(3,942)	0
Decreases in prepayments	0	0
Decrease in Interest Receivables	(68,926)	0
Increases in deferred Tax Assets	(11,955)	(16,299)
Amortisation of Borrowing Costs	6,680	0
Net Cash From Operating Revenue Activities	<hr/> 725,130	<hr/> 745,956

35. CORPORATE INFORMATION

The credit union is a company limited by shares registered under the Corporations Act 2001
The address of the registered office is
The address the principal place of business.

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.