Laboratories Credit Union Ltd

2007-2008

54th Annual Report

LCU

banking you can trust

DIRECTORS OF
LABORATORIES CREDIT UNION
1954 - 2008

FOUNDATION DIRECTORS

R.J.P. Armstrong
1954 – 1955
2 years service

R.P. Bowman *1954 – 55* *2yrs*	*W.R. Webster* *1954 – 57* *4 yrs*	*R. Kenna* *1954 – 56* *3yrs*	*J.R. Morris* *1954 – 72* *19yrs*
F.C. Hawes *1954 – 56* *3yrs*	*K.J. Loughry* *1954 – 90* *37 yrs*	*R. Nicholls* *1954 – 55* *2 yrs*	

DIRECTORS

G.A. Wildman *1955 – 58* *4 yrs*	*T.C Clark* *1955 – 95* *41 yrs*	*S.A. Ryan* *1955 – 59* *1973 – 86* *19 yrs*	*H.F. Peddie* *1956 – 74* *19 yrs*	*R. Partridge* *1956 – 59* *4 yrs*
R.J. Taylor *1956 – 87* *32 yrs*	*F.O. Cox* *1957 – 59* *3 yrs*	*A.J. Tolliday* *1957 – 59* *3 yrs*	*T.G. Brock* *1959 – 67* *9 yrs*	*K. Wasson* *1959 – 72* *13 yrs*
J.W. Smyth *1959 – 77* *28 yrs*	*G.K. Johnson* *1967 – 72* *6 yrs*	*B.L. Sheldon* *1972 – 94* *23 yrs*	*T.A. Cahalan* *1973 – 82* *10 yrs*	*P.V. Batson* *1977 – 80* *4 yrs*
P.E. Robinson *1980 – 83* *4 yrs*	*G.W. Rae* *1983 – 88* *6 yrs*	*G.W. Goodfellow* *1987 – 89* *3 yrs*	*D W Pendergast* *1989 – 96* *8 yrs*	*G.F. Taylor* *1989 - 96* *7 years*
J.F. Gannon *1993 - 97* *5 years*	*W.D. King* *1988 - 99* *11 years*	*D. Stevens* *1991 - 1999* *9 years*	*R.H. Brittain* *1994 - 2003* *9 years*	*A. Hocking* *1994 - 2006* *12 years*

CURRENT DIRECTORS

F Benito de Valle
1998

D.E. Shaw *1974*	*I.R. McDonald* *1982*	*P.B. Steele* *1989*	*A.B Murphy* *1995*
K.J. Greene *1997*	*R.J. Steele* *2003*	*J.E. Clark* *2006*	

Financial Year 2007 – 2008

On behalf of the Board of Directors, it is my pleasure to present to members the fifty-fourth Annual Report of Laboratories Credit Union Limited, covering the 2007 – 08 Financial Year.

LCU has maintained a healthy financial position despite a continuing general downturn in home lending, which is the LCU's main loan product. Once again a number of factors have contributed to this downturn, including a series of interest-rate increases, intense competition from mortgage-brokers, a declining house affordability index and a sluggish NSW economy. Nonetheless LCU maintained an 8.4% overall growth for the year; with loans growth being slow but picking up as we enter the new Financial Year.

LCU maintains a focus on the long-term benefits for our members, first and foremost even though the home lending industry continues the use of 'low-doc' and other less secure loan products. LCU policies are there to protect all its' members, not just borrowers, from undue risks by not reducing lending standards as has happened elsewhere in the industry. Similarly, LCU offers deposit products subject to the same regulatory conditions and as safe as any major bank.

LCU continues to maintain strong Capital Adequacy, which is in excess of prudential requirements, very low operating costs, high member value and well-contained bad debt and fraud costs.

Financial Performance
At June 30th 2008, LCU had reached a significant milestone, with total assets valued in excess of $100 million and after-tax surplus of $595,000 (last year $512,000) after paying our capital issue dividend. LCU's low Return on Assets is indicative of a true Co-operative, operating with the lowest possible fee structure in the interests of all its members.

In the coming year, LCU is planning for asset growth continuing at around 6% with similar rates of deposit and loans growth.

Member Services and New Products
In order to attract new and younger members, LCU introduced a 'Barefoot Pack' product, which offers a discounted loan rate for the first three years and up to $800 to offset legal and valuation fees. The uptake of this product has been slow since its introduction, so we encourage you, where eligible, to use this excellent product or spread the word!

During the year LCU successfully implemented a new banking system, Ultradata. This new system will assist LCU to deliver improved services to its members through enhanced functionality and robust technology. LCU also upgraded the web site during the past year, to freshen up the look and make it more user friendly for all our members.

Community Service
LCU continues it's tradition of community service and recognises the importance placed on education by our members. Each year we award a number of scholarships to members, or children of members, who have completed the HSC and are progressing to a tertiary institution or who have completed a TAFE Associate Diploma or Certificate. It was my pleasure in February to present scholarships Sarah Allender, Rachel Helmore, Parijaat Khatri, Simon Lockett, Zhen Liu, Thomas Swanton, Tejas Thete, Matthew Williams, Richard Murphy,and Kate Fitzpatrick. LCU warmly congratulates all the winners on their achievements so far and wish them every success in their further studies.

Acknowledgements
I would like to thank the hardworking LCU Board: Ms Janine Clark, Mr Kieran Greene (Deputy Chair), Dr Doug Shaw, Dr Bob Steele (Chair of the Board Audit Committee), Mr Ian McDonald (Executive Officer to the Board), Mr Peter Steele and Dr Tony Murphy (Chair of the Board Risk Committee) for their much-valued cooperation and dedication to the governance of LCU. I would also like to thank Ms Carolyn Hart and Dr Anita Andrew, Associate Directors, both of whom attend Board meetings by invitation and provide invaluable advice and service to the Board.

As always, our General Manager Michael Sinclair and Assistant General Manager Leanne Harris deserve special thanks, for making LCU such an efficient, cooperative, friendly, compliant and reliable operation. In this, they are supported by our loyal, capable and dedicated staff: Eileen Thoms, Terri Breen, Lyn Slatter, Kerrie Griffiths, Rhonda Hatton, Susanne Tran, Jenny Vote, Nalini Mannie and Elizabeth Sinclair.

Finally, as most of you know, LCU is indebted to CSIRO, and other organisations that employ our members, for their goodwill and access to premises for seminars and presentations. This helpfulness allows LCU to provide the best possible and most cost effective financial services for its members amongst their staff.

Frank Benito de Valle
Chairman
September 2008

DIRECTORS' REPORT

Your directors present their report on the credit union for the financial year ended 30 June 2008.

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:-

F. Benito de Valle
B Econ. FAIDC Dip. FCIS FCPA
Chairman – since December 2007
Director - since January 2000
Audit Committee - since November 2005
Risk Committee since November 2007

K.J. Greene
B.A.
Deputy Chairman
Director - since 1999
Risk Committee since November 2005

J Clark
Grad Bus Dip Adm
Director – since December 2006
Risk Committee since December 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
Audit Committee – since November 2005

DIRECTORS' MEETINGS ATTENDANCE

	Board		Finance		Audit		Risk		Comments
	H	A	H	A	H	A	H	A	
F. Benito de Valle	12	9			3	3	3	3	
K.J. Greene	12	12			6	6	6	6	
A.B. Murphy	12	10					6	6	
J. E. Clark	12	11					6	6	
I.R. McDonald	12	12	2	2					
D.E. Shaw	12	10							
P.B. Steele	12	11	2	2	11	11			
R.J. Steele	12	11	2	2	11	11			
Meetings legend:	H = Meetings held				A = Meetings attended				

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 credit union, or a related body corporate with a director, a firm of which a director is a member or an credit union 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 $ 595,223
[2007 $ 512,504]

Dividends

The Directors of the Credit Union, since the end of the financial year, have declared a dividend of $19,105 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

There were no significant changes in the state of the affairs of the credit union during the year.

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.

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 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

Associate Director

As part of our succession planning process, LCU has appointed two Associate Directors who attend Board meetings, participate on various committees and generally assist the Board in carrying out their duties. These two Associate Directors 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 General Manager 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 renumerated 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 who 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.

Staff are trained in robbery procedures 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 unauthorised persons or activity.

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 an OH&S committee of employees which meets monthly to consider any concerns regarding security or safety raised by 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 years subsequent to this financial year.

Auditors' Independence

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

Chairman	R.J.Steele
F. Benito de Valle	Chairman, Audit Committee

Dated this 17th day of September 2008.

INDEPENDENT AUDITOR'S DECLARATION

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001.

As lead auditor of Laboratories Credit Union Limited for the year ended 30 June 2008, 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 16th September 2008.

INDEPENDENT AUDITOR'S REPORT

to the members of Laboratories Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Laboratories Credit Union Limited, which comprises the balance sheet as at 30 June 2008, 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Laboratories Credit Union Limited, would be in the same terms if provided to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion

(a) the financial report of Laboratories Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001; and*

(iii) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

BDO Kendalls	Max Perry
Sydney,18th September 2008	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 2008 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

Chairman	R.J.Steele
F.Benito de Valle	Chairman, Audit Committee

Dated this 17th day of September 2008.

INCOME STATEMENT
FOR THE YEAR ENDED 30 June 2008

	Note	2008 $	2007 $
Interest revenue	2.a	7,094,224	6,202,364
Interest expense	2.c	4,786,806	4,084,658
Net interest income		**2,307,418**	**2,117,706**
Fee commission and other income	2.b	304,284	294,477
		2,611,702	**2,412,183**
Less			
Non interest expenses			
Impairment losses on loans receivable from members	2.d	50,000	78,997
Fee and commission expenses		197,103	197,932
General administration			
- Employees compensation and benefits		721,944	685,889
- Depreciation and amortisation	2.f	73,203	92,867
- Information technology		218,078	162,439
- Office occupancy		75,472	73,634
- Other administration		128,508	80,045
Total General Administration		**1,217,205**	**1,094,874**
Other operating expenses		320,950	321,191
Total non interest expenses		**1,785,258**	**1,692,994**
Profit before income tax		**826,444**	**719,189**
Income tax expense	3	231,221	206,685
Profit after income tax		**595,223**	**512,504**

STATEMENT OF CHANGES IN MEMBERS EQUITY
FOR THE YEAR ENDED 30 June 2008

	Capital	Reserve for Credit Losses	Retained Profits	Other reserves	Total
	$	$	$	$	$
Total at 1 July 2006	866,600	729,552	2.470,499	3,613,358	7,680,009
Profit for the year			512,504		512,504
Dividends Paid			(64,885)		(64,885)
Transfers to (from) Reserves					
Transfers to capital reserve on redemption of shares			(2,000)	2,000	0
Total at 30 June 2007	**866,600**	**729,552**	**2,916,118**	**3,613,358**	**8,127,628**
Profit for the year			595,223		595,223
Dividends Paid			(70,849)		(70,849)
Transfers to (from) Reserves					
Transfers to capital reserve on redemption of shares			(1.940)	1,940	
Total as at 30 June 2008	**866,600**	**729,552**	**3,438,552**	**3,617,298**	**8,652,002**

BALANCE SHEET
AS AT 30 June 2008

	Note	2008 $	2007 $
ASSETS			
Cash	4	2,460,583	3,392,240
Receivables from financial institutions	5	23,863,601	21,800,952
Receivables	6	49,527	193,053
Loans to members	7 & 8	73,691,654	66,896,303
Available for sale investments	9	235,300	235,300
Property, plant and equipment	10	229,800	253,025
Taxation assets	11	198,302	210,056
Intangible assets	12	135,971	24,009
TOTAL ASSETS		**100,864,738**	**93,004,938**
LIABILITIES			
Deposits from members	13	89,130,295	82,298,784
Creditor accruals and settlement accounts	14	1,908,335	1,322,951
Taxation liabilities	15	9,579	49,870
Provisions	16	184,541	232,425
Long Term Borrowings	17	979,980	973,280
TOTAL LIABILITIES		92,212,730	84,877,310
NET ASSETS		**8,652,008**	**8,127,628**
MEMBERS' EQUITY			
Share capital - preference shares	18	866,600	866,600
Capital reserve account	19	14,670	12,730
General reserve	20	3,602,628	3,602,628
General reserve for credit losses	21	729,552	729,552
Retained earnings		3,438,558	2,916,118
TOTAL MEMBERS' EQUITY		**8,652,008**	**8,127,628**

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2008

	Note	2008 $	2007 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		7,237,756	6,133,438
Fees and commissions		229,145	234,913
Dividends		29,411	29,411
Other income		33,586	18,585
Revenue outflows			
Interest paid		(4,544,871)	(4,003,266)
Suppliers and employees		(1,654,206)	(1,420,507)
Income taxes paid		(259,758)	(267,444)
Net cash from revenue activities	**33.c**	**1,071,063**	**725,130**
Inflows from other operating activities			
Increase in member loans (net movement)		(6,845,351)	(841,931)
Increase in member deposits and shares (net movement)		7,125,926	8,080,746
Increase in deposits to other financial institutions (net)		(2,062,649)	(6,486,560)
Net cash from operating activities		**(711,011)**	**1,477,385**
INVESTING ACTIVITIES			
Inflows			
Proceeds on sale of investments in shares			0
Proceeds on sale of property, plant and equipment		20,955	22,580
Less: Outflows			
Purchase of investments in shares			0
Purchase of Intangible Assets		(121,930)	(11,550)
Purchase of property plant and equipment		(48,822)	(55,414)
Net cash from investing activities		**(149,797)**	**(44,384)**
FINANCING ACTIVITIES			
Inflows (outflows)			
Increase in borrowings (net movement)			0
Dividends Paid		(70,849)	(64,885)
Proceeds of issue of preference share capital			0
Proceeds of issue of subordinated debt			0
Net cash from financing activities		**(70,849)**	**(64,885)**
Total net cash increase/ (decrease)		(931,657)	1,368,116
Cash at beginning of year		3,392,240	2,024,124
Cash at end of year		**2,460,583**	**3,392,240**

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Laboratories Credit Union Limited as a single credit union, for the year ended the 30th June 2008. 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), other authoritative pronouncements of the Australian Accounting Standards board Urgent Issues Group Interpretations and the Corporations Act 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

a. Basis of Measurement

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

b. Loan to Members

(i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds 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 impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

(ii) Interest earned

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

Overdraft –interest is calculated initially 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. 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 as interest revenue.

(iv) Net gains and losses

Net gains and losses on loans to members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

1. STATEMENT OF ACCOUNTING POLICIES Continued

c. Loan Impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided 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 used in the calculation are as set out in Note 8. Note 22 details the credit risk management approach for loans.

The APRA Prudential Standards require 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. This approach is used to assess the collective provisions for impairment.

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

(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 in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:

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

(iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

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 impairment, 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 cost (fair value) less accumulated depreciation. Any revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the income statement. Revaluation decreases are debited to the income statement unless it directly offsets 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 if appropriate at each reporting date. Estimated useful lives as 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. Receivables from other financial institutions

Term deposits with other financial institutions 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.

g. Equity investments and other securities

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account comprises only gains and losses on disposal.

All investments are in Australian currency.

h. Member Deposits

(i) **Basis for measurement**

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

j. Provision for Employee Benefits

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

Other employee benefits payable later than one year have been measured at the present value of the 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 years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

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 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 income tax benefit to be obtained.

m. Intangible Assets

Items of computer software which are not integral to the computer hardware owned by the credit union are classified as intangible assets.

Computer software 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 for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned 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). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), 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. 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 union’s accounting policies with respect to:

(i) The classification of preference shares as equity instruments – refer note 21

Management have made critical accounting estimates when applying the credit union’s accounting policies with respect to the impairment provisions for loans - refer note 8.

q. New or emerging standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Nature of Change	Application date:	Impact on Initial Application
AASB 123 (revised Jun 2007) Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.
AASB 101 (Revised Sep 2007) Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

r. 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 25.

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 investments 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 24 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The credit union policy is to apply 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 28 describes the borrowing facilities as at the balance date

	Note	2008 $	2007 $
2. INCOME STATEMENT			
a. Analysis of interest revenue			
Interest revenue on assets carried at amortised cost			
Cash – deposits at call		169,242	159,467
Receivables from financial institutions		1,469,460	1,191,361
Loans to members		5,455,522	4,851,536
Other		-	-
TOTAL INTEREST REVENUE		**7,094,224**	**6,202,364**
b. Fee, commission and other income			
Fee and commission revenue			
Fee income on loans – other than loan origination fees		6,050	4,427
Other fee income		122,617	145,711
Insurance commissions		4,888	6,238
Other commissions		95,590	86,165
TOTAL FEE AND COMMISSION REVENUE		229,145	242,541
Other income			
Dividends received on available for sale assets		29,411	29,411
Bad debts recovered		8,553	7,650
Income from property (rental income)		-	-
Gain on disposal of assets			
- Property, plant and equipment		12,142	3,942
- Intangibles		-	-
Miscellaneous revenue		25,033	10,933
TOTAL FEE COMMISSION AND OTHER INCOME		**304,284**	**294,477**
c. Interest Expense			
Interest expense on liabilities carried at amortised cost			
Short term borrowings - overdraft		10,653	10,203
Deposits from financial institutions		-	-
Deposits from members		4,692,983	3,999,949
Subordinated Debt		83,170	74,506
Other		-	-
TOTAL INTEREST EXPENSE		**4,786,806**	**4,084,658**
d. Impairment losses			
Loans and advances			
Increase in provision for impairment		50,000	78,997
Bad debts written off directly against profit		-	-
TOTAL IMPAIRMENT LOSSES		**50,000**	**78,997**
e. Other prescribed disclosures			
General administration - depreciation expense include:			
- plant and equipment		36,056	39,490
- leasehold improvements		27,178	27,178
- amortisation of software		9,969	26,199
		73,203	**92,867**

	Note	2008 $	2007 $
General administration – office occupancy costs include:			
property operating lease payments			
- minimum lease payments		71,190	68,291
- contingent rents, and;		-	-
		71,900	**68,291**
Other operating expenses include**:**			
Auditor's remuneration (excluding GST)			
- Audit fees		28,400	25,600
- Other Services – taxation		3,500	3,500
- Other Services – compliance		3,000	2,500
- Other Services – other		5,500	3,000
		40,400	**34,600**
Defined contribution superannuation expenses		**88,142**	**76,557**
Loss on disposal of assets			
- property, plant, equipment		**-**	**1,637**
Supervision levy paid to APRA		**3,757**	**5,330**

3. INCOME TAX EXPENSE

	2008 $	2007 $
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	826,444	719,189
Prima facie tax payable on profit before income tax at 30%	247,933	215,757
Add tax effect of expenses not deductible	2,330	4162
Subtotal	250,263	219,919
Origination and reversal of temporary differences	(10,219)	
Less		
- Franking rebate	(8,823)	(12,605)
- Overprovision of tax in prior year	-	(629)
Income tax expense attributable to current year profit	**231,221**	**206,685**

4. CASH

	2008 $	2007 $
Cash on hand	75,676	127,978
Deposits at call	2,384,907	3,264,262
	2,460,583	**3,392,240**

	Note	2008 $	2007 $
5. RECEIVABLES FROM FINANCIAL INSTITUTIONS			
Deposits with industry bodies - Cuscal (refer note 31)		22,157,597	16,200,000
Deposits with other societies		1,706,004	4,524,402
Deposits with banks			1,076,550
		23,863,601	**21,800,952**
6. RECEIVABLES			
Interest receivable on deposits with other financial institutions		49,527	193,053
Sundry debtors and settlement accounts		-	-
		49,527	**193,053**
7. LOANS TO MEMBERS			
a. Amount due comprises:			
Overdrafts and revolving credit		910,319	1,591,919
Term loans		72,903,942	65,388,557
Subtotal		73,814,261	66,980,476
Less:			
Provision for impaired loans (Note 8)		122,607	84,173
		73,691,654	**66,896,303**
b. Credit quality - Security held against loans			
Secured by mortgage over real estate		69,354,614	63,939,497
Partly secured by goods mortgage		1,684,067	1,793,365
Wholly unsecured		2,775,580	1,247,614
		73,814,261	**66,980,476**

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

		2008 $	2007 $
Security held as mortgage against real estate is on the basis of			
- loan to valuation ratio of less than 80%		57,020,958	-
- loan to valuation ratio of more than 80% but mortgage insured		5,140,474	-
- loan to valuation ratio of more than 80% and not mortgage insured		7,193,182	-
Total		**69,354,614**	**-**

Where the loan value is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

	Note	2008 $	2007 $
c. Concentration of loans			
The values discussed below include on balance sheet values and off balance sheet undrawn facilities as described in Note 27.			
(i) Loans to Individual or related groups of members which exceed 10% of reserves in aggregate		1,977,444	2,933,241
(ii) Loans to members are concentrated to individuals employed primarily in the technology and scientific research industries			
(iii) Geographical concentrations Australia			

2008	Housing	Personal	Business	Total
NSW	61,044,417	2,550,151	1,095,842	64,690,410
Victoria	2,828,666	47,019	-	2,875,685
Queensland	3,892,989	129,359	-	4,022,348
South Australia	-	30,110	-	30,110
Western Australia	1,271,399	1,718	-	1,273,117
Tasmania	588,005	16,084	-	604,089
Northern Territory	-	-	-	-
ACT	308,364	10,138	-	318,502
Other	-	-	-	-
Total per balance sheet	**69,933,840**	**2,784,579**	**1,095,842**	**73,814,261**

2007	Housing	Personal	Business	Total
NSW	56,234,946	2,658,243	1,479,014	60,372,203
Victoria	1,339,204	63,305	-	1,402,509
Queensland	2,586,308	122,256	-	2,708,564
South Australia	-	-	-	-
Western Australia	1,703,142	80,508	-	1,783,650
Tasmania	596,882	28,215	-	625,097
Northern Territory	-	-	-	-
ACT	-	-	-	-
Other	-	-	-	-
Total per balance sheet	**62,460,482**	**2,952,527**	**1,479,014**	**66,892,023**

Loans to Capital Investors

	2008	2007
Subordinated loans to Subordinated debt investors	100,000	100,000

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

	Note	2008 $	2007 $
8. PROVISION ON IMPAIRED LOANS			
a. Total provision comprises			
Collective provisions		122,607	84,173
Individual specific provisions		-	-
Total Provision		**122,607**	**84,173**
b. Movement in the provision for impairment			
Balance at the beginning of year		84,173	84,176
Add (deduct):			
Transfers from (to) income statement		50,000	78,984
Bad debts written off provision		(11,566)	(78,987)
Balance at end of year		**122,607**	**84,173**

Details of credit risk management is set out in Note 22.

		2008 $	2007 $
c. Impaired loans written off			
Amounts written off against the provision for impaired loans		11,566	78,987
Amounts written off directly to expense		-	-
Total bad debts		**11,566**	**78,987**

d. Analysis of loans that are impaired or potentially impaired by class

In the Note below -

- Carrying Value is the amount of the balance sheet
- Impaired loans value is the 'on balance sheet' loan balances which are past due by 90 days or more
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans

	2008				2007		
	Carrying value	Value of Impaired Loans	Provision for impairment		Carrying value	Value of Impaired Loans	Provision for impairment
	$	$	$		$	$	$
Loans to members							
Mortgages	-	-	-		-	-	-
Personal	110,174	228,301	118,127		18,152	93,853	75,701
Overdrafts	882	5,362	4,480		2,425	10,897	8,472
Totals	**111,056**	**233,663**	**122,607**		**20,577**	**104,750**	**84,173**

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

e. Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2008		2007	
	Carrying Value	Provision	Carrying Value	Provision
	$	$	$	$
Non impaired up to 30 days				
30 to 90 days in arrears	196,951	-	1,070,605	21,246
90 to 180 days in arrears	512,542	68,386	18,617	7,447
180 to 270 days in arrears	15,369	9,221	7,139	4,283
270 to 365 days in arrears	0	0	1,019	815
Over 365 days in arrears	40,520	40,520	41,910	41,910
Over limit facilities over 14 days	5,362	4,480	10,897	8,472
Total	**770,744**	**122,607**	**1,150,187**	**84,173**

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

f. Loans with repayments past due but not regarded as impaired

There are loans with a value of $473,023 past due which are not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

Loans with repayments past due but not impaired are in arrears as follows:

Loans members:

	1- 3 Mnths	3-6 Mnths	6-12 Mnths	> 1 Year	Total
2008					
Mortgage secured	132,894	340,129	-	-	473,023
Personal loans	64,057	-	-	-	64,057
Overdrafts	-	-	-	-	-
Total	**196,951**	**340,129**	**-**	**-**	**573,080**
2007					
Mortgage secured	902,818	-	-	-	902,818
Personal loans	167,787	-	-	-	167,787
Overdrafts	-	-	-	-	-
Total	**1,070,605**	**-**	**-**	**-**	**1,070,605**

g. 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 balance
Up to 90 days	0
90 days to 181 days	40
181 days to 270 days	60
270 days to 265 days	80
Over 365 days	100

	Note	2008 $	2007 $
9. AVAILABLE FOR SALE INVESTMENTS			
Shares in unlisted companies – at cost			
- Cuscal		235,300	235,300
Total value of investments		235,300	235,300

Cuscal Limited

The shareholding in Cuscal is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the credit union to receive essential banking services – refer to Note 29. 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.

	Note	2008 $	2007 $

10. PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

	2008 $	2007 $
Plant and equipment - at cost	292,010	306,214
Less: provision for depreciation	(191,304)	(209,461)
	100,706	**96,753**
Capitalised leasehold improvements at cost	271,778	271,778
Less: provision for amortisation	(142,684)	(115,506)
	129,094	**156,272**
	229,800	**253,025**

b. Movement in the assets balances during the year were :

	2008			*2007*		
	Plant & equipment	*Leasehold improvements*	*Total*	*Plant & equipment*	*Leasehold improvements*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
Opening balance	96,753	156,272	253,025	101,104	183,450	284,554
Purchases	48,822	-	48,822	55,415		55,415
Less						
Assets disposed	8,814		8,814	20,276	-	20,276
Depreciation charge	36,055	27,178	63,233	39,490	27,178	66,668
Revaluation decrease	-	-		-	-	-
Impairment loss	-	-		-	-	-
Balance at the end of the year	**100,706**	**129,094**	**229,800**	**96,753**	**156,272**	**253,025**

	Note	2008 $	2007 $

11. TAXATION ASSETS

	2008 $	2007 $
Deferred Tax Assets	**198,302**	**210,056**
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	24,255	28,110
Provisions for impairment on loans	36,782	25,252
Provisions for employee benefits	106,230	109,616
Provisions for other liabilities	-	19,500
Depreciation on fixed assets	31,782	29,006
Amortisation of intangible assets	(747)	(1,428)
Deferred fees (less transaction costs) on loan origination	-	-
	198,302	**210,056**

	Note	2008 $	2007 $

12. INTANGIBLE ASSETS

	2008 $	2007 $
Computer software	215,730	152,350
Less provision for amortisation	79,759	128,341
	135,971	**24,009**
Movement in the assets balances during the year were :		
Opening balance	24,009	38,658
Purchases	121,930	11,550
Less		
Assets disposed	-	-
Depreciation charge	9,968	26,199
Impairment loss	-	-
Balance at the end of the year	**135,971**	**24,009**

13. DEPOSITS FROM MEMBERS

	2008 $	2007 $
Member Deposits		
- at call	53,945,377	52,111,332
- term	35,152,948	30,155,682
Member withdrawable shares	31,970	31,770
	89,130,295	**82,298,784**

Concentration of member deposits

	2008 $	2007 $
(i) Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:	-	-
(ii) Member deposits at balance date were received from individuals employed principally in the scientific and technology research industry	-	-
(iii) Geographical concentrations Australia	-	-

2008	**2008**	**2007**
NSW	76,839,340	79,059,470
Victoria	951,156	1,163,130
Queensland	936,408	1,339,660
South Australia	121,758	103,720
Western Australia	565,245	280,204
Tasmania	372,079	352,600
Northern Territory	5,049	-
ACT	9,339,260	-
Other	-	-
Total per balance sheet	89,130,295	82,298,784

	Note	2008 $	2007 $
14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS			
Annual leave		169,558	197,961
Creditors and accruals		318,014	240,578
Interest payable on deposits		973,606	731,671
Sundry creditors		447,157	152,741
		1,908,335	**1,322,951**

15. TAXATION LIABILITIES

Current income tax liability	9,579	49,870
	9,579	**49,870**
Current income tax liability comprises:		
Balance – previous year	49,870	98,774
Less paid	49,870	98,045
Over / under statement in prior year	**-**	**729**
Liability for income tax in current year	227,352	221,638
Less Instalments paid in current year	217,773	(171,768)
Balance – current year	**9,579**	**49,870**

16. PROVISIONS

Long service leave	184,541	167,425
Provisions – other	-	65,000
	184,541	**232,425**
Provision movements comprises:		
Other Provision – Technology upgrade		
Balance – previous year	65,000	-
Less paid	65,000	-
Balance – current year	-	-

17. LONG TERM BORROWINGS

SUBORDINATED DEBT		
Balance at the beginning of the year	973,280	966,600
Increase due to debt issued	-	-
Amortisation of Cost	6,700	6,680
Balance at the end of year	**979,980**	**973,280**

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 equivalent to 10% of the liability with the investors as security for payment of interest.

	Note	2008 $	2007 $

18. PREFERENCE SHARES

		2008 $	2007 $
Balance at the beginning of the year		866,000	866,600
Increase due to shares issued		-	-
Less Costs of capital raising		-	-
Balance at the end of year		**866,000**	**866,600**
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)
		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.

19. CAPITAL RESERVE ACCOUNT

		2008 $	2007 $
Balance at the beginning of the year		12,730	10,730
Transfer from retained earnings on share redemptions		1,940	2,000
Balance at the end of year		**14,670**	**12,730**

a. 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.

20. RESERVES

		2008 $	2007 $
General Reserves		3,602,628	3,602,628
		3,602,628	**3,602,628**

	Note	2008 $	2007 $

21. GENERAL RESERVE FOR CREDIT LOSSES

	Note	2008 $	2007 $
General reserve for credit losses		729,552	729,552
Other reserve for credit losses		-	-
		729,552	**729,552**

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 beginning of year		729,552	729,552
Add: increase (decrease) transferred from retained earnings			-
Balance at end of year		**729,552**	**729,552**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

A. MARKET RISK AND HEDGING POLICY

The objective of the credit union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an effect on the credit union's financial condition or results. The credit union is not exposed to currency risk, and other significant price risk. The credit union does not trade in the financial instruments it holds on its books. The credit union is exposed only to interest rate risk arising from changes in market interest rates

The management of market risk is the responsibility of the Management, which reports directly to the board.

(i) INTEREST RATE RISK

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within their Treasury operations. This credit union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

The credit union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is measured daily and reported and to the board monthly.

In the banking book the most common risk the credit union faces arises from fixed rate assets and liabilities. This exposes the credit union to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 25 below. The table set out at note 25 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

The credit union manages it interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

Interest rate sensitivity
The credit union's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the credit union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The Gap is measured quarterly to identify and large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities and to rectify the imbalance to within acceptable levels. The policy of the credit union is not to undertake derivatives to match the interest rate risks. The credit unions exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

The credit union performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the credit union for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would loans would all reprice to the new interest rate at the within 28 days;
- personal loans would reprice after a 3 month delay;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the credit union's exposure to market risk or the way the credit union manages and measures market risk in the reporting period.

B. LIQUIDITY RISK

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that the credit union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The credit union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The credit union has a longstanding arrangement with the industry liquidity support scheme, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the credit union should it be necessary at short notice.

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The credit union policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 31 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific note 24.

C. CREDIT RISK

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the credit union which may result in financial losses. Credit risk arises principally from the credit union's loan book and investment assets.

(I) CREDIT RISK - LOANS

The analysis of the credit union's loans by class, is set out in Note 7.

Carrying value is the value on the balance sheet**.** Maximum exposure is the value on the balance sheet plus the undrawn facilities (Loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities; credit cards limits). The details are shown in note 27 and a summary is in note 7.c.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in note 7.c.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The credit union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies;

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the credit union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the income statement . In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the credit union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Balance sheet provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the credit union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.

Details are as set out in Note 8.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the credit union is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

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 the majority of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

Concentration risk is a measurement of the credit union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the credit union's regulatory capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but the APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The aggregate value of large exposure loans are set out in note 7. [The credit union holds no significant concentrations of exposures to members.] Concentration exposures to counterparties are closely monitored with reviews being prepared for all exposures over 5 per cent of the capital base.

The credit union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of at least 80 per cent and reviews of compliance with this policy are conducted.

Concentration risk – Industry

The credit union has a concentration in the retail lending for members who comprise employees and family in the scientific research and 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.

(II) CREDIT RISK – LIQUID INVESTMENTS

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the credit union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the credit union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 25% of the Capital Base can be invested with any one financial institution at a time.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one credit union. Also the relative size of the credit union as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed. The board policy is to maintain the majority of the investments in Cuscal Limited, a company set up to support the member credit unions and which has an AAB rating.

All other investment must be with financial institutions with a rating in excess of BBB. The policies of the board limit the investments outside Cuscal to Authorised Deposit taking Institutions (ADI's)

D. OPERATIONAL RISK

Operational risk is the risk of loss to the credit union resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the credit union relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors.

The credit union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistleblowing policy to promote a compliant culture and awareness of the duty to report exceptions by staff ;
- education of members to review their account statements and report exceptions to the credit union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card PINS, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The credit union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the credit union. Fraud losses have arisen from card skimming, internet password theft, and false loan applications.

IT systems

The worst case scenario would be the failure of the credit union's core banking and IT network suppliers, to meet customer obligations and service requirements. The credit union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on the credit union by the industry body Cuscal to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and B pay etc.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

E. CAPITAL MANAGEMENT

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components

- Credit risk
- Market risk (trading Book)
- Operations risk.

The market risk component is not required as the credit union is not engaged in a trading book for financial instruments.

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises

- Preference share capital
- Retained profits
- Realised reserves.

The preference shares issued are approved by APRA and qualify as Tier 1 capital.

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A subordinated loan remitted from the credit union's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential standard APS 111.
- A general reserve for Credit Losses.

The credit union's available for sale (AFS) reserve, and an asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

Capital in the credit union is made up as follows:

	2008	2007
Tier 1	**$**	**$**
Share capital	866,600	866,600
Capital reserve	14,670	12,730
General reserve	3,602,628	3,602,628
Retained earnings	3,438,558	2,916,118
Less prescribed deductions	351,372	343,456
Net tier 1 capital	**7,571,084**	**7,054,620**
Tier 2		
Subordinated debt	979,980	973,280
Reserve for credit losses	729,552	729,552
Asset revaluation reserves on property (discount ed to 45%)	-	-
Asset revaluation reserves on equity (discount ed to 45%)	-	-
Less prescribed deductions	409,636	362,020
Net tier 2 capital	**1,299,896**	**1,340,812**
Total Capital	**8,870,980**	**8,395,432**

The credit union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weighted assets processes were modified by APRA as from the 1 January 2008 as part of the Basel 2 Prudential framework enhancements. Comparative data has not been available on the revised methods – the risk weighted assets for 2007 and prior reflect the previous methodology.

The capital ratio as at the end of the financial year over the past 5 years is as follows

2008	2007	2006	2005	2004
20.62%	**19.54%**	**20.13%**	**15.59%**	**18.79%**

The level of capital ratio can be affected by growth in asset relative to growth in reserves and by changes in the mix of assets.

To manage the credit unions capital the credit union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The credit union uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the credit union's three year average net interest income and net non-interest income to the credit union's various business lines.

Based on this approach, the credit union's operational risk requirement is as follows:

- operational risk capital $7,414,000

It is considered that the Standardised approach accurately reflects the credit union's operational risk.

23. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2008 $	2007 $
Financial assets - carried at amortised cost			
Cash	4	2,460,583	3,392,240
Receivables		49,527	193,053
Receivables from financial institutions -	5	23,863,601	21,800,952
Loans to members	7 & 8	73,591,654	66,796,303
Loans to capital investors		100,000	100,000
Total loans and receivables		**100,065,365**	**92,282,548**
Available for sale investments - carried at cost		235,300	235,300
Available for sale investments - carried at fair value		-	-
Total available for sale investments		235,300	235,300
TOTAL FINANCIAL ASSETS		**99,300,665**	**92,517,848**
Financial liabilities			
Short term borrowings			
Creditors		1,908,335	1,322,951
Deposits from other institutions		-	-
Deposits from members		89,130,295	82,298,784
Long term borrowings		979,980	973,280
Total carried at amortised cost			
Fair value through profit and loss		-	-
TOTAL FINANCIAL LIABILITIES		**92,018,610**	**84,595,015**

24. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the balance sheet.

2008	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**After 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
LIABILITIES						
Creditors	1,908,335					1,908,335
Deposits from members – at call	53,977,346					53,977,346
Deposits from members – term	2,858,931	13,706,475	19,856,062	764,364		37,185,833
Subordinated debt					1,000,000	1,000,000
On Balance sheet	**58,744,612**	**13,706,475**	**19,856,062**	**764,364**	**1,000,000**	**94,071,513**
Undrawn commitments	**-**	**-**	**-**	**-**	**-**	**-**
Total financial Liabilities	**58,744,612**	**13,706,475**	**19,856,062**	**764,364**	**1,000,000**	**94,071,513**

2007	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**After 5 years**	**Total**
	$	$	$	$	$	$
LIABILITIES						
Borrowings						0
Creditors	1,322,951					1,322,951
Deposits from members – at call	52,111,332					52,111,332
Deposits from members – term	3,266,318	9,334,896	17.156,096	430,124		30,187,434
Subordinated debt					1,000,000	1,000,000
On Balance sheet	**56,700,601**	**9,334,896**	**17.156,096**	**430,124**	**1,000,000**	**84,621,717**
Undrawn commitments	**-**	**-**	**-**	**-**	**-**	**-**
Total financial Liabilities	**56,700,601**	**9,334,896**	**17,156,096**	**430,124**	**1,000,000**	**84,621,717**

25. INTEREST RATE CHANGE PROFILE OF FINANCIAL 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.

2008	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Non interest bearing**	**Total**
	$	$	$	$	$	$
ASSETS						
Cash	2,384,907	-	-	-	75,676	2,460,583
Receivables	-	-	-	-	49,527	49,527
Advances to other financial Institutions	5,562,306	13,493,528	4,807,767	-	-	23,863,601
Loans & advances - mortgage	49,949,537	3,198,639	11,941,586	4,264,852	-	69,354,614
Loans & advances - personal	4,161,288	-	-	-	-	4,359,647
Loans & advances – other	100,000	-	-	-	-	100,000
Investments	-	-	-	-	-	-
On Balance sheet	**62,158,038**	**16,692,167**	**16,749,353**	**4,264,852**	**125,203**	**100,187,972**
Undrawn commitments	15,980,747	**-**	**-**	**-**	**-**	**15,980,747**
Total financial assets	**78,138,785**	**16,692,167**	**16,749,353**	**4,264,852**	**125,203**	**116,168,719**
LIABILITIES						
Creditors	1,908,335	-	-	-	-	1,908,335
Deposits from members	56,217,699	13,706,475	18,499,016	675,135	31,970	89,130,295
Subordinated debt	979,980	-	-	-	-	979,980
On Balance sheet	59,106,014	13,706,475	18,499,016	675,135	31,970	**92,018,610**
Undrawn commitments	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**59,066,014**	**13,706,475**	**18,499,016**	**675,135**	**31,970**	**92,018,610**

2007	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Non interest bearing**	**Total**
	$	$	$	$	$	$
ASSETS						
Cash	3,264,262	-	-	-	127,978	3,392,240
Receivables	-	-	-	-	193,503	193,503
Advances to other financial Institutions	7,724,402	14,076,550	-	-	-	21,800,952
Loans & advances	49,038,080	622,305	11,057,218	6,090,247	-	66,807,850
Investments	-	-	-	-	235,300	235,300
On Balance sheet	**60,026,744**	**14,698,855**	**11,057,218**	**6,090,247**	**556,331**	**92,429,395**
Undrawn commitments	13,052,679	**-**	**-**	**-**	**-**	13,052,679
Total financial assets	**73,079,423**	**14,698,855**	**11,057,218**	**6,090,247**	**556,331**	**105,482,074**
LIABILITIES						
Borrowings	-	-	-	-	-	-
Creditors	-	-	-	-	1,322,951	1,322,951
Deposits from members	55,345,880	9,334,896	17,156,096	430,142	31,770	82,298,784
Subordinated debt	-	973,280	-	-	-	973,280
On Balance sheet	**55,345,880**	**10,308,176**	**17,156,096**	**430,142**	**1,354,721**	**84,595,015**
Undrawn commitments		**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**55,345,880**	**10,308,176**	**17,156,096**	**430,142**	**1,354,721**	**84,595,015**

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Significant assumptions used in 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.

The values reported have not been adjusted for the changes in credit ratings of the assets.

The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable toe original term

	2008			2007		
	Fair Value	Carrying Value	Variance	Fair Value	Carrying Value	Variance
	$	$	$	$	$	$
FINANCIAL ASSETS						
Cash	2,460,583	2,460,583	-	3,392,240	3,392,240	-
Advances to other financial institutions	23,863,601	23,863,601	-	21,800,952	21,800,952	-
Receivables	49,527	49,527		193,053	193,053	-
Loans	71,344,302	73,691,654	(2,347,352)	66,840,741	66,896,303	(55,552)
Investments	235,300	235,300	-	235,300	235,300	-
Total financial assets	**97,953,313**	**100,300,665**	**(2,347,352)**	**92,462,286**	**92,517,838**	**(55,552)**
FINANCIAL LIABILITIES						
Borrowings	-	-	-	-	-	-
Creditors	-	1,908,335	-	1,322,951	1,322,951	-
Deposits from members	-	89,130,295	-	82,292,215	82,298,748	(6,569)
Creditors (1)	-	-	-	-	-	-
Subordinated debt	1,000,000	979,980	20,020	1,000,000	973,280	26,720
Total financial liabilities	**1,000,000**	**92,018,610**	**20,020**	**84,665,036**	**84,644,885**	**20,151**

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

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

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

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

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to 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 call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the Balance Sheet. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

		Note	2008 $	2007 $
27.	**FINANCIAL COMMITMENTS**			
a.	**Outstanding loan commitments**			
	The loans approved but not funded		**3,372,986**	**2,421,173**
b.	**Loan redraw facilities**			
	The loan redraw facilities available		**8,349,467**	**8,125,423**
c.	**Undrawn loan facilities**			
	Loan facilities available to members for overdrafts and line of credit loans are as follows:			
	Total value of facilities approved		5,168,613	4,098,002
	Less: Amount advanced		(910,319)	(1,591,919)
	Net undrawn value		**4,258,294**	**2,506,083**
	These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
	Total financial commitments		**15,980,747**	**13,052,679**
e.	**Computer Licence commitments**			
	The costs committed under contracts with Ultradata are as follows			
	Not later than one year		126,672	-
	Later than 1 year but not later than 5 years		506,608	-
	Later than 5 years		-	-
			633.280	**-**
f.	**Lease Expense commitments**			
	Lease expense commitments for operating leases on property occupied by the credit union			
	Not later than one year		71,171	69,089
	Later than 1 year but not later than 5 years		284,685	286,595
	Later than 5 years		35,585	109,622
			391,441	**465,306**

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

28. STANDBY BOROWING FACILITIES

The credit union has a borrowing facility with credit union Services Corporation (Australia) Limited (Cuscal) of:

	2008			2007		
	Gross	Current Borrowing	Net Available	Gross	Current Borrowing	Net Available
	$	$	$	$	$	$
Loan facility	1,200,000	-	1,200,000	1,200,000	-	1,200,000
Investments	500,000	-	500,000	500,000	-	500,000
Total Standby Borrowing Facilities	**1,700,000**	**-**	**1,700,000**	**1,700,000**	**-**	**1,700,000**

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

Cuscal holds an equitable mortgage charge over all of the assets of the credit union as security against loan and overdraft amounts drawn under the facility arrangements.

29. CONTINGENT LIABILITIES

Liquidity support scheme

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

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

30. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Basis of Measurement

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 credit union. Control is the power to govern the financial and operating policies of the credit union so as to obtain benefits from its activities.

Key management persons (KMP) have 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:

Note the AASB 124 standard does not specifically require the separation of the directors and executive remuneration. A single table may be shown for KMP combined.

		2008 $	2007 $
(a)	short-term employee benefits;	265,230	340,892
(b)	post-employment benefits - superannuation contributions	37,387	35,448
(c)	other long-term benefits – net increases in long service leave provision	8,708	7,281
(d)	termination benefits;	-	-
(e)	share-based payment.	-	-
Total		**311,325**	**383,621**

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.

b. Loans to Directors and other Key Management Persons

		2008 $	2007 $
(i)	The aggregate value of loans to directors and other key management persons as at balance date amounted to	1,715,791	2,458,031
(ii)	The total value of revolving credit facilities to directors and other key management persons, as at balance date amounted to	92,000	117,000
	Less amounts drawn down and included in (i)	(13,329)	(80,797)
	Net balance available	78,671	36,203
(iii)	During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:		
	Term Loans	915,141	1,325,032
		915,141	1,325,032
(iv)	During the year the aggregate value of revolving credit facility limits granted or increased to directors and other key management persons amounted to:	-	-
		-	-
(v)	Interest and other revenue earned on Loans and revolving credit facilities to KMP:	174,315	174,315
		174,315	174,315

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

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

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

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

	2008 $	2007 $
Total value term and savings deposits from KMP	423,678	1,049,792
Total Interest paid on deposits to KMP	24,208	11,909

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.

31. 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.

32. SECURATISATION

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 credit union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

The amount of securitised loans under management as at 30 June 2008 is $993,398 (2007: $2,447,188).

	Note	2008 $	2007 $

33. NOTES TO CASH FLOW STATEMENT

Reconciliation of cash

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

	Note	2008 $	2007 $
Cash on hand		75,676	127,978
Deposits at call		2,384,907	3,264,262
Bank overdraft		-	-
Total cash		**2,460,583**	**3,392,240**

Reconciliation of cash from operations to accounting profit

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

	Note	2008 $	2007 $
Profit after income tax		595,223	512,504
Add (Deduct) :			
Bad debts		50,000	78,994
Depreciation and Amortisation expense		73,203	92,867
Loss on sale of assets		-	1,637
Increase in provisions for staff leave		(11,287)	16,214
Increase in provision for income tax		(40,285)	(48,804)
Increase in other provisions		(65,000)	-
Increase in accrued expenses		77,436	68,469
Increase in interest payable		241,935	81,392
Loss (Gain) on sale of assets		(12,142)	(3,942)
Decreases in prepayments		-	-
Decreases in sundry receivables		-	-
Decreases in deferred tax assets		11,754	(11,955)
Decrease in other assets		-	-
Decrease in interest receivable		143,526	(68,926)
Amortisation of borrowing costs		6,700	6,680
Net cash from revenue activities		**1,071,063**	**725,130**

34. CORPORATE INFORMATION

The credit union is a company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office and the principal place of business is 1/3 Julius Avenue, North Ryde, NSW.

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.

CREDIT UNION PROFILE

REGISTERED OFFICE	1 The Village, Riverside Corporate Park, Julius Avenue Nth Ryde
BRANCH OFFICES	**TELECOMMUNICATIONS & INDUSTRIAL PHYSICS** *Bradfield Road, Lindfield* *Vimera Road, Marsfield*
STAFF	M.F. Sinclair, PNA, General Manager L. Harris, Assistant Manager E.R. Thoms, Office Administrator L.E. Slatter, Loans Officer T.A. Breen, Business Development Officer K.P. Griffiths, Member Services Officer R.K. Hatton, Member Services Officer S.Y. Tran, Member Services Officer J.R. Vote, Member Service Officer N. Mannie, Member Service Officer E.A. Sinclair, Administration Assistant
BANKERS	CUSCAL Central Banking National Australia Bank
AUDITORS	**EXTERNAL**: KENDALLS LMJ **INTERNAL**: Geoffrey Bannister Consultancy
SOLICITOR	Williams, Woolf & Zuur
AFFILIATIONS	Credit Union Services Corporation

AS AT 30th JUNE, 2008