

Australian Central

ANNUAL REPORT 2006



Working together, enhancing lives

The Year's Highlights



Above: Head Office, Adelaide, South Australia

- ▶ We've had another year of strong performance, driven by our ability to be responsive to the competitive market, our commitment to financial services provision throughout the lives of our members and clients and the robust economic environment.
- ▶ Record financial results including an after tax profit of \$13.7 million – an increase of more than 6%.
- ▶ Total member loans reached \$1.99 billion, an increase of 12%, and total assets also rose by 12% to \$2.29 billion. This was combined with \$782.3 million worth of funds under advice, a total of \$3.96 million of risk premiums in force and a healthy \$64.1 million in new retail wealth management funds.
- ▶ Member deposits rose strongly by 11% to \$1.35 billion.
- ▶ Expansion in our residential lending product range and a record lending month in March 2006, providing members with loans totalling \$90 million, significantly higher than the previous monthly record set in 2003 at the height of the housing boom.
- ▶ Continued strategic investment, with the acquisition of Framework Financial Planning, strengthening our wealth management capacity and providing the base for introducing retail banking services in Western Australia.
- ▶ Increasing focus on anticipating members' needs throughout their lives, with the initial rollout of our Home Loan Adviser network and final implementation of our Member Relationship Management (MRM) program.
- ▶ Increasing our activity in the community with the introduction of major sponsorships in regional areas.

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Cover: Credit Union Christmas Pageant, Australian Central staff, Subiaco Advice Centre, Australian Central Teddy Bears' Picnic.



The Year in Review

Chairman's and Managing Director's Report

In 2005/2006, we have again delivered an outstanding performance, achieving record financial results while meeting our members' and clients' needs in new and innovative ways. In a highly competitive environment, we developed new products and services and tailored the way we operate so that we could continue to grow our business and the increasingly personalised role we play in the lives of our members and clients.

THE ECONOMY

Australia continued to enjoy a robust economic environment, which was strongly evident in our three key markets – South Australia, the Northern Territory and in Western Australia where economic growth was driven in particular by the resources boom and significant defence investment. High employment levels across the nation were bolstered by good income growth, giving people the confidence to borrow to enhance their wealth and lifestyles. More Australians have continued to benefit from owning shares, with equity markets generating strong growth and excellent returns, and with good performances also being achieved for much of middle-Australia through superannuation and managed funds.

However, some caution began to enter the lending market in the latter part of the year, due to the Reserve Bank of Australia's decision to lift interest rates, albeit marginally, and with the spike in oil prices also starting to dampen consumer sentiment. Home lending remained strong, although not at the heights we have seen in previous years, and consumers began to defer discretionary spending on personal purchases like cars or holidays. Still, our three markets experienced good overall economic growth with housing prices in Western Australia and the Northern Territory remaining exceptionally strong and expected to rise further in the short-term.

OUR PERFORMANCE

Australian Central again exceeded all our financial expectations in 2005/2006, achieving an after-tax profit of \$13.7 million, up more than 6% on last year. Total member loans reached \$1.99 billion, an increase of 12%, and total assets also rose by 12% to \$2.29 billion. This was combined with \$782.3 million worth of funds under advice, a total of \$3.96 million of risk premiums in force and a healthy \$64.1 million in new retail wealth management funds. We were pleased to welcome 11,491 new members, with total membership now reaching 210,982.

Such a strong result in a highly competitive market was achieved through a combination of innovative strategies, sound



John Cossons, Chairman



Peter Evers, Managing Director

product development, hard work by our staff, and the trust that our members and clients continue to show in us.

In the face of increasing competition, we continued to focus on meeting member and client needs, including delivering very competitive home loan pricing. The success of this approach was demonstrated in March, when we shattered our previous lending record. In just the one month, we provided members with loans totalling \$90 million, significantly higher than the previous monthly record of \$67 million, set in December 2003. It was a bold strategy to attract new business and then add value by making sure our relationship with members and clients goes beyond one-off loans and evolves into a long-term partnership.

The last 12 months has also seen an intense focus on strengthening our business model, led by the integration of our Retail Banking and Wealth Management services under the new Advice and Distribution Division.

OUR STRATEGIC GROWTH

Australian Central made another significant strategic investment during the year, with the acquisition of Framework Financial Planning, a market-leading wealth management practice based in Western Australia, a state in which we see long-term growth opportunities. Bringing us an additional \$85 million in funds under advice, more than \$1 million of risk premium in force and more than 1,500 clients, the acquisition strongly complements our existing Financial Solutions business in Western Australia and gives us a much larger presence in the State.



Australian Central, Subiaco, Western Australia

The expanded Western Australian business has moved into a new purpose-built advice centre in Subiaco under the Australian Central brand, highlighting our commitment to the State and the future expansion of our operations there.

One of the major strategic initiatives of our new Advice and Distribution Division has been the rollout of our innovative Home Loan Adviser network. This sees at least one highly trained and experienced home loan specialist placed in all our branches, firstly in metropolitan South Australia and later in the Northern Territory, Western Australia and regional South Australia.

The Home Loan Advisers will show members and clients that when properly structured and reviewed, a mortgage is a key part of building wealth over their lifetime. Thus, we will be offering the same proactive service with home loans as we do with wider financial planning strategies, initiating reviews and making sure the product suits individual needs, lifestyle and stage in life.

Wealth Management continues to be a strong performer for us, driven particularly by the ongoing buoyancy in the equities markets. We were also pleased to attract strong attendance to our educational wealth management seminars through the year, conducted as part of our commitment to providing members and clients with relevant and timely information on complex financial matters.

OUR OPERATIONS

Our continued growth and the need to provide a modern, open and professional work environment for staff, members and

clients drove our decision to move into new, larger head office premises at 60 Light Square in Adelaide's Central Business District. It's been a very exciting process, with staff actively engaged in the design process to make sure the building met our specialised needs. We were particularly pleased that we were able to make the move with no disruption to services provided to members and clients.

But the move was not just a physical relocation. Rather, the new head office also supports our purpose statement of 'Working together, enhancing lives' and embraces our core philosophy of contributing to the economic and social wellbeing of our members, clients, staff and the community. Talented South Australian artists have injected colour, flair and inspiration throughout the building with their artwork – some specially commissioned. The aim was to 'bring the outside inside', to humanise the workspace, explore our core values and branding, and reflect upon our heritage. As a result, each floor is unique and represents the South Australian landscape: the hills and parks, urban centre, coastal areas and marine life. These ideals have also been applied in the new Western Australian office in Subiaco, with more of a local focus on the Western Australian environs. In both instances, clever workplace design is also encouraging greater interaction between staff, as well as more comfortable and productive surrounds generally, including facilities for partners, contractors and suppliers who need to work on-site at various times.

The new Light Square branch, with its innovative interview pods and streamlined service areas, will be the template for future design and refurbishment of our branches, to allow us to deliver more personal, effective and specialised advice.

Following Australian Central's decision to relocate to a new head office environment the Trustee of the Australian Central Credit Union Members' Property Trust instigated a review of the ongoing ownership of the 70 Light Square Adelaide property given that the primary purpose of the Trust was to provide office accommodation to Australian Central. In addition a review of the future of the Trust was also undertaken. As a result of the reviews, the Trustee sold the property with the settlement occurring on 15 May 2006 and following the sale the Trust was wound up effective 30 June 2006.

In other operational matters, we also continued to strengthen our relationships with all our key third party mortgage brokers. Committed to capturing our share of this business, our Business Development Managers again pursued opportunities

to enhance existing relationships with brokers and build new networks. We also ensured that brokers have the opportunity to discuss individual loan scenarios with the lending assessment team.

We were very pleased when our efforts were recognised in this area by winning the Mortgage Choice Tier 2 Lender of the Year award – a significant achievement given our key corporate focus is only on three States and Territories and that we were measured against major banks, non-bank lenders and other credit unions

Faced with the challenge of ever-increasing competition, we also focused through the year on improving all our internal processes, streamlining back office functions and pursuing efficiencies through initiatives like our automatic loan processing system.

Risk management continues to remain a high priority, and during 2005/2006 we appointed two specialist risk positions, a Business Risk Manager and a Regulatory Risk Manager, and enhanced our Business Continuity Management activities.

Our strong credit risk practices continued to maintain low loan delinquencies and write-offs while our Treasury Management activities concentrated on risk management, margin enhancement, compliance and funding facilities. We have also implemented a new Financial Management System, enhancing our reporting and financial analysis capabilities.

We finalised activities and complied with the Australian equivalent of the International Financial Reporting Standards and continued to monitor and review the implications of Basel II on the regulatory environment within Australia.

OUR MEMBERS

In October 2005 we launched our new brand strategy, focused on the message to members, clients and the community that: 'You're central to everything we do' – a statement designed to reflect our values and culture and sum up what we aim to do for our members and clients. The accompanying corporate television campaign was designed to convey this new positioning statement and demonstrate that Australian Central has the expertise, products and services to meet all the financial needs of members and clients.

We also continued to enhance our long-term Member Relationship Management program with a variety of effective strategies and tools to ensure we are proactive with our

Part of the Community

Our staff, strongly supported by Australian Central's members and clients, and the general public, supported a range of very worthy causes and groups. A donation of \$22,000 on behalf of Australian Central added to member and clients' public donations, totalled \$28,545 for the Make-A-Wish® Foundation – a charity group that has granted more than 4,000 wishes to children with life-threatening illnesses since it began in 1985.

Our branch networks and staff also helped to raise \$4,772 for the Salvation Army's Cyclone Larry Appeal, to help communities in northern Queensland, as well as contributing to the Red Cross Appeal to assist victims of Hurricane Katrina in the United States.

Staff helped raise funds for cancer research by participating in the annual Relay 4 Life challenge at Santos Stadium in Adelaide. Staff members like Kathryn Heath (pictured) our Sales and Service Manager at Palmerston, also got right behind fundraising for the Leukaemia Foundation in its annual Shave for a Cure campaign and were happy to go under the razor, with other staff raising funds through casual days. Other fundraising activities were also held at local branches throughout the year to raise money for a variety of local charities and causes including SA Dragons Abreast, The Variety Club, Breast Cancer Research, Bali Orphans and Ronald McDonald House.



Kathryn Heath, Palmerston Sales and Service Manager

COMMUNITY SUPPORT



2006 Community Lottery Winner

Community Lottery

Since its inception, the Community Lottery has provided over \$3 million to support not-for-profit community groups and organisations throughout South Australia.

It's still one of the most popular fundraising events around, with more than 200 clubs in South Australia participating this year in the 21st annual Australian Central Community Lottery.

An innovative fundraiser, the lottery allows clubs, charities and community groups to raise funds for themselves and their causes by selling \$1 lottery tickets. They then receive a percentage return on each of the tickets with clubs receiving over \$205,000 this year. Australian Central organises the lottery by handling all the administration and sourcing a range of great prizes, including cars, holidays and cash – costs that would be beyond the scope of smaller community groups.

The next year will see our plans for the Lottery to be even bigger and better, come to life!

COMMUNITY SUPPORT

members and clients – anticipating their needs with the right products and services when they need them. The program also allows us to provide frontline staff with better resources so they can offer much more targeted support for members and clients.

Dedicated to tailoring new products for the different life stages our members and clients go through, we also launched a special new savings account, focused directly on the needs of our older members and clients. The Club 55 Account is a transaction account that pays high interest with generous fee savings for people over 55, regardless of whether they are retired or affected by government deeming rules.

For the comfort and convenience of our members and clients, we also refurbished our Colonnades branch in Adelaide's South with professional modern facilities and services. Planning is underway for major upgrades at the Kilkenny branch in South Australia, and at Alice Springs and Palmerston in the Northern Territory. In addition, we replaced our entire ATM network.

OUR PEOPLE

At Australian Central, we recognise that our staff are our greatest asset in the way we do business and how we can best serve our members and clients. Thus, we are committed to providing a work environment and culture that allows them to thrive by developing and recognising their individual talents and skills and fostering a team spirit.

We have launched two new reward and recognition initiatives for staff. NOVA (Nominating Outstanding Values Achievements) has been introduced to encourage and support staff on an individual and team basis for demonstrating our values above

and beyond their job role. The second initiative, Project Central, seeks to reward staff for job performance at a range of levels, and links individual achievement to our Corporate Key Performance Indicators. In parallel, we have developed a competency framework that identifies training needs and career planning support for staff across all our branches and head office functions.

Last year we put much work into defining our values and the development of our Purpose Statement – 'Working together, enhancing lives'. This year we have actively sought to establish how we are living up to those values, by conducting our inaugural Values Survey amongst all staff. We were pleased by the very positive response from staff, and individual, team and divisional action plans are now being developed to address the focus areas identified in the process.

Leadership training is another major internal focus and we actively encourage and support staff in further education. We were pleased that four staff members participated during the year in our special Graduate Leader Development Program, a joint venture between Australian Central, the University of South Australia, and the Australasian Credit Union Institute. Our Frontline Management Diploma was also very successful, with the graduation of 19 staff members and a new intake planned for 2006/2007.

Finally, to recognise the commitment of our staff to the wider community, we have launched the Australian Central Workplace Giving program. Our staff have been actively involved for many years in supporting a wide variety of community initiatives and charitable organisations. The voluntary Workplace Giving program



Credit Union Christmas Pageant

Our enthusiastic participation as one of the major sponsors of South Australia's annual Credit Union Christmas Pageant continues to grow, as does the excitement of the tens of thousands of families who line Adelaide's city streets to watch the magical parade go by.

In 2005, more than 230 of our staff, family and friends danced, skipped and waved as characters on a range of floats or as roving clowns, to add to the fun of the day. With some acclaiming it as the best Pageant ever, a record crowd of 350,000 people braved the cold morning conditions to see the parade pass by, culminating with the much-anticipated arrival of Father Christmas. And it will get bigger and better yet, with plans for new floats and entertainment for the 2006 Credit Union Christmas Pageant already well underway.

COMMUNITY SUPPORT

now allows them to make regular donations to the cause of their choice. We have partnered with United Way – one of the largest community care organisations in the world – to assist us with the administration of our program and to distribute donations to the various charities.

OUR INDUSTRY

Australian Central continually seeks to play a leadership role in the wider Australian credit union industry. We are particularly supportive of Cuscal, which services the majority of Australia's credit unions, both as an industry body and the provider and aggregator of a comprehensive range of specialist financial services products. Cuscal is recognised particularly for its effective lobbying of government in terms of regulatory issues, a critical role in a complex, competitive and constantly changing landscape.

Australian Central's Board supported the election of Managing Director, Peter Evers, to the Cuscal Board this year. Peter has much to offer the wider industry and Australian Central will also benefit from his broader involvement in industry issues through this appointment.

OUR BOARD

Australian Central's Board continues to operate well after being reconfigured from nine to seven members in 2004/2005. We are now a leaner and more effective group, without having sacrificed diversity, expertise and experience.

At the 2005 Annual General Meeting, we welcomed the reappointment to the Board of Terry McGuirk and Annabel Digance. Both Terry and Annabel have been members of the

Board for a number of years and their skills are valued to ensure that Australian Central continues to move in the right direction into the future.

OUR FUTURE

There is no question that the intense competition we experienced this year will become even more challenging over the next 12 months. The interest rate rise implemented by the Reserve Bank of Australia in the last quarter of 2005/2006 came too late to have a major impact on the year's lending operations, but is expected to dampen demand more significantly in the new financial year, and the possibility of further rises remains. High oil prices will also have an impact on the economy and on consumer sentiment.

Nonetheless, at Australian Central, we expect another solid year. With a clear focus on our long-term strategy, we will be working hard to achieve strong revenue and organisational growth and will position ourselves to take advantage of rising investment in superannuation and wealth management services.

Most importantly, we will continue to work with our members and clients to enhance their lives, to support our staff in the development of positive and fulfilling careers, and to further expand our involvement in the wider community.

We thank our industry partners, board members, management and staff for another year of great service and dedication. Finally, we thank our members, clients and the community for their continuing support and look forward to another year of great partnership.

Regional and Local Support

We strongly value the regional areas in which we operate, so this year Australian Central became further involved in its local communities, sponsoring several regional events and groups.

We were very pleased to step in to support the Mt Barker Christmas Pageant, which had been struggling to survive. It was without doubt a valuable investment, with hundreds of local residents turning out to see the parade go by, which included Australian Central's own 'Ali Baba' float, filled with our Mt Barker staff.

In the Mount Gambier and Millicent areas, we sponsor the Pioneers Basketball Club School Basketball Challenge, a competition played during half-time of senior games, giving local school children the opportunity to play their game on a bigger stage.

Murray Bridge and its local school community have also benefited from Australian Central becoming major sponsors of Unity College and its Pedal Prix vehicles. Our support will also ensure that the Unity College Annual Fair & Fireworks display will be as spectacular as ever!

Many other small local groups and events also benefited from our sponsorship, across South Australia and the Northern Territory – in both regional and metropolitan areas. Further sponsorships will be implemented in other regional areas next year.

Just another way that Australian Central supports the communities who support us.



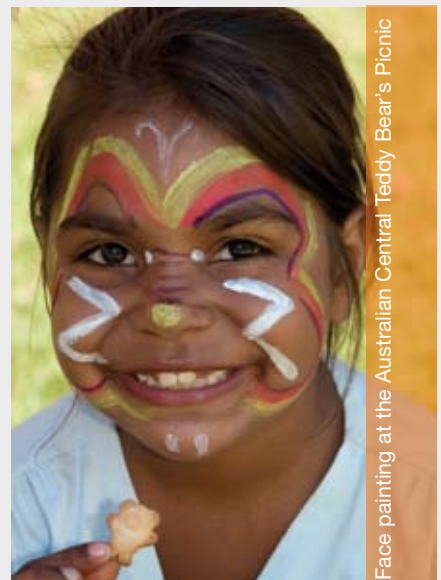
Mount Gambier School Basketball Challenge

In the Territory

Australian Central is pleased to play an important role in supporting the Northern Territory community. For the tenth consecutive year, we were a proud sponsor of the annual Australian Central Teddy Bears' Picnic, one of the big attractions of the Darwin Festival. Our staff love bringing joy to the many hundreds of young children who attend, helping out with the fun and activities on offer, and often bringing their own families to join in.

The 'Australian Central Life. Be In It. Corporate Challenge' goes from strength to strength in Darwin, with a record number of groups from local businesses and our own staff participating in various sporting challenges, for the good of their health and for fun. This year, extra competitions had to be added to ensure no group missed out on the chance to compete and our Darwin staff also entered their own team in each competition area.

Australian Central again sponsored Somerville Community Services in 2005/2006 – a non-profit youth, family and community welfare organisation that seeks to assist those in the community who are financially disadvantaged.



Face painting at the Australian Central Teddy Bear's Picnic



L-R: Michael Basley, Mark Coleman, Annabel Digance, Terry McGuirk, John Cossons, Dr Rosemary Brooks, Peter Evers

BOARD OF DIRECTORS

John Cossons

MACUI

Non Executive Chairman. Age 52

John is a small business owner and property investor. He joined the Northern Territory Credit Union's Board in 1981 and was elected Deputy Chairman in 1988 and Chairman in 1998, holding this position until the merger with Australian Central.

Chairman, Corporate Governance Committee; Chairman 70 Light Square Pty Ltd, Financial Solutions Australasia Pty Ltd, Australian Central Travel Pty Ltd, and Australian Central Services Pty Ltd; Appointed to the Board 2001. Appointed as Chairman in 2003.

Michael Basley

FAICD, MACUI, JP

Non Executive Director. Age 58

Michael is Managing Director of Basley Enterprises Pty Ltd, a company he established in 1994. Before this, Michael was a District Inspector with the E&WS Department, based at Port Pirie. He was an elected member of the Port Pirie City Council from 1985-1993 and Chairman of the Council's Works Committee from 1989-1993.

Member, Audit Committee and Asset and Liability Committee; Director, 70 Light Square Pty Ltd and Financial Solutions Australasia Pty Ltd. Appointed to the Board in 2001.

Dr Rosemary Brooks

PhD, MBA, MA, BA (Hons), LLB (Hons), FAICD, MACUI, JP

Non Executive Director. Age 61

Rosemary is Principal of St Ann's College Inc and Lecturer in Charge of Art History and Theories, School of Architecture, at the University of Adelaide. She has a strong background in strategy development, management, corporate governance and ethics. Rosemary was the Telstra SA Businesswoman of the Year 1996 (private sector less than 100 employees' category).

Chairman, Credit and Risk Committee; Member, Corporate Governance Committee; Director, 70 Light Square Pty Ltd and Financial Solutions Australasia Pty Ltd. Appointed to the Board in February 1995.

Mark Coleman

B.Ec, MBA, FAICD, MACUI

Non Executive Director. Age 49

Mark is experienced as a practicing director who has held Board positions over the past decade in a number of industry sectors including finance and investment. He is also an Adjunct Lecturer in corporate finance at the University of

Adelaide and presents the 'Improving Board Effectiveness' module of the Company Directors Course in state programs.

Chairman, Asset and Liability Committee; Member, Corporate Governance Committee; Director, 70 Light Square Pty Ltd and Financial Solutions Australasia Pty Ltd. Appointed to the Board in 2003.

Annabel Digance

M.Mngmt, BN, GDHC, FAICD, MACUI

Non Executive Director. Age 48

Annabel is an experienced director and manager, having held senior positions in the areas of finance, strategic planning, marketing, policy development and evaluation, encompassing both the private sector, state and federal government departments.

Annabel is currently the General Manager, Finance and Marketing of GAAGE Pty Ltd. and she is also a current director of SA Water.

Member, Audit Committee and Asset and Liability Committee; Director, 70 Light Square Pty Ltd and Financial Solutions Australasia Pty Ltd. Appointed to the Board in 1999.

Peter Evers

BA (Acc), FCPA, FAICD, F Fin, FACUI

Executive Director. Age 50

Peter has worked for Australian Central for 18 years and has served as Chief Executive since 1 July 2000 and Managing Director since 1 July 2003. Peter is Chairman of CU Technology Development Ltd; Director, Credit Union Financial Services (TAS) Pty Ltd; Director, CU Pageant Company Ltd and a Director of Cuscal Limited.

Member, Credit and Risk Committee; Director, 70 Light Square Pty Ltd, Financial Solutions Australasia Pty Ltd; Australian Central Travel Pty Ltd and Australian Central Services Pty Ltd. Appointed to the Board in 2003.

Terry McGuirk

BA (Hons), FAICD, MACUI, SA Fin

Non Executive Director. Age 50

Terry is Managing Director of McGuirk Management Consultants Pty Ltd, which specialises in strategy, structure and human resources consulting for the finance industry. Before establishing his consultancy, Terry was a senior executive in several accounting firms, including a position as a Director at Price Waterhouse. Terry is a Director of SYC, Adelaide's largest youth charity and previously served on the Board as Chairman.

Chairman Audit Committee; Member, Credit and Risk Committee; Director, 70 Light Square Pty Ltd and Financial Solutions Australasia Pty Ltd. Appointed to the Board in 1996.

EXECUTIVE MANAGEMENT TEAM

Peter Evers

BA (Acc), FCPA, FAICD, F Fin, FACUI
Managing Director

18 years service. Chairman, CU Technology Development Ltd; Director, Credit Union Financial Services (TAS) Pty Ltd; Director CU Pageant Company Limited; Director, Cuscal Limited.

The Managing Director is responsible for the strategic leadership, development and operation of the credit union, ensuring the long term growth and viability.

Grant Strawbridge

BA (Acc), FCPA, AFACUI, F Fin
General Manager Corporate Services

27 years service.

The Corporate Services Division is responsible for the leadership and direction of finance, treasury, business integration, credit and business risk, and support operations management functions to achieve financial and risk management, service and support objectives.

Annabel Hamilton

BA, Grad Cert (Business Admin), MACUI, F Fin
General Manager Value Creation and Technology

6 years service. Director Credit Union Financial Services (TAS) Pty Ltd

The Value Creation and Technology Division is responsible for the development and implementation of customer value propositions, management of branding and marketing strategy, and delivery of customer and member research. The division is also responsible for the implementation of information technology in line with the overall strategic direction through alignment of business and technology strategies, and management of resources to achieve the business goals and benefits through information technology solutions.

Stefan Lipkiewicz

BEd, Dip FP, MBA, MACUI, AFPA
General Manager Advice and Distribution

6 years service.

The Advice and Distribution Division is responsible for the leadership and provision of retail banking, wealth management and corporate superannuation services, which meet the banking, lifestyle, investment, protection and superannuation needs and goals of our members and clients. The team is focused on building and maintaining effective relationships and providing members and clients with convenient access to products, advice and service.

Darlene Mattiske

Dip Nursing, Grad Cert (Mngt), MACUI
Executive Manager Organisational Development

3 years service.

The Organisational Development Division is responsible for aligning Australian Central's culture with our Purpose, Values, Mission and strategic direction so that Australian Central recruits, retains and develops staff to ensure they have the skills necessary to meet the high service standards expected by our members and clients. This also helps to ensure appropriate behaviour alignment with our culture.



L-R: Stefan Lipkiewicz, Annabel Hamilton, Grant Strawbridge, Peter Evers, Darlene Mattiske

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES



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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (the "Holding Entity") and the consolidated financial report of the Consolidated Entity, being the Holding Entity and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon.

DIRECTORS

The Directors of the Holding Entity at any time during or since the end of the financial year are:

John Leonard Cossons, Chairman
Michael William Basley
Dr Rosemary Helen Simon Brooks
Mark Wesley Coleman
Annabel Faith Catford Digance
Peter Hans Torsten Evers, Managing Director
Edward Terrence McGuirk

Details of Directors, their experience and any special responsibilities, are set out on page 7.

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement on page 22.

None of the above Directors has declared any interest in any existing or proposed contract with the Holding Entity since 1 July 2005.

The following Director has, at the date of this report, a relevant interest in \$100 Series 2 Subordinated Unsecured Notes issued by the Holding Entity on 30 June 1996 and maturing 31 July 2006, as follows:

Name of Director	30 June 1996 Notes Issue Number of Notes
Dr Rosemary Helen Simon Brooks	50

CORPORATE SECRETARY

Mr Paul Albert Macdonald BA Acc, CPA was appointed to the position of Corporate Secretary in November 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the provision of loans to members, savings and investment facilities, the sale of insurance policies (as agent), wealth management, corporate superannuation services and the ownership and management of an office property. There was no significant change in the nature of these activities during that period other than for the sale of the office property which occurred on 15 May 2006.

DIVIDENDS

An income distribution of 6.10 cents per unit was paid in February 2006, for the six months ended 31 December 2005, from the Australian Central Credit Union Members' Property Trust. The Australian Central Credit Union Members' Property Trust was wound up following the sale of the property at 70 Light Square Adelaide. A final income distribution of 6.26 cents per unit was paid on 30 June 2006, for the six months ended 30 June 2006. A further \$1.04 per unit was distributed on 30 June 2006 representing the capital distribution resulting from the termination of the Property Trust. The Holding Entity's share of the distributions have been accounted for in the accounts of the Holding Entity for the year ended 30 June 2006.

The Holding Entity's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

In a year that was characterised by a continued robust Australian economic environment and a highly competitive retail financial services environment, the Consolidated Entity was able to exceed financial expectations and achieve an after tax profit of \$13.671 million, an increase of 6.3% on the previous year. A sound lending performance was achieved with wealth management continuing to be a strong performer driven in part by the ongoing buoyancy of the equities market. A further strategic investment was made in April 2006 with the acquisition of a financial advisory business in Western Australia, strengthening the wealth management capacity.

Lending growth for the year was strong with \$663.711 million of loans being disbursed, with asset growth reaching \$362.400 million, and total assets closing at \$2.299 billion.

STATE OF AFFAIRS

In the opinion of the Directors there have been no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

LIKELY DEVELOPMENTS

In the course of meeting its goals the Consolidated Entity will continue to pursue profitable market share growth whilst maintaining efficient and effective business operations.

Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

DIRECTORS' BENEFITS

During the financial year, no Director of the Consolidated Entity has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the consolidated financial statements) because of a contract made by the Consolidated Entity, or a related body corporate, with a Director or with a firm of which a Director is a member, or with an entity in which the Director has a substantial financial interest.

REMUNERATION REPORT

Non-Executive Directors

In accordance with established Board policy, the level of Non-Executive Director remuneration is approved by the Board following a recommendation from the Corporate Governance Committee. The recommendation is based on independent advice making comparison to fees paid to Directors of similar organisations. Two levels of fees are set, one being for the Chairman and the other for the remaining Non-Executive Directors. Other than the Chairman, Non-Executive Directors who are Chairmen of standing Board committees receive a 10% loading on top of their base Director's fee to recognise the extra efforts required of committee Chairmanship.

With the increasing complexity of the Holding Entity's business and emphasis by regulators on sound corporate governance there is a need to retain and attract high quality Directors. The Board is of the view that Director's remuneration should be commensurate with the quality of Director required.

Members at each Annual General Meeting approve the total quantum of remuneration for Non-Executive Directors. In 2005 the total quantum was set at \$316,000 for the period from 29 October 2005 to the date of the 2006 Annual General Meeting.

Non-Executive Director remuneration may be taken in cash and/or superannuation and is subject to relevant taxation and superannuation legislation.

Non-Executive Directors are entitled under Board policy to any fees received as a Director of the Holding Entity's owned or related entities. No such fees were received by any Non-Executive Director for the year ending 30 June 2006.

Non-Executive Directors are entitled to reasonable reimbursement for any travel and other expenses incurred that are related to being a Director of the Holding Entity. Such expense reimbursement is subject to substantiation and approval controls.

No other form of payment or benefit was provided to a Non-Executive Director for the year ended 30 June 2006.

Managing Director

The Managing Director's remuneration structure is designed to attract and retain appropriate skill sets as well as reward the achievement of strategic objectives.

In accordance with established Board policy, the Managing Director's remuneration, including any performance related bonus, is approved by the Board following a recommendation from the Corporate Governance Committee. The recommendation is based on independent advice making comparison to remuneration paid to Managing Directors of similar organisations.

REMUNERATION REPORT (CONTINUED)

Managing Director (continued)

A Total Remuneration Concept is used to remunerate the Managing Director by providing a choice of cash and non-cash items including motor vehicle and superannuation options. The Managing Director is also subject to a bonus scheme that is related to a number of performance and leadership targets set annually by the Board. The maximum bonus achievable by the Managing Director is 25% of total base remuneration. The calculation of the Managing Director's bonus is verified by the internal Audit function.

The performance targets cover a range of metrics so as to provide a balanced view of the Managing Director's performance in relation to all corporate targets set by the Board. Performance targets comprise 55% of the bonus assessment and are linked to the corporate key performance indicators that are related to the achievement of corporate strategies and values as well as growth, financial sustainability and long term value targets. These targets are measured through independent customer and staff surveys as well as through audited financial information.

Leadership targets comprise the remaining 45% of the Managing Director's bonus scheme and relate to the achievement of targets set for Executive Managers as outlined in the Executive Managers section.

The Managing Director is subject to a five year contract that is due to expire in June 2008. Under normal circumstances the contract can be terminated at sixty days notice by either the Managing Director or the Board. Where the contract is terminated by the Board the remaining term of the contract at the prevailing base remuneration, or the total annual base remuneration, whichever is the higher is to be paid to the Managing Director. No termination payment is payable where the Managing Director is removed due to misconduct.

No other form of remuneration or other benefit (including staff related discounts on products or services) has been provided to the Managing Director.

Executive Managers

The remuneration structure as described below is designed to attract and retain suitably qualified Executive Managers as well as reward the achievement of strategic objectives.

A Total Remuneration Concept is used to remunerate the Executive Managers by providing a choice of cash and non-cash items including motor vehicle and superannuation options.

Executive Managers are subject to a bonus scheme that is related to a number of performance targets set annually by the Managing Director and reviewed and endorsed by the Corporate Governance Committee. The maximum bonus achievable by Executive Managers is 20% of total base remuneration. As with the Managing Director, Executive Managers' performance targets cover a range of metrics so as to provide a balanced view of performance in relation to all corporate targets set by the Board. This approach is designed to ensure alignment of the entire executive team to the achievement of corporate objectives.

These corporate performance targets comprise 55% of the bonus assessment and are linked to the corporate key performance indicators that are related to the achievement of corporate strategies and values as well as growth, financial sustainability and long term value targets. These targets are measured through independent customer and staff surveys as well as through financial information. The remaining 45% of an Executive Manager's bonus is related to the achievement of various individual performance targets that are specific to their various accountabilities and include divisional operational targets and strategic initiatives.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

REMUNERATION REPORT (CONTINUED)

Executive Managers (continued)

Like all staff of the Holding Entity, the Executive Managers are entitled to relevant staff discounts on products and services as contained within the relevant policy.

No other form of remuneration or other benefit is provided to the Executive Managers.

The Executive Managers' employment contracts are for an unlimited term and are capable of termination with one month's notice.

Corporate Secretary

A Total Remuneration Concept is used to remunerate the Corporate Secretary by providing a choice of cash and non-cash items including motor vehicle and superannuation options.

The Corporate Secretary is subject to a bonus scheme that is based on performance in relation to key result areas as contained in the individual position specification. Performance indicators are developed for each result area and the maximum bonus attainable is 7.5% of base salary.

Like all staff of the Holding Entity, the Corporate Secretary is entitled to relevant staff discounts on products and services as contained within the relevant policy.

No other form of remuneration or other benefit is provided to the Corporate Secretary.

The Corporate Secretary has a contract of employment with the Holding Entity for an unlimited term that is capable of termination with one month's notice.

Details of the nature and amount of each major element of the remuneration of each Director of the Holding Entity and each of the five named officers of the Holding Entity and the Consolidated Entity receiving the highest remuneration are:

	Base Remuneration (Salary & Fees) \$'000	Bonuses \$'000	Non-cash Benefits \$'000	Super Contributions \$'000	Termination & Retirement Benefits \$'000	Total \$'000
Non-Executive Directors						
J.L. Cossons, Chairman	58	–	–	5	–	63
M.W. Basley	39	–	–	3	–	42
Dr R.H.S. Brooks	41	–	–	4	–	45
M.W. Coleman	33	–	–	7	–	40
A.F.C. Digance	34	–	–	3	–	37
E.T. McGuirk	1	–	–	40	–	41
Executive Director						
P. H. T. Evers, Managing Director	338	40	3	40	–	421

Base remuneration or superannuation contributions includes Director travel allowances.

REMUNERATION REPORT (CONTINUED)

	Base Remuneration (Salary & Fees) \$'000	Bonuses \$'000	Non-cash Benefits \$'000	Super Contributions \$'000	Termination & Retirement Benefits \$'000	Total \$'000
Senior Executive Officers (excluding Directors)						
Holding Entity and Consolidated Entity						
S. Lipkiewicz	227	27	3	23	–	280
G. Strawbridge	197	26	2	35	–	260
A. Hamilton	188	25	3	37	–	253
D. Mattiske	162	14	3	16	–	195

INDEMNIFICATION OF OFFICERS

During the period, the Holding Entity paid a premium in relation to a Directors and Officers Liability insurance policy indemnifying the Directors and its Senior Executives mentioned above against certain liabilities.

The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

FINANCIAL REPORTING

Convergence with Australian equivalents to International Financial Reporting Standards ("AIFRS") has been a key financial reporting project during the financial year ended 30 June 2006. The Board established a formal project, monitored by a steering committee, to ensure a smooth transition to AIFRS reporting.

Details of the impact of transition from previous Australian Generally Accepted Accounting Principles ("AGAAP") to AIFRS on the financial report for the financial year ended 30 June 2006 is included in Notes 44 and 45 to the financial statements.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page 17 and forms part of the Directors' Report for the year ended 30 June 2006.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

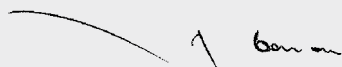
NON-AUDIT SERVICES

During the year KPMG, the Auditor of the Consolidated Entity, has performed certain other services in addition to their statutory duties.

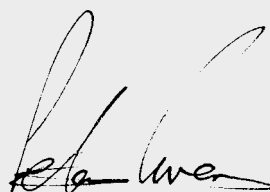
Details of the amounts paid to the Auditor of the Consolidated Entity are set out in Note 36.

Signed at Adelaide this 28th day of August, 2006

in accordance with a resolution of the Board of Directors of the Holding Entity.



J.L. COSSONS
Chairman



P.H.T. EVERS
Managing Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES



LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Australian Central Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'I K Footer'.

I K Footer
Partner

Adelaide
28 August 2006

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

HOW WE DO BUSINESS

The Holding Entity's Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that the Consolidated Entity's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

To achieve this sound corporate governance, business practices and policies have been adopted by the Board and cascaded throughout all levels of the Consolidated Entity. We strive to ensure that our governance "in action" is of the highest standard, consistent with our mutual underpinnings, while at the same time practical and transparent to our members.

We are continually working to improve our governance policies and practices both at the Board level and throughout the Consolidated Entity. While our mutual values remain constant, we know we must adapt our business practices to ensure we meet our obligations as a responsible Consolidated Entity in a changing world.

The Board has committed to following the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". Further the Board has carefully considered and implemented a "fit and proper" framework in accordance with relevant legislation, that endeavours to ensure that Directors and Senior Management of the Consolidated Entity are appropriate persons to lead the Consolidated Entity. The "fit and proper" framework deals with matters such as minimum competencies, Director development, independence, Director refreshment and renewal and performance.

Minimum Competencies

Board policy sets out the minimum competencies regarding personal attributes, skills and knowledge that each Director should bring to the Consolidated Entity. The Nominations Committee in forming its view assesses all election candidates with regard to these minimum competencies.

Director Development

Relevant Board policy outlines the knowledge requirements for Directors and provides the high level guidelines for new Director induction, new committee member induction as well as the standards for ongoing Director development. Each Director is expected to attend annually, one industry related conference.

Independence

As a behavioural principle, Board policy requires Directors to be independent in both judgement and action. Each Director is required to be independent in their thinking which must be maintained over time such that the Director makes their own judgement based on the present situation. It is the Director's accountability to maintain and demonstrate their independence. Board policy also addresses issues relating to benefits and conflict of interest. Directors generally do not offer, seek or accept benefits in the performance of their duties and any unsolicited benefits received are to be disclosed to the following Board meeting. Where a Director has a material personal interest in a matter, that Director is not present during the consideration of, or voting on, that matter.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

HOW WE DO BUSINESS (CONTINUED)

Refreshment and Renewal

Individual Directors are required on a regular basis to refresh and renew their knowledge generally and specific to the Consolidated Entity and the environment in which it operates. Board policy requires that each Director must be able to demonstrate their own refreshment and renewal process to the Board and relevant third parties as needed. Refreshment and renewal are also included as part of an individual Director's performance assessment. Also, under Board policy the Corporate Governance Committee will undertake a review of the Board's refreshment and renewal where effective change in the composition of the Board has not occurred over a period of three years.

Performance

Established Board policy requires the annual review of performance of the Board, its committees and individual Directors including the Chairman. In 2005/2006 the assessment, which is in survey form and completed by Directors and Executive Managers, was conducted by an independent facilitator.

STRUCTURE OF THE BOARD

The size and composition of the Board is determined by the Board subject to the limits set out in the Holding Entity's constitution, which requires a minimum of five member elected Non-Executive Directors, and can also include Board and merger appointed Non-Executive Directors, and a Managing Director. At all times, member elected Directors must constitute a majority of Directors, a requirement which protects our mutuality.

The Board currently comprises six Non-Executive Directors, five of whom are member elected and one Board appointed Director, and one Managing Director, ensuring independence and objectivity. All Directors are shareholding members of the Holding Entity. Board members are elected by the members or appointed in accordance with the constitution. All elected Directors hold a term of three years upon election. The Chairman of the Board is a member elected Non-Executive Director. If a Board or merger appointed Non-Executive Director is appointed as Chairman, they must stand for election at the election which immediately follows their appointment as Chairman.

It is important that the above framework is maintained to ensure that the Board is able to operate independently of Executive Management. Each of the Non-Executive Directors is independent of Management. This means that they are free from any relationship (for example, a business interest in a supplier or competitor of the Consolidated Entity) which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the Consolidated Entity. In the event that a potential conflict of interest arises, involved Directors must withdraw from all debate and decisions concerning the matter unless the Board resolves that the interest should not disqualify the Director from being present and/or voting.

Refer to page 10 of this financial report for the names of Directors who held office at any time during or since the end of the financial year.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

ROLE OF THE BOARD

The Board comprises a majority of Non-Executive Directors, who together with the Managing Director have extensive business acumen and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community.

In particular, the Board:

- provides strategic direction to the Holding Entity;
- provides leadership in terms of corporate governance;
- appoints the Managing Director;
- monitors the performance and approves the remuneration level of the Managing Director;
- reports to members and ensures that all regulatory requirements are met;
- oversees the Holding Entity's financial performance and position and monitors its business and affairs on behalf of all members;
- oversees internal controls and processes for identifying areas of significant business risk;
- makes decisions in relation to major expenditures, acquisitions or merger opportunities;
- ensures that the Holding Entity's business is conducted ethically and transparently.

Responsibility for day-to-day activities is delegated to the Managing Director by the Board.

COMMITTEES OF THE BOARD

The Board has established four standing committees as described below to consider detailed matters. Generally committees consider the various matters and make recommendations to the Board, however some decisions, within the parameters of Board policy, have been delegated to committees. Each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board. Other committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other pertinent qualities they bring to the committee.

The Audit Committee meets at least quarterly, while the other three committees meet at least bi-monthly to consider and make recommendations or decisions on matters within their terms of reference. Committee Chairmen give verbal reports to the Board at the next Board meeting, and minutes of all committee meetings are reviewed by the Board. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation at any time during or since the end of the financial year were:

Audit Committee – assists the Board in fulfilling its responsibilities relating to the audit, accounting and reporting obligations and monitoring internal and External Auditors (including the independence of the internal and External Auditors). This Committee has a number of particular guidelines which include the Chairman of the committee cannot be the Chairman of the Board and the committee can meet with the internal and/or External Auditors without the presence of the Managing Director or Management.

Asset and Liability Committee – ensures that the Holding Entity adopts an integrated approach to treasury risk management and capital management that accounts for all risks of the portfolio including those to do with the Balance Sheet and interest rates.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

COMMITTEES OF THE BOARD (CONTINUED)

Credit and Risk Committee – ensures that the Holding Entity adopts an integrated approach to credit risk and operational risk management including regulatory risk management. This approach accounts for the risks inherent in the credit portfolio and in the day-to-day conduct of the business and is in alignment with prudential standards.

Corporate Governance Committee – assists the Board in adopting and implementing good corporate governance in the areas of the Managing Director's appointment, Non-Executive Director and Executive remuneration, Director elections, Board performance reviews, oversight of the "fit and proper" framework, monitoring the size and composition of the Board and reviews Executive succession plans. A Nominations Committee is established on an annual basis in association with Director elections, and operates under the guidelines of the Corporate Governance Committee.

STANDARDS

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance and therefore adopts practices including:

- a Code of Conduct that applies to all staff, Management and Directors;
- the annual review of Board performance;
- active participation by all Directors at all meetings and open access to information;
- regular Executive Management presentations;
- the Managing Director and General Manager Corporate Services provide assurance on the accuracy and completeness of financial information and risk management processes;
- the Executive Managers provide assurance to the Board that the business of the Holding Entity has been conducted ethically and all dealings have been conducted transparently with the Board;
- the transparency of information to members through publication of (regulatory) notices on the Holding Entity's website, australiancentral.com.au;
- the gearing of Board Policies towards risk management to safeguard the assets and interests of the Consolidated Entity;
- Non-Executive Director remuneration approved by members at the Annual General Meeting. The Board undertakes benchmarking and/or seeks independent advice to determine recommended Non-Executive Director remuneration levels.

AUDIT SERVICES

The Holding Entity's internal Audit Services Department via the Audit Committee assists the Board in ensuring compliance with established internal controls. The Board is responsible for approving the program and scope of Audit Services activities each financial year.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

INTERNAL AND EXTERNAL AUDIT INDEPENDENCE

The Board approves the appointment or dismissal of the head of the Audit Services Department and oversees the appointment of the Holding Entity's External Auditors.

The External Auditors were appointed in 1997. The lead External Audit engagement partner was last rotated in the year 2005 following completion of the 30 June 2005 annual audit.

The Audit Committee closely monitors the independence of the External Auditors and regularly reviews the independence safeguards put in place by the External Auditors.

The Audit Committee has the ability to meet with Management without the internal and/or External Auditors being present and with the internal and/or External Auditors without Management being present.

REMUNERATION OF THE BOARD

The Corporate Governance Committee reviews and recommends the level of Executive Directors' remuneration for approval by the Board. The remuneration of Non-Executive Directors is determined by the Corporate Governance Committee following benchmarking and/or independent advice and recommended by the Board for approval by members at the Annual General Meeting.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at meetings of the Holding Entity's Board and Committees of the Holding Entity's Board are detailed below.

	Board		Asset and Liability		Audit		Corporate Governance		Credit and Risk	
	A*	B	A	B	A	B	A	B	A	B
J.L. Cossons (Chairman)	14	14	–	–	–	–	9	9	–	–
M.W. Basley	14	14	6	6	5	5	–	–	–	–
Dr R.H.S. Brooks	14	12	–	–	–	–	9	9	7	6
M.W. Coleman	14	13	6	6	–	–	9	8	–	–
A.F.C. Digance	14	13	6	5	5	5	–	–	–	–
P.H.T. Evers (Managing Director)	14	14	–	–	–	–	–	–	7	7
E.T. McGuirk	14	14	–	–	5	5	–	–	7	7

* Twelve scheduled and two special Board meetings were held during the year.

A – The number of meetings held during the period the Director was a member of the Board or Board Committee.

B – The number of meetings attended by the Director.

Dr R.H.S. Brooks was Acting Chairman for the period 29 July 2005 to 28 August 2005 due to the approved absence of J.L. Cossons. During his approved absence J.L. Cossons attended Board meetings by telephone in the capacity as Director only.



INDEPENDENT AUDIT REPORT TO MEMBERS OF AUSTRALIAN CENTRAL CREDIT UNION LTD

Scope

The financial report and Directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the Directors' Declaration set out on pages 25 to 95 for both Australian Central Credit Union Ltd (the "Company") and Australian Central Credit Union Ltd and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-Time Adoption of Australian equivalents to International Financial Reporting Standards.

Audit approach

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

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

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

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

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

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

Audit opinion

In our opinion, the financial report of Australian Central Credit Union Ltd is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.



KPMG



I K Footer
Partner

Adelaide
28 August 2006

DIRECTORS DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

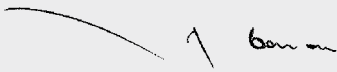
DIRECTORS DECLARATION

In the opinion of the Directors' of the Holding Entity:

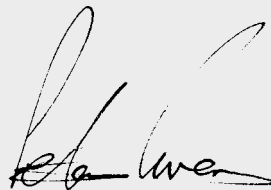
- (a) the financial statements and notes of the Holding Entity and of the Consolidated Entity, set out on pages 26 to 95, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Holding Entity and of the Consolidated Entity as at 30 June 2006, and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Holding Entity will be able to pay its debts as and when they become due and payable.

Signed at Adelaide this 28th day of August, 2006

in accordance with a resolution of the Board of Directors of the Holding Entity.



J.L. COSSONS
Chairman



P.H.T. EVERS
Managing Director

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Note	Credit Union		Consolidated	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Interest income	2,3	147,939	125,286	147,839	125,171
Interest expense	2,3	(97,072)	(79,124)	(97,043)	(79,125)
Net interest income		50,867	46,162	50,796	46,046
Non-interest Income	4	33,505	33,526	35,311	35,434
Non-interest income		33,505	33,526	35,311	35,434
Impairment losses on loans and advances	5	(1,456)	(1,593)	(1,456)	(1,593)
Other expenses	6	(64,231)	(60,509)	(65,470)	(61,838)
Profit before tax		18,685	17,586	19,181	18,049
Income tax expense	8	(5,313)	(5,050)	(5,444)	(5,152)
Profit for the year		13,372	12,536	13,737	12,897
Attributable to:					
Members of the Holding Entity		13,372	12,536	13,671	12,858
Minority interest		–	–	66	39
Profit for the year		13,372	12,536	13,737	12,897

The income statements are to be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Note	Credit Union		Consolidated	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Assets					
Cash and cash equivalents	10	13,789	9,160	14,048	9,855
Receivables due from other financial institutions	11	–	220,400	–	220,400
Receivables	12	16,977	8,402	14,850	8,386
Loans and advances	13	1,997,180	1,662,017	1,997,180	1,660,292
Non-current assets classified as Held-for-Sale	15	–	–	–	5,232
Investments:					
Available-for-Sale financial assets	16	100,000	–	100,000	–
Held-to-Maturity investments	16	137,110	–	137,110	–
Other financial assets investments	16	10,719	16,996	5,731	9,014
Property, plant and equipment	17	11,074	6,317	11,926	6,637
Deferred tax assets	18	3,050	2,535	3,100	2,566
Intangible assets	19	4,312	4,449	11,690	8,850
Derivative financial assets		1,105	–	1,105	–
Other assets	20	2,112	5,221	2,112	5,221
Total Assets		2,297,428	1,935,497	2,298,853	1,936,453
Liabilities					
Payables due to other financial institutions	21	2,164	2,411	2,164	2,411
Deposits	22	1,358,416	1,222,022	1,358,416	1,221,949
Trade and other payables	23	25,627	20,993	26,466	21,056
Borrowings	24	734,661	526,513	734,661	526,513
Income tax payable	25	1,297	3,004	1,446	2,956
Deferred tax liabilities	26	1,670	870	1,670	870
Provisions	27	4,076	3,576	4,197	3,678
Subordinated debt	28	39,693	40,000	39,693	40,000
Total Liabilities		2,167,605	1,819,389	2,168,714	1,819,433
Net Assets		129,824	116,108	130,139	117,020
Equity					
Redeemable preference share capital	29	265	219	265	219
Retained earnings		–	–	–	–
General reserve – credit losses		3,674	–	3,674	–
Hedging reserve – cash flow hedges		744	–	744	–
Asset revaluation reserve		–	–	–	1,078
General reserve		125,141	115,889	125,456	115,185
Total Equity attributable to members of the Holding Entity		129,824	116,108	130,139	116,482
Minority interest	31	–	–	–	538
Total Equity		129,824	116,108	130,139	117,020

The balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

Holding Entity 2006	Redeemable Share Capital (\$'000)	Retained Earnings (\$'000)	General Reserve- Credit Losses (\$'000)	Hedging Reserve (\$'000)	Fair Value Reserve (\$'000)	Asset Revaluation Reserve (\$'000)	General Reserve (\$'000)	Total (\$'000)	Minority Interest (\$'000)	Total Equity (\$'000)
Opening balance at 1 July 2005	220	-	-	-	-	-	115,889	116,109	-	116,109
Adjustment on adoption of AASB 132 & AASB 139	-	-	3,407	(98)	499	-	(3,812)	(4)	-	(4)
Opening Balance at 1 July 2005 – restated	220	-	3,407	(98)	499	-	112,077	116,105	-	116,105
Changes in fair value of Available-for-Sale financial assets, net of tax	-	-	-	-	(499)	-	-	(499)	-	(499)
Effective portion of fair value of cash flow hedges	-	-	-	842	-	-	-	842	-	842
Total non-profit item recognised directly in equity	-	-	-	842	(499)	-	-	343	-	343
Net profit	-	13,372	-	-	-	-	-	13,372	-	13,372
AIFRS transition adjustment (Note 44)	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	13,372	-	-	-	-	-	13,372	-	13,372
Transfer to reserves	46	(13,372)	267	-	-	-	13,059	-	-	-
Closing balance at 30 June 2006	266	-	3,674	744	-	-	125,136	129,820	-	129,820

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

Holding Entity 2005	Redeemable Share Capital (\$'000)	Retained Earnings (\$'000)	General Reserve- Credit Losses (\$'000)	Hedging Reserve (\$'000)	Fair Value Reserve (\$'000)	Asset Revaluation Reserve (\$'000)	General Reserve (\$'000)	Total (\$'000)	Minority Interest (\$'000)	Total Equity (\$'000)
Opening balance at 1 July 2004	181	-	-	-	-	-	103,392	103,573	-	103,573
Changes in fair value of Available-for-Sale financial assets, net of tax	-	-	-	-	-	-	-	-	-	-
Effective portion of fair value of cash flow hedges	-	-	-	-	-	-	-	-	-	-
Total non-profit item recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Net profit before AIFRS	-	12,480	-	-	-	-	-	12,480	-	12,480
AIFRS transition adjustment (Note 44)	-	56	-	-	-	-	-	56	-	56
Total recognised income and expense for the period	-	12,536	-	-	-	-	-	12,536	-	12,536
Transfer to reserves	39	(12,536)	-	-	-	-	12,497	-	-	-
Closing balance at 30 June 2005	220	-	-	-	-	-	115,889	116,109	-	116,109

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

Consolidated Entity 2006	Redeemable Share Capital (\$'000)	Retained Earnings (\$'000)	General Reserve- Credit Losses (\$'000)	Hedging Reserve (\$'000)	Fair Value Reserve (\$'000)	Asset Revaluation Reserve (\$'000)	General Reserve (\$'000)	Total (\$'000)	Minority Interest (\$'000)	Total Equity (\$'000)
Opening balance at 1 July 2005	219	-	-	-	-	1,078	115,188	116,485	538	117,023
Adjustment on adoption of AASB 132 & AASB 139	-	-	3,407	(98)	499	-	(3,812)	(4)	-	(4)
Opening Balance at 1 July 2005 - restated	219	-	3,407	(98)	499	1,078	111,376	116,481	538	117,019
Write back of revaluation reserve on sale of property	-	-	-	-	-	(356)	-	(356)	-	(356)
Property Trust wind up adjustment	-	-	-	-	-	(722)	722	-	-	-
Changes in fair value of Available-for-Sale financial assets, net of tax	-	-	-	-	(499)	-	-	(499)	-	(499)
Net Movement in minority interest (Note 31)	-	-	-	-	-	-	-	-	-	-
Repatriation of capital to outside equity interest	-	-	-	-	-	-	-	-	(604)	(604)
Effective portion of fair value of cash flow hedges	-	-	-	842	-	-	-	842	-	842
Total non-profit item recognised directly in equity	-	-	-	842	(499)	(1,078)	722	(13)	(604)	(617)
Net profit	-	13,671	-	-	-	-	-	13,671	66	13,737
AIFRS transition adjustment (Note 44)	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	13,671	-	-	-	-	-	13,671	66	13,737
Transfer to reserves	46	(13,671)	267	-	-	-	13,358	-	-	-
Closing balance at 30 June 2006	265	-	3,674	744	-	-	125,456	130,139	-	130,139

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

Consolidated Entity 2005	Redeemable Share Capital (\$'000)	Retained Earnings (\$'000)	General Reserve- Credit Losses (\$'000)	Hedging Reserve (\$'000)	Fair Value Reserve (\$'000)	Asset Revaluation Reserve (\$'000)	General Reserve (\$'000)	Total (\$'000)	Minority Interest (\$'000)	Total Equity (\$'000)
Opening balance at 1 July 2004	181	-	-	-	-	905	102,368	103,454	534	103,988
Write back of revaluation reserve on sale of property	-	-	-	-	-	173	-	173	-	173
Changes in fair value of Available-for-Sale financial assets, net of tax	-	-	-	-	-	-	-	-	-	-
Net Movement in minority interest (Note 31)	-	-	-	-	-	-	-	-	(35)	(35)
Effective portion of fair value of cash flow hedges	-	-	-	-	-	-	-	-	-	-
Total non-profit item recognised directly in equity	-	-	-	-	-	173	-	173	(35)	138
Net profit before AIFRS	-	12,383	-	-	-	-	-	12,383	39	12,422
AIFRS transition adjustment (Note 44)	-	475	-	-	-	-	-	475	-	475
Total recognised income and expense for the period	-	12,858	-	-	-	-	-	12,858	39	12,897
Transfer to reserves	38	(12,858)	-	-	-	-	12,820	-	-	-
Closing balance at 30 June 2005	219	-	-	-	-	1,078	115,188	116,485	538	117,023

The statements of changes in equity are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Note	Credit Union		Consolidated	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash flows from operating activities					
Interest received		146,926	125,272	146,924	125,190
Interest paid		(98,003)	(80,215)	(98,103)	(80,242)
Dividends/distributions received		1,307	1,142	973	769
Fee and commission received		18,938	25,166	18,938	28,594
Other income received		1,203	7,071	3,325	6,909
Recoveries on loans and advances previously written off		1,260	1,422	1,260	1,422
Cash payments to employees and suppliers		(53,732)	(65,556)	(55,039)	(68,022)
Income taxes paid		(6,653)	(2,556)	(6,605)	(2,659)
Net cash from operating activities	40b	11,246	11,746	11,673	11,961
Cash flows from investing activities					
New loans disbursed		(663,711)	(545,716)	(663,711)	(545,716)
Principal collected on loans		444,210	478,368	442,485	478,368
Net increase in revolving credit loans		1,018	(20,271)	1,018	(20,271)
Net decrease/(increase) in amounts due from other financial institutions		-	(11,000)	-	(11,000)
Net decrease/(increase) in Available-for-Sale financial assets		(25,110)	-	(25,110)	-
Proceeds from repatriation of share capital		1,424	2,607	1,424	2,607
Proceeds from sale of other financial assets		2,610	1,043	2,610	1,043
Proceeds from disposal of investments in controlled entities		2,856	-	-	-
Acquisition of property plant and equipment		(8,922)	(3,839)	(9,746)	(3,839)
Proceeds from sale of property, plant and equipment		110	109	5,342	111
Purchases of other investments		-	-	-	(18)
Payments for controlled entities (net of cash acquired)		-	(639)	(2,560)	(639)
Net cash used in investing activities		(245,515)	(99,338)	(248,248)	(99,354)
Cash flows from financing activities					
Distribution paid		-	-	(769)	(77)
Net increase in deposits and withdrawable share capital		136,394	80,648	136,467	80,600
New borrowings		364,504	291,829	367,069	291,904
Repayment of borrowings		(270,156)	(274,390)	(270,156)	(274,390)
Subordinated debt issue		-	15,000	-	15,000
Subordinated debt repayment		-	(4,416)	-	(4,416)
Net cash from financing activities		230,742	108,671	232,611	108,621
Net (decrease)/increase in cash and cash equivalents		(3,527)	21,079	(3,964)	21,228
Cash and cash equivalents at beginning of year	40a	211,152	190,073	211,848	190,620
Cash and cash equivalents at end of year		207,625	211,152	207,884	211,848

The statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Australian Central Credit Union Ltd (the "Holding Entity") is a company domiciled in Australia. The consolidated financial report of the Holding Entity for the financial year ended 30 June 2006 comprise the Holding Entity and its subsidiaries (together referred to as the "Consolidated Entity").

The financial report was authorised for issue by the Directors on 28 August 2006.

a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of AASBs adopted by the AASB and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP ("AGAAP").

This is the Consolidated Entity's first annual financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition has affected the reported Balance Sheet, Income Statement and Statement of Cash Flows of the Consolidated Entity and the Holding Entity is provided in Notes 44 and 45.

b) Basis of preparation

Early adoption of standards

The entity has elected to apply the following standards to the annual reporting period beginning 1 July 2005:

- *AASB 119 Employee Benefits* (December 2004);
- *AASB 2004-3 Amendments to Australian Accounting Standards* (December 2004) amending *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), *AASB 101 Presentation of Financial Statements*, *AASB 124 Related Party Disclosures*;
- *AASB 2005-1 Amendments to Australian Accounting Standards* (May 2005) amending *AASB 139 Financial Instruments: Recognition and Measurement*;
- *AASB 2005-3 Amendments to Australian Accounting Standards* (June 2005) amending *AASB 119 Employee Benefits* (either July or December 2004);
- *AASB 2005-4 Amendments to Australian Accounting Standards* (June 2005) amending *AASB 139 Financial Instruments: Recognition and Measurement*, *AASB 132 Financial Instruments: Disclosure and Presentation*, *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004);
- *AASB 2005-5 Amendments to Australian Accounting Standards* (June 2005) amending *AASB 139 Financial Instruments: Recognition and Measurement*, *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004);
- *AASB 2005-6 Amendments to Australian Accounting Standards* (June 2005) amending *AASB 3 Business Combinations*;
- *UIG 4 Determining whether an Arrangement contains a Lease*.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

This includes applying the standards to the comparatives in accordance with *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

The following standards and amendments were available for early adoption but have not been applied by the Consolidated Entity in these financial statements:

- *AASB 7 Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in *AASB 132 Financial Instruments: Disclosure and Presentation*. *AASB 7* is applicable for annual reporting periods beginning on or after 1 January 2007;
- *AASB 2005-9 Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from issue of financial guarantee contracts are recognised in the Balance Sheet. *AASB 2005-9* is applicable for annual reporting periods beginning on or after 1 January 2006;
- *AASB 2005-10 Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to *AASB 132 Financial Instruments: Disclosure and Presentation*, *AASB 101 Presentation of Financial Statements*, *AASB 114 Segment Reporting*, *AASB 117 Leases*, *AASB 133 Earnings per Share*, *AASB 139 Financial Instruments: Recognition and Measurement*, *AASB 1 First-Time adoption of Australian Equivalents to International Financial Reporting Standards*, *AASB 4 Insurance Contracts*, *AASB 1023 General Insurance Contracts* and *AASB 1038 Life Insurance Contracts*, arising from release of *AASB 7*. *AASB 2005-10* is applicable for the annual reporting periods beginning on or after 1 January 2007.

The Consolidated Entity plans to adopt *AASB 7*, *AASB 2005-9* and *AASB 2005-10* in the 2007 financial year.

The initial application of *AASB 7* and *AASB 2005-10* is not expected to have an impact on the financial results of the Consolidated Entity as the standard and the amendment are concerned only with disclosures.

The initial application of *AASB 2005-9* could have an impact on the financial results of the Consolidated Entity as the amendment could result in liabilities being recognised for the financial guarantee contracts that have been provided by the Consolidated Entity. However quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Consolidated Entity to date.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS Balance Sheet at 1 July 2004 for the purposes of transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the Consolidated Entity.

The financial report has been prepared on an historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, land and building and Available-for-Sale financial assets. As the Holding Entity adopted *AASB 139 Financial Instruments: Recognition and Measurement* and *AASB 132 Financial Instruments: Disclosure and Presentation* from 1 July 2005 the comparative results for Available-for-Sale assets are stated at cost and recognised either in “*Investments*” or “*Receivables due from other financial institutions*” within the Balance Sheet. Derivative financial instruments are recognised on the same basis as the underlying exposure they are aligned to (see Note 1 (r)).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

Assets classified as Held-for-Sale are stated at lower of carrying amount and fair value less costs to sell.

The Holding Entity is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting standards are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial report is presented in Australian dollars.

c) Basis of consolidation

(i) Controlled entities

Controlled entities are entities controlled by the Holding Entity. Control exists when the Holding Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The controlled entities are fully consolidated from the date on which control is transferred to the Holding Entity and they are deconsolidated from the date that control ceases.

Minority interests in the equity and results of controlled entities are shown separately in the Consolidated Income Statements, Balance Sheets and Statements of Changes in Equity respectively.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

d) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Receivables

Receivables comprising of non-interest bearing sundry debtors are stated at their cost less impairment losses (see Note 1 (g)).

f) Loans and advances

Current period policy

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are recognised at amortised cost, being the cost of the loan on initial recognition less principal repayments, accumulated amortisation using the Effective Interest Rate method and impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all the fees and points paid or received that are integral to the contract.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

- Past-due loans – are loans and advances where scheduled repayments are at least 90 days in arrears. Full recovery of both principal and interest is still expected.
- Restructured loans – arise when the borrower is granted concessional terms or conditions due to difficulties in meeting the contractual terms, and the revised terms are more favourable than comparable new facilities.
- Non-accrual loans – are loans and advances where the full recovery of outstanding principal and interest is considered doubtful and income recognition is converted from an accruals to a cash basis. Cash payments received on non-accrual loans are firstly applied to outstanding interest accrued on the account and then to the remaining principal. Cash payments applied to accrued interest is recognised in the profit and loss as interest revenue.
- Assets acquired through the enforcement of security – are assets (usually residential property or motor vehicles) acquired in full or partial settlement of an advance through the enforcement of security arrangements.

In the previous period under AGAAP, loan fees were recognised in non-interest income however, upon the adoption of *AASB 139 Financial Instruments: Recognition and Measurement*, the amortised cost will be recognised as interest income or interest expense (in the case of loan originator commission).

Bad debts

Loans and advances are written-off upon either the bankruptcy of the member or once in arrears greater than six months unless either significant security is available or the member has previously entered an arrangement for repayment.

Provision for impairment

Impairment of loans and advances are recognised when objective evidence is available that a loss event has occurred. Significant loans and advances are individually assessed for impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Loans and advances (continued)

Loans and advances that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Non-significant loans and advances are not individually assessed. Instead impairment testing is performed by placing non-significant loans and advances in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The quantitative effect of this change is disclosed in Note 14.

The Australian Prudential Regulatory Authority ("APRA") require Authorised Deposit-Taking Institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under AIFRS and those required by APRA is represented by a General Reserve for Credit Losses within Equity.

Comparative period policy

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

- Past-due loans – are loans and advances where scheduled repayments are at least 90 days in arrears. Full recovery of both principal and interest is still expected.
- Restructured loans – arise when the borrower is granted concessional terms or conditions due to difficulties in meeting the contractual terms, and the revised terms are more favourable than comparable new facilities.
- Non-accrual loans – are loans and advances where the full recovery of outstanding principal and interest is considered doubtful and income recognition is converted from an accruals to a cash basis.
- Assets acquired through the enforcement of security – are assets (usually residential property or motor vehicles) acquired in full or partial settlement of an advance through the enforcement of security arrangements.

Bad debts

Loans and advances are written-off upon either the bankruptcy of the member or once in arrears greater than six months unless either significant security is available or the member has previously entered an arrangement for repayment.

Provision for impairment

A specific provision for impairment is raised for any retail credit exposure and related exposures based on an individual review (authorised and unauthorised) where less than full recovery of outstanding principal and interest is expected. In addition a "prescribed provision" (as defined in the ("APRA") Prudential Standards on Credit Quality) is raised based on the term of payments in arrears and the period of irregularity. A general provision is maintained to allow for potential bad debts not yet identified in the loan portfolio. The general provision is determined with reference to various categories of risk weighted on-balance sheet member related credit exposures.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment

The carrying amount of the Consolidated Entity's assets, other than deferred tax assets (see Note 1 (p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated (see Note 1 (g)(i)) for signs of objective evidence indicating that impairment may have occurred. Where objective evidence of impairment exists the asset's recoverable amount is determined.

For goodwill, assets that have an indefinite life and intangible assets that are not yet available for use, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and indefinite-life assets were tested for impairment at 1 July 2004, the date of transition to AIFRS, even though no indication of impairment existed.

When a decline in the fair value of an Available-for-Sale financial asset has been recognised directly in Equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in Equity is recognised in the Income Statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the Income Statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement.

For accounting policy on impairment of loans and advances, refer to Note 1 (f).

(i) Calculation of recoverable amount

The recoverable amount of the Consolidated Entity's investment in Held-to-Maturity investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with short term duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to the 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment (continued)

(ii) Reversals of impairment

An impairment loss in respect of a Held-to-Maturity or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of an investment in an Equity instrument classified as Available-for-Sale is not reversed through the Income Statement. If the fair value of a debt instrument classified as Available-for-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss shall be reversed, with the reversal recognised in the Income Statement.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

Current period policy

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: a) the right to receive cash flows from the asset have expired; b) the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or c) the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

Comparative period policy

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed. A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments in debt and equity securities

Current period policy

(i) Assets Available-for-Sale

Financial instruments held by the Consolidated Entity classified as being Available-for-Sale are stated at fair value, with any resultant gain or loss recognised directly in Equity, except for impairment losses. Where the financial instruments are derecognised, the cumulative gain and loss previously recognised directly in Equity is recognised in the Income Statement. Where these investments are interest-bearing, interest calculated using the effective interest rate method is recognised in the Income Statement.

The fair value of financial instruments classified as Available-for-Sale is their quoted bid price at the balance sheet date.

Financial instruments classified as Available-for-Sale investments are recognised/derecognised by the Consolidated Entity on the date it commits to purchase/sell the investments.

(ii) Assets Held-to-Maturity

Financial instruments classified as Held-to-Maturity are non-derivative financial assets that have determinable payments, fixed maturity and there is an ability and intent by the Holding Entity to hold the financial instrument until maturity. If during the current or previous two reporting periods the entity has derecognised or reclassified more than an insignificant amount of an asset class within this category then all of the assets within that class are reclassified as assets Available-for-Sale. When the financial instrument is derecognised any gain or loss on derecognition is recognised directly in the Income Statement. Where an asset is reclassified as being Available-for-Sale it is remeasured at fair value and any difference between its carrying amount and the fair value is recognised in Equity.

Held-to-Maturity assets are measured at amortised cost using the Effective Interest Rate method.

Comparative period policy

The Consolidated Entity's investments are carried at the lower of cost and recoverable amount with the exception of the investment in the Australian Central Credit Union Members' Property Trust ("Property Trust"). The carrying values of the investments are reviewed annually at reporting date to ensure that it is not in excess of the recoverable amount.

Units in the Property Trust are revalued each year based on the declared value of the units as determined monthly by the Trustee of the Property Trust. Under the Trust Deed the underlying property is required to be independently valued every two years. The property is carried at fair value based on an independent valuation.

Interests in non-subsidiary and non-associated corporates are included in the other financial assets at the lower of cost and recoverable amount.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being their fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Consolidated Entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

j) Property, plant and equipment

Owned assets

Land and Buildings

During the year the Consolidated Entity disposed of its property on 15 May 2006. As the property was under a deferred sale agreement as at the previous reporting date, the carrying value at that date reflects the sale value that was expected to be received on settlement less costs associated with the sale and accordingly has been classified as "Held-for-Sale" (refer Note 15).

Plant and equipment

Plant and equipment of the Consolidated Entity are brought to account at cost, less any accumulated depreciation and impairment losses.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis so as to write off the net cost of each non-current asset over their expected useful lives. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

	2006	2005
Information technology hardware and equipment	25%	25%
Office equipment	15%	15%
Fixtures and fittings	25%	25%
Motor vehicles	20%	20%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets

Leased assets

Leases of plant and equipment under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. The Consolidated Entity is not currently engaged in any finance leases.

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

(i) Goodwill

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the Consolidated Entity's opening AIFRS Balance Sheet at 1 July 2004 (see Note 44).

Business combinations since 1 July 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (refer Note 19).

Negative goodwill arising on acquisition is recognised directly in the Income Statement.

(ii) Software

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Where the expenditure is of a significant amount and there are related benefits which are expected to be realised over the medium to long term, it is deferred and amortised on a straight line basis over the period in which the benefits are expected to be realised. Software acquisition costs are capitalised and amortised at rates between 10% to 40%.

	2006	2005
Computer software		
Core banking system	10% to 20%	10% to 20%
Other	20% to 40%	20% to 40%

l) Employee entitlements

Wages, salaries, annual leave

The provision for employee benefits for wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services up to balance date. The provision has been calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on costs, such as, workers compensation insurance and payroll tax.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Employee entitlements (continued)

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at the reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as an interest expense.

Banked hours

Banked hours, measured at current rates, is a form of flexible working arrangements for award staff that provides many of the advantages of traditional flexi-time and rostered days off with the added advantage of being able to be tailored to both the individuals and organisational requirements. Staff are able to draw down on their entitlements during the year to meet their personal needs whilst ensuring operational requirements are satisfied or convert excess provisions to normal remuneration payments at any time during the year.

Sick leave

Sick leave entitlements of employees of the Consolidated Entity are non-vesting. No provision has been raised in these financial statements for unused entitlements to non-vesting sick leave as it is not probable that sick leave to be taken in the future will exceed entitlements to be accrued in the future.

Defined contribution plans

All employees, upon satisfying eligibility tests, may participate in an accumulation superannuation scheme. The Holding Entity's contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred. The Holding Entity has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

m) Interest-bearing borrowings

Current period policy

Interest-bearing borrowings (inclusive of member deposits) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.

Comparative period policy

Member Deposit interest

Interest on members' deposits is credited in accordance with the Holding Entity's scheduled rates and terms and is brought to account on an accruals basis. The amount of the accrual at the reporting date is disclosed in the financial statements as part of "Trade and other payables".

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Interest-bearing borrowings (continued)

Loans from other financial institutions

Loans from other financial institutions are recognised at their principal amount. Interest expense is accrued at the reporting date at the contracted rate and recognised in "Trade and other payables".

Wholesale funding

Deferred borrowing costs incurred in the establishment of the wholesale funding agreements, including a number of separate securitisation facilities and subordinated debt issues, are capitalised and then amortised over the life of the facility or the term of the debt issue.

n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on thirty day terms.

o) Revenue recognition

(i) Loan interest

Current period policy

Interest on loans and advances is recognised on the amortised cost basis, being the cost of the loan on initial recognition less principal repayments, accumulated amortisation using the Effective Interest Rate method and impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees and points paid or received that are integral to the contract (see Note 1 (f)). All interest is recognised on an accruals basis.

Comparative period policy

Interest on all loans and advances has been calculated on the daily outstanding balance, and brought to account on an accruals basis.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the transaction at the balance date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the costs incurred or to be incurred cannot be measured reliably.

(iii) Dividends

Dividends from other investments are recognised when the right to receive the dividend has been established.

p) Income tax

Income tax on the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in Equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

Tax consolidation

The Holding Entity and its Australian wholly-owned subsidiaries formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the consolidated group is Australian Central Credit Union Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

q) Derivative financial instruments

Current period policy

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Note 1 (r)).

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The adjustments on transition date to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 July 2005 are set out in Note 45.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Derivative financial instruments (continued)

Comparative period policy

The Consolidated Entity is exposed to changes in interest rates as a result of its operations. The Consolidated Entity uses, inter alia, interest rate swaps to hedge these risks. Derivative financial instruments are not held for speculative purposes. Derivative financial instruments are accounted for on the same basis as the underlying exposure. Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the Income Statement as an adjustment to interest income during the period.

r) Hedging

On entering into a hedging relationship, the Consolidated Entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period as designated.

Current period policy

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from Equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in Equity are reclassified into profit in the same period or periods during which the asset acquired or liability assumed affects the Income Statement (ie. when the interest income is recognised).

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by the Consolidated Entity. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria any gain or loss on the instrument previously recognised in Equity is reversed through the Income Statement with all subsequent gains or losses recognised through the Income Statement.

The adjustments on transition date to *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*: 1 July 2005 are set out in Note 45.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Hedging (continued)

Comparative period policy

Transactions are designated as a hedge of the anticipated interest transaction, only when they are expected to reduce the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable that the anticipated transaction will occur as designated.

Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Income Statement.

The net amount receivable or payable under interest rate swaps and any associated gains or losses are not recorded on the Balance Sheet until the hedge transaction occurs. When recognised the net receivables or payables are revalued using the interest rates current at the reporting date.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the Income Statement for the period.

Where the hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. When the original anticipated transaction is no longer expected to occur as designated, any gains or losses relating to the hedge instrument are included in the Income Statement for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under the hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the Income Statement.

s) Goods and service tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Segment reporting

A segment is a distinguishable component of the Consolidated Entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance of each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are monthly averages.

	Consolidated		
	Average Balance \$'000	Interest \$'000	Average Interest Rate %
Interest Income 2006			
Investments- Held-to-Maturity and Available-for-Sale financial assets	214,669	12,374	5.76%
Loans and advances	1,856,087	135,465	7.30%
	2,070,757	147,839	7.14%
Interest Expense 2006			
Payables due to other financial institutions	159,218	9,760	6.13%
Deposits	1,284,091	54,445	4.24%
Borrowings	487,675	29,504	6.05%
Subordinated debt	40,000	3,333	8.33%
	1,970,984	97,043	4.92%
Net Interest Income 2006	99,773	50,796	2.22%
Interest Income 2005			
Receivables due from other financial institutions	195,142	11,077	5.68%
Loans and advances	1,585,491	114,094	7.20%
	1,780,633	125,171	7.03%
Interest Expense 2005			
Payables due to other financial institutions	149,550	8,973	6.00%
Deposits	1,201,532	48,837	4.06%
Borrowings	309,549	18,445	5.96%
Subordinated debt	33,417	2,870	8.59%
	1,694,048	79,125	4.67%
Net Interest Income 2005	86,585	46,046	2.36%

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
3. NET INTEREST INCOME				
Interest income				
Cash and short term funds	6,181	9,448	6,181	9,448
Investment securities	6,163	1,601	6,163	1,601
Loans and advances	135,595	114,237	135,495	114,122
	147,939	125,286	147,839	125,171
Interest expense				
Banks and customers	54,445	48,837	54,416	48,837
Debt securities issue	3,333	2,931	3,333	2,931
Other borrowed funds	39,108	27,223	39,108	27,224
Other	186	133	186	133
	97,072	79,124	97,043	79,125
4. NON-INTEREST INCOME				
Fee and commission income				
Loan fee income	775	3,234	775	3,234
Transactional fee income	12,578	12,224	12,578	12,224
Insurance commissions	5,971	5,395	5,971	5,395
Wealth management fees and commissions	3,449	2,978	6,011	5,351
Other commissions	2,106	1,816	2,106	1,816
Other fees	5,455	5,255	5,034	5,093
Total fee and commission income	30,333	30,902	32,474	33,113
Bad debts recovered	1,260	1,422	1,260	1,422
Distribution from controlled entities	335	303	-	-
Dividends received	772	769	772	769
Profit on sale of property, plant and equipment	35	20	35	20
Profit on sale of shares	748	110	748	110
Profit on sale of investment	22	-	22	-
	33,505	33,526	35,311	35,434

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES				
Bad debts written off to Income Statement	1,585	1,877	1,585	1,877
Increase/(decrease) in provision for impairment	(129)	(284)	(129)	(284)
Total impairment on loans and advances	1,456	1,593	1,456	1,593
6. OTHER EXPENSES				
Staff costs (Note 7)	27,429	25,475	28,654	26,845
Administrative expenses	9,218	8,009	9,448	8,473
Depreciation:				
Plant and equipment	2,349	2,069	2,382	2,088
Amortisation:				
Computer software	185	415	191	194
Intangible assets - computer software	1,644	1,631	1,644	1,631
Marketing costs	2,708	2,492	2,722	2,500
Operating lease:				
Rentals	4,100	3,805	3,642	3,214
Other occupancy expenses	1,393	1,422	1,245	1,194
Access costs	9,854	9,773	9,854	9,773
Information technology costs	5,314	5,407	5,343	5,500
Building expenses	-	-	303	415
Net loss on disposal of property, plant and equipment	37	12	43	12
	64,231	60,509	65,470	61,839
7. STAFF COSTS				
Wages and salaries	23,059	21,429	24,076	22,674
Employee on costs	1,506	1,400	1,587	1,473
Superannuation contributions	2,084	1,955	2,211	2,062
Increase/(decrease) in liability for annual leave	408	281	407	254
Increase/(decrease) in liability for long service leave	355	394	356	366
Increase/(decrease) in liability for banked leave	17	16	17	16
	27,429	25,475	28,654	26,845

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8. INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax	5,215	4,843	5,346	4,976
Deferred tax	149	184	149	153
Under/(over) provided in prior years	(51)	23	(51)	23
	5,313	5,050	5,444	5,152
Deferred income tax/(revenue) expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 18)	(318)	70	(318)	39
(Decrease)/increase in deferred tax liabilities (Note 26)	467	114	467	114
	149	184	149	153
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before tax	18,685	17,586	19,181	18,049
Tax at the tax rate of 30% (2005: 30%)	5,606	5,276	5,754	5,415
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortisation	-	17	-	143
Non taxable dividends	(232)	(231)	(232)	(231)
Sundry items	(10)	(35)	(27)	(198)
	5,364	5,027	5,495	5,129
Under/(over) provision in prior years	(51)	23	(51)	23
Prior year tax losses not recognised now recouped	-	-	-	-
Income tax expense	5,313	5,050	5,444	5,152
(c) Amounts recognised directly in Equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to Equity:				
Current tax credited directly to Equity	-	-	-	-
Net deferred tax debited/(credited) directly to Equity (Notes 18 and 26)	361	-	361	-
	361	-	361	-

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8. INCOME TAX EXPENSE (CONTINUED)				
(d) Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:				
Undistributed earnings	-	-	-	-
	-	-	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	-	-	-	-

9. FRANKING ACCOUNT

The Consolidated Entity has generated franking credits through paying income tax since the 1994/95 financial year. Since this time, a total of \$35,433,623 (@ 30%) (2005: \$29,786,333 (@ 30%)) worth of franking credits has been accumulated. This includes credits which will arise from the payment of income tax provided for in the financial statements.

The ability to use these franking credits is restricted by the Constitution of the Holding Entity which does not currently permit dividend payments. The balance of the franking account is adjusted for franking credits that the Holding Entity is currently prevented from distributing in the subsequent financial year. The balance of the franking account is \$Nil (2005: \$Nil).

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
10. CASH AND CASH EQUIVALENTS				
Cash on hand at approved deposit taking institutions ("ADI's")	13,789	9,160	14,048	9,855

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
11. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
Certificates of deposit – at cost	–	49,900	–	49,900
Deposits with ADI's – at cost	–	170,500	–	170,500
	–	220,400	–	220,400
Maturity analysis:				
At call	–	6,200	–	6,200
Not longer than 3 months	–	198,200	–	198,200
Longer than 3 and not longer than 12 months	–	16,000	–	16,000
Longer than 1 and not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
No maturity specified	–	–	–	–
	–	220,400	–	220,400

On adoption of *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*, Receivables are recognised as investments either Available-for-Sale or Held-to-Maturity (Note 16).

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
12. RECEIVABLES				
Interest receivable	1,351	3,164	1,351	3,164
Sundry debtors	15,627	5,238	13,499	5,222
	16,977	8,402	14,850	8,386

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
13. LOANS AND ADVANCES				
Revolving credit	168,906	169,947	168,906	169,947
Term loans	1,830,798	1,496,911	1,830,798	1,495,186
	1,999,704	1,666,858	1,999,704	1,665,133
Provision for impairment (Note 14)	(1,305)	(4,841)	(1,305)	(4,841)
Loan origination commission	2,734	–	2,734	–
Unearned loan fees	(3,953)	–	(3,953)	–
Net loans and advances	1,997,180	1,662,017	1,997,180	1,660,292
(a) Maturity analysis:				
Scheduled for repayment:				
No fixed maturity	164,888	169,262	164,888	167,537
Not longer than 3 months	6,278	15,134	6,278	15,134
Longer than 3 and not longer than 12 months	23,484	3,238	23,484	3,238
Longer than 1 and not longer than 5 years	109,467	129,708	109,467	129,708
Longer than 5 years	1,695,587	1,349,516	1,695,587	1,349,516
	1,999,704	1,666,858	1,999,704	1,665,133
(b) Loans by security				
Secured by mortgage	1,759,497	1,436,370	1,759,497	1,434,645
Secured other	165,206	160,710	165,206	160,710
Unsecured	75,000	69,778	75,000	69,778
	1,999,704	1,666,858	1,999,704	1,665,133
(c) Loans by purpose				
Residential loans	1,662,857	1,331,682	1,662,857	1,331,682
Personal loans	226,554	227,556	226,554	227,556
Residential investments loans	109,602	105,106	109,602	105,106
Commercial loans	691	2,514	691	789
	1,999,704	1,666,858	1,999,704	1,665,133
(d) Aggregate amounts receivable from related parties				
Directors and Director related entities	1,245	1,358	1,245	1,358
Key management personnel	351	495	351	495
	1,596	1,853	1,596	1,853

Details of loans to Directors and key management personnel are set out in Note 41.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
14. IMPAIRMENT OF LOANS AND ADVANCES				
(a) Provision for impairment				
Total provisions				
Balance at beginning of year	4,841	5,125	4,841	5,125
Provision for loan impairment	(129)	(284)	(129)	(284)
Derecognition of general provision – AASB 139	(3,407)	–	(3,407)	–
Balance at end of year	1,305	4,841	1,305	4,841
Specific provision				
Balance at beginning of year	322	598	322	598
Increase/(decrease) in provision	98	(276)	98	(276)
Balance at end of year	420	322	420	322
Portfolio impairment provision				
Balance at beginning of year	–	–	–	–
Adjustment on adoption of AASB 132 and AASB 139	1,112	–	1,112	–
Increase/(decrease) in provision	(227)	–	(227)	–
Balance at end of year	885	–	885	–
General impairment provision				
Balance at beginning of year	4,519	4,519	4,519	4,519
Derecognition on adoption of AASB 132 and AASB 139				
Transfer to General reserve for credit losses	(3,407)	–	(3,407)	–
Transfer to portfolio impairment provision	(1,112)	–	(1,112)	–
Balance at end of year	–	4,519	–	4,519
Charge to Income Statement comprises (Note 5):				
Provision for loan impairment	(129)	(284)	(129)	(284)
Loans written off during the year as uncollectible	1,585	1,877	1,585	1,877
	1,456	1,593	1,456	1,593

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
14. IMPAIRMENT OF LOANS AND ADVANCES (CONTINUED)				
b) Non-accrual loans				
Gross non-accrual loans	827	648	827	648
Specific provision for impairment	(411)	(322)	(411)	(322)
Net non-accrual loans	416	326	416	326
c) Restructured loans	363	462	363	462
d) Assets acquired through the enforcement of security				
Real estate assets acquired through enforcement of security:				
Value of real estate assets acquired	1,558	956	1,558	956
Other assets acquired through enforcement of security:				
Value of other assets acquired	280	307	280	307
Total assets acquired through the enforcement of security	1,838	1,263	1,838	1,263

15. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Land and Buildings	-	-	-	5,232
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The Consolidated Entity sold its land and building at 70 Light Square, Adelaide, (part of the Other business segment) pursuant to a deferred sale agreement with settlement occurring on 15 May 2006. The value recognised in the consolidated accounts at 30 June 2005 represents the sale value less costs associated with the disposal of the land and building. In determining the sale value for the land and building a valuation was provided by Mr. David J Mintern (AAPI) Certified Practising Valuer, Jones Lang LaSalle Advisory Services Pty Limited and was reviewed by the Trustee of the Australian Central Credit Union Members' Property Trust.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
16. INVESTMENTS				
a) Available-for-Sale financial assets	100,000	–	100,000	–
At beginning of year				
Adjustment on adoption of AASB 132 and AASB 139	57,398	–	57,398	–
Additions	100,000	–	100,000	–
Disposals (sale and redemption)	(57,398)	–	(57,398)	–
At end of year	100,000	–	100,000	–
(i) Transition to AASB 132 and AASB 139				
The Consolidated Entity has taken the exemption available under AASB 1 <i>First-Time Adoption of Australian Equivalents to International Financial Reporting Standards</i> to apply AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i> from 1 July 2005.				
b) Held-to-Maturity investments	137,110	–	137,110	–
At beginning of year	–	–	–	–
Adjustment on adoption of AASB 132 and AASB 139	163,500	–	163,500	–
Additions	137,110	–	137,110	–
Maturities	(163,500)	–	(163,500)	–
At end of year	137,110	–	137,110	–
Maturity of investments:				
Not longer than 3 months	96,000	–	96,000	–
Longer than 3 and not longer than 12 months	41,110	–	41,110	–
	137,110	–	137,110	–

(i) Transition to AASB 132 and AASB 139

The Consolidated Entity has taken the exemption available under AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

(ii) Fair value

The fair value of the securities is \$137.1 million (2005: \$Nil). Fair value was determined by reference to an active market.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
16. INVESTMENTS (CONTINUED)				
c) Other financial assets				
Shares in controlled entities (Note 37)	4,988	7,982	–	–
Other at cost	5,731	9,014	5,731	9,014
	10,719	16,996	5,731	9,014
Maturity of investments:				
No fixed maturity	10,719	16,996	5,731	9,014
	10,719	16,996	5,731	9,014

(i) Transition to AASB 132 and AASB 139

The Consolidated Entity has taken the exemption available under *AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement* from 1 July 2005.

Total investments	247,829	16,996	242,841	9,014
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17. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	28,280	26,682	29,198	27,145
Accumulated depreciation	(17,543)	(20,594)	(17,743)	(20,736)
	10,737	6,088	11,455	6,409
Computer software – at cost	1,359	1,066	1,503	1,063
Accumulated depreciation	(1,022)	(838)	(1,032)	(835)
	337	228	471	228
Total property, plant and equipment – at cost	29,639	27,749	30,701	28,208
Total accumulated depreciation	(18,565)	(21,432)	(18,775)	(21,571)
	11,074	6,317	11,926	6,637

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Plant and equipment				
Carrying amount at beginning of year	6,088	8,686	6,409	9,026
Additions	6,988	37	7,681	37
Work in progress	130	270	130	270
Acquisition through entity acquired	-	-	35	-
Disposals	(120)	(836)	(417)	(836)
Impairment	-	-	-	-
Depreciation	(2,349)	(2,069)	(2,382)	(2,088)
Carrying amount at end of year	10,737	6,088	11,454	6,409
Computer software				
Carrying amount at beginning of year	228	191	227	191
Additions	276	442	416	442
Work in progress	20	9	20	9
Impairment	-	-	-	-
Amortisation	(187)	(415)	(191)	(415)
Carrying amount at end of year	337	228	471	228

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
18. DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	391	1,453	391	1,453
Accrued superannuation	5	4	18	5
Unearned income on term loans	1,186	–	1,186	–
Unearned fee income	240	–	240	–
Derivative financial instruments	–	–	–	–
Provisions	1,228	1,078	1,265	1,108
	3,050	2,535	3,100	2,566
Amounts recognised directly in Equity				
Cash flow hedges	–	–	–	–
	3,050	2,535	3,100	2,566
Set off of deferred tax liabilities of parent entity pursuant to set off provisions	–	–	–	–
Net deferred tax assets	3,050	2,535	3,100	2,566
Movements:				
Opening balance	2,535	2,605	2,566	2,605
Change on adoption of AASB 132 and AASB 139 (Note 1 (b))	256	–	256	–
Credited/(charged) to the Income Statement (Note 8)	324	(70)	343	(39)
Credited/(charged) to Equity	(65)	–	(65)	–
Closing balance	3,050	2,535	3,100	2,566
Deferred tax assets to be recovered after more than 12 months	–	–	–	–
Deferred tax assets to be recovered within 12 months	3,050	2,535	3,100	2,566
	3,050	2,535	3,100	2,566

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
19. INTANGIBLE ASSETS				
Goodwill – at cost	202	202	8,217	5,240
Accumulated impairment	(60)	(60)	(697)	(697)
	142	142	7,520	4,543
Computer software – at cost	14,881	13,372	14,881	13,372
Accumulated amortisation	(10,711)	(9,065)	(10,711)	(9,065)
	4,170	4,307	4,170	4,307
Total intangible assets – at cost	15,083	13,574	23,098	18,612
Total accumulated impairment and amortisation	(10,771)	(9,125)	(11,408)	(9,762)
	4,312	4,449	11,690	8,850
Reconciliations				
Reconciliations of the carrying amounts for each class of intangible assets are set out below:				
Goodwill				
Carrying amount at beginning of year	142	202	4,543	5,240
Additional goodwill on acquisition	–	–	3,177	–
Partial sale of asset	–	–	(200)	–
Accumulated Amortisation Under GAAP	–	(116)	–	(1,172)
Change on adoption of AASB 3	–	56	–	475
Impairment charge	–	(60)	–	(697)
Carrying amount at end of year	142	142	7,520	4,543
Computer software				
Carrying amount at beginning of year	4,307	2,830	4,307	2,830
Additions	1,476	2,224	1,471	2,224
Work in progress	31	885	31	885
Acquisition through entity acquired	–	–	5	–
Amortisation	(1,644)	(1,631)	(1,644)	(1,631)
Carrying amount at end of year	4,170	4,307	4,170	4,307

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

19. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units (CGU's) identified according to business segment and region of operation.

A segment level summary of the goodwill allocation is presented below.

	Retail Financial Services (\$'000)	Other (\$'000)	Total (\$'000)
2006			
Other	–	7,520	7,520
	–	7,520	7,520
2005			
Other	–	4,543	4,543
	–	4,543	4,543

The recoverable amount of a CGU is determined based on fair value less cost to sell. Observed sales of similar businesses within the industry have been used to formulate the pricing multiple applied to recurring income streams to determine the recoverable amount. The resulting recoverable value of the business significantly exceeds its carrying value.

(i) Impact of possible changes in key assumptions

If the price earnings multiple used to calculate the fair value were to decrease by one then the recoverable value of the CGU would equal its carrying value. Management does not consider a change in any of the key assumptions to be reasonably possible.

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
20. OTHER ASSETS				
Deferred borrowing costs	386	1,569	386	1,569
Accumulated amortisation	(66)	(861)	(66)	(861)
Prepayments	1,791	4,513	1,791	4,513
	2,112	5,221	2,112	5,221

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
21. PAYABLES DUE TO OTHER FINANCIAL INSTITUTIONS				
Overdraft (at call)	2,164	2,411	2,164	2,411
The overdraft facility is secured by an equitable mortgage over the assets of the Holding Entity.				
22. DEPOSITS				
Members' deposits	1,358,005	1,221,616	1,358,005	1,221,542
Withdrawable shares (issued and paid up shares at \$2.00 per share)	411	407	411	407
	1,358,416	1,222,022	1,358,416	1,221,949
a) Maturity analysis:				
At call	739,445	659,223	739,445	659,150
Not longer than 3 months	322,959	283,746	322,959	283,746
Longer than 3 and not longer than 12 months	286,295	276,870	286,295	276,870
Longer than 1 and not longer than 5 years	9,718	2,177	9,718	2,177
Longer than 5 years	-	6	-	6
	1,358,416	1,222,022	1,358,416	1,221,949
Withdrawable shares are included as part of at call deposits.				
23. TRADE AND OTHER PAYABLES				
Accounts payable	14,963	11,683	15,803	11,746
Accrued interest payable	10,663	9,310	10,663	9,310
	25,627	20,993	26,466	21,056

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
24. BORROWINGS				
The Consolidated Entity has access to the following funding facilities:				
Wholesale funding facilities				
National Australia Bank Ltd	300,000	198,996	300,000	198,996
Waratah Receivables Corporation Ltd	400,000	300,000	400,000	300,000
Credit Union Services Corporation (Australia) Ltd	150,000	170,000	150,000	170,000
Other	–	20,000	–	20,000
	850,000	688,996	850,000	688,996
Wholesale funding facilities utilised				
National Australia Bank Ltd	203,661	64,513	203,661	64,513
Waratah Receivables Corporation Ltd	381,000	292,000	381,000	292,000
Credit Union Services Corporation (Australia) Ltd	150,000	150,000	150,000	150,000
Other	–	20,000	–	20,000
	734,661	526,513	734,661	526,513
Wholesale funding facilities unutilised				
National Australia Bank Ltd	96,339	134,483	96,339	134,483
Waratah Receivables Corporation Ltd	19,000	8,000	19,000	8,000
Credit Union Services Corporation (Australia) Ltd	–	20,000	–	20,000
	115,339	162,483	115,339	162,483
Wholesale funding facilities maturity analysis				
Not longer than 3 months	–	50,000	–	50,000
Longer than 3 and not longer than 12 months	380,000	20,000	380,000	20,000
Longer than 1 and not longer than 5 years	470,000	618,996	470,000	618,996
	850,000	688,996	850,000	688,996

Wholesale funding (National Australia Bank Ltd and Waratah Receivables Corporation Ltd) represents amounts drawn by the Consolidated Entity, at balance date, from two separate securitisation facilities whereby the equitable ownership of qualifying mortgage receivables are sold whilst their legal ownership is retained. As the majority of the benefits associated with the sold receivables remain with the Holding Entity, the transactions have been accounted for as a borrowing facility in these financial statements.

The borrowings from Credit Union Services Corporation (Australia) Ltd include \$150 million (2005: \$150 million) under ongoing facilities which are reviewed annually and secured by an equitable mortgage over the Holding Entity.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

25. INCOME TAX PAYABLE

The income tax payable for the Holding Entity of \$1.297 million (2005: \$3.004 million) and for the Consolidated Entity of \$1.446 million (2005: \$2.956 million) represent the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Holding Entity as the head entity of the Australian tax-consolidated group has assumed the current tax liability/(asset) initially recognised by the members in the tax-consolidated group.

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
26. DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Prepayments	1,250	1,016	1,250	1,016
Sundry debtors	-	-	-	-
Intangibles	-	-	-	-
Depreciation	88	(146)	88	(146)
Derivative financial instruments	-	-	-	-
	1,338	870	1,338	870
Amounts recognised directly in Equity				
Revaluation of property, plant and equipment	-	-	-	-
Cash flow hedges	332	-	332	-
Available-for-Sale financial assets	-	-	-	-
	332	-	332	-
Set off of deferred tax liabilities of the Holding Entity pursuant to set off provisions	-	-	-	-
Net deferred tax liabilities	1,670	870	1,670	870

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
26. DEFERRED TAX LIABILITIES (CONTINUED)				
Movements:				
Opening balance	870	756	870	756
Change on adoption of AASB 132 and AASB 139 (Note 1(b))	36	–	36	–
Charged/(credited) to the Income Statement (Note 8)	468	114	468	114
Charged/(credited) to Equity	296	–	296	–
Acquisition of subsidiary	–	–	–	–
Closing balance	1,670	870	1,670	870
Deferred tax liabilities to be settled after more than 12 months	–	–	–	–
Deferred tax liabilities to be settled within 12 months	1,670	870	1,670	870
	1,670	870	1,670	870

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

27. PROVISIONS

Provision for annual leave	1,776	1,555	1,837	1,607
Provision for banked hours	142	137	142	137
Provision for long service leave	2,159	1,884	2,218	1,934
	4,076	3,576	4,197	3,678

a) Superannuation commitments

The Holding Entity has an established superannuation fund for employees of the Consolidated Entity, which existed for the full financial year. The benefit is the provision of retirement lump sums via an accumulation type fund.

The basis of contributions to the fund is by way of employer and employee contributions. The employer contributions meet the requirements of the superannuation guarantee charge. The obligation to contribute to the fund is to ensure compliance with the superannuation guarantee charge.

b) Number of employees at year end

	Credit Union		Consolidated	
	2006 No.	2005 No.	2006 No.	2005 No.
Equivalent full time	442	424	471	439

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
28. SUBORDINATED DEBT				
Subordinated unsecured notes	40,000	40,000	40,000	40,000
Deferred borrowing costs	668	–	668	–
Accumulated amortisation	(361)	–	(361)	–
	307	–	307	–
Net Subordinated unsecured notes	39,693	40,000	39,693	40,000

On 15 May 1996 the Holding Entity offered to the public, via prospectus, ten year Series 2 Subordinated Unsecured Notes with a face value of \$100 per note. A total of 100,000 notes were subsequently allotted on 3 June 1996 and will mature on 31 July 2006 with an aggregate face value of \$10,000,000. These notes qualify as Tier 2 capital and are listed on the Australian Stock Exchange.

On 5 June 2000 the Holding Entity offered to the public, via prospectus, fifteen year Series 3 Subordinated Unsecured Notes with a face value of \$100 per note. A total of 50,000 notes were subsequently allotted on 30 June 2000 and will mature on 31 July 2015 with an aggregate face value of \$5,000,000. These notes qualify as Tier 2 capital and are listed on the Australian Stock Exchange.

On 30 June 2003 the Holding Entity offered and raised through private placement, via information memorandum, \$10,000,000 ten year Subordinated Unsecured Notes, with a maturity date of 30 June 2013. These notes qualify as Tier 2 capital.

On 15 December 2004 the Holding Entity offered and raised through private placement, via information memorandum, \$15,000,000 ten year Subordinated Unsecured Notes, with a maturity date of 15 December 2014. These notes qualify as Tier 2 capital.

29. REDEEMABLE PREFERENCE SHARE CAPITAL

Redeemable Member shares

	Credit Union	
	2006 \$'000	2005 \$'000
Opening Balance	219	181
Transfer from retained earnings	46	38
Closing Balance	265	219

Under the Corporations Act 2001 (S 254K) redeemable preference shares (member \$2 shares) may only be redeemed out of profits or new shares issued for the purpose of the redemption. The Redeemable Preference Share Capital Account represents the shares redeemed by members since 1 July 1999. Member shares for the existing and new members of the Holding Entity are shown as liabilities (Note 22).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

30. RESERVES

(i) General reserve

The general reserve represents prior period retained earnings which are available for the general use within the Consolidated Entity.

(ii) Asset revaluation reserve

The revaluation reserve relates to property, plant and equipment, and investment in associates measured at fair value in accordance with applicable Australian Accounting Standards.

(iii) Hedging reserve – cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

(iv) General reserve – credit losses

The Australian Prudential Regulatory Authority (“APRA”) require Authorised Deposit-Taking Institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under AIFRS and those required by APRA is represented by the General reserve – credit losses.

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
31. MINORITY INTEREST				
(a) Interest in:				
Units issued	-	-	-	573
Retained profits	-	-	-	(318)
Asset revaluation reserve	-	-	-	283
	-	-	-	538
(b) Movements in minority interest:				
Balance at beginning of financial year	-	-	538	534
Share of operating profit	-	-	65	39
Share of reserves movement	-	-	-	31
Purchased by the Consolidated Entity	-	-	(40)	(7)
Distributions provided for and paid	-	-	(65)	(59)
Capital repatriation	-	-	(498)	-
Balance at end of financial year	-	-	-	538

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
32. CONCENTRATION OF ASSETS AND LIABILITIES				
(a) Available-for-Sale financial assets				
Deposits with Credit Union Services Corporation (Australia) Ltd	100,000	219,600	100,000	219,600
(b) Loans and advances				
As at 30 June 2006, the Holding Entity has no loan assets which represent 10% or more of capital (2005: \$Nil)				
The Holding Entity has an exposure to groupings of individual loans which concentrate risk and create exposure to particular geographic segments as follows:				
– South Australia	1,469,659	1,225,067	1,469,659	1,223,342
– Northern Territory	347,060	314,572	347,060	314,572
– New South Wales	145,408	106,085	145,408	106,085
– Western Australia	37,576	21,134	37,576	21,134
	1,999,704	1,666,858	1,999,704	1,665,133
(c) Member deposits				
As at 30 June 2006, the Holding Entity has no deposit liabilities with an outstanding balance in excess of 10% or more of its total liabilities (2005: \$Nil).				
The Holding Entity has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular geographic segments as follows:				
– South Australia	1,161,158	1,033,312	1,161,158	1,033,239
– Northern Territory	197,229	188,692	197,229	188,692
– New South Wales	12	11	12	11
– Western Australia	17	7	17	7
	1,358,416	1,222,022	1,358,416	1,221,949
(d) Borrowings				
National Australia Bank Ltd	203,661	64,513	203,661	64,513
Waratah Receivables Corporation Pty Ltd	381,000	292,000	381,000	292,000
Credit Union Services Corporation (Australia) Ltd	150,000	150,000	150,000	150,000
Other	–	20,000	–	20,000
	734,661	526,513	734,661	526,513

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
33. COMMITMENTS				
(a) Capital expenditure commitments				
Property, plant & equipment	–	396	–	396
Intangible assets	–	–	–	–
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable not later than 1 year	–	396	–	396
(b) Lease expenditure commitments				
Non-cancellable operating leases				
not later than 1 year	5,433	4,557	5,669	3,772
later than 1 and not later than 2 years	4,250	3,059	3,599	3,059
later than 2 and not later than 5 years	8,238	7,747	8,209	7,747
later than 5 years	11,470	12,907	11,470	12,907
Aggregate lease expenditure contracted for at 30 June	29,391	28,270	28,947	27,485

The Consolidated Entity leases various office and branch premises under non-cancellable leases expiring within one – ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

(c) Credit commitments

Loans approved not disbursed	26,044	25,486	26,044	25,486
Members unused credit facility	108,942	103,455	108,942	103,455
	134,986	128,941	134,986	128,941

34. CONTINGENCIES

Guarantees

Credit Union Financial Support System Limited

With effect from 1 July 1999, the Holding Entity is a party to the Credit Union Financial Support System ("CUFSS"). CUFSS is a voluntary scheme that all Credit Unions who are affiliated with Credit Union Services Corporation (Australia) Limited ("Cuscal") have agreed to participate in.

CUFSS is a company limited by guarantee, each Credit Union's guarantee being \$100. As a member of CUFSS, the Holding Entity:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
35. STANDBY BORROWING FACILITIES				
The Holding Entity has the following borrowing facilities:				
(a) Overdraft facility				
Gross facility amount	1,500	1,500	1,500	1,500
Less: current borrowing	2,164	2,411	2,164	2,411
Net available	(664)	(911)	(664)	(911)
(b) Standby facilities				
Gross facility amount	-	20,000	-	20,000
Less: current borrowing	-	-	-	-
Net available	-	20,000	-	20,000
(c) Wholesale funding facilities (Note 24)				
Gross facility amount	850,000	688,996	850,000	688,996
Less: current borrowing	734,661	526,513	734,661	526,513
Net undrawn	115,339	162,483	115,339	162,483
36. AUDITORS' REMUNERATION				
During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity:				
(a) Audit services				
KPMG:				
Audit and review of the financial reports	148	103	157	110
Other regulatory audit services	13	11	14	12
	161	114	171	122
(b) Taxation services				
KPMG	170	149	231	156
(c) Other assurance services				
KPMG	21	22	29	22

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

37. INVESTMENT IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	% held by Holding Entity		Book value of shares/units held	
			2006 %	2005 %	2006 \$	2005 \$
Australian Central Credit Union Ltd						
Australian Central Services Pty Ltd	Australia	Ord	100	100	-	-
Australian Central Travel Pty Ltd	Australia	Ord	100	100	2	2
Financial Solutions Australasia Pty Ltd	Australia	Ord	100	100	4,987,973	5,189,349
70 Light Square Pty Ltd*	Australia	Ord	100	100	-	-
Lewis Financial Services Pty Ltd (in liquidation)	Australia	Ord	100	-	-	-
Australian Central Credit Union Members' Property Trust	Australia	Unit	-	83.1	-	2,793,696
					4,987,975	7,983,047

* 100% beneficially held

Australian Central Services Pty Ltd and Australian Central Travel Pty Ltd are small proprietary companies and have not been audited during 2005 and 2006. Financial Solutions Australasia Pty Ltd was not audited in 2005 and 2006.

The amounts disclosed in relation to investments in controlled entities in this note have not been rounded to the nearest one thousand dollars in order to disclose amounts which would otherwise have been rounded down to zero.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

38. ACQUISITION OF CONTROLLED ENTITY

On 13 April 2006 the Consolidated Entity acquired 100% of the shares in Lewis Financial Services Pty Ltd ("LFS"). LFS held a 50% partnership interest in Framework Financial Planning ("FFP") which provided financial planning advice. On acquisition LFS acquired the remaining 50% partnership interest of FFP thereby dissolving the partnership and transferring the partnership assets to LFS.

The purpose of the acquisition was to acquire the assets of FFP, consequently LFS was placed into voluntary liquidation on 25 May 2006. All the assets of LFS have been transferred in specie to the Consolidated Entity on 1 June 2006. LFS remains in liquidation at the time of this report.

	13 April 2006 \$'000
Consideration	3,199
less: future settlement payments	(640)
Cash acquired	-
Outflow of cash	2,559
Fair value of net assets acquired	
Property plant and equipment	35
Intangible software	5
Provisions	(19)
Total fair value of net assets acquired	21
Goodwill on acquisition	3,177

The acquired business contributed revenues of \$0.268 million and net profit of \$0.018 million to the group for the period from 13 April 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, the consolidated revenue and consolidated profit for the year ended 30 June 2006 would have been \$1.072 million and \$0.136 million respectively. These amounts have been calculated using the Consolidated Entity's accounting policies.

39. ECONOMIC DEPENDENCY

The Holding Entity has an economic dependency on the following suppliers of services:

(a) Credit Union Services Corporation (Australia) Ltd

This company also supplies central banking services to the Holding Entity. The Holding Entity has invested the majority of its operational liquid assets with the company.

(b) First Data Resources Australia Ltd

This company operates the switching computer used to link Reditellers, other approved EFT suppliers, Visa acquirers and merchants to the Holding Entity computer systems.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

39. ECONOMIC DEPENDENCY (CONTINUED)

(c) Hansen Technologies Pty Ltd

This company has been engaged to provide data processing and desktop management services to the Holding Entity.

(d) Fiserv (ASPAC) Pte Ltd

This company is a member of an international group which owns the core computer software which the Holding Entity operates.

(e) CU Technology Development Ltd

This company holds the Australian credit union licence for the Fiserv computer software and sub-licences the software, and provides ongoing support to the Holding Entity.

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
40. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash and cash equivalents				
For purposes of the Statements of Cash Flows, cash and cash equivalents comprise the following at 30 June:				
Cash and cash equivalents	13,789	9,162	14,048	9,858
Available-for-Sale financial assets and Held-to-Maturity investments with maturity < 3 months	196,000	204,400	196,000	204,400
Overdraft	(2,164)	(2,410)	(2,164)	(2,410)
	207,625	211,152	207,884	211,848

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
40. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)				
(b) Reconciliation of profit after income tax to net cash inflow from operating activities				
Profit for the period	13,372	12,536	13,737	12,897
Adjustments for:				
Depreciation and amortisation	4,733	5,399	4,770	5,457
Increase/(decrease) in provision for impairment	(130)	(284)	(130)	(284)
Bad debts written off	1,585	1,877	1,585	1,877
Increase provision for employee benefits	504	274	523	218
Increase/(decrease) in provision for income tax	(1,656)	2,378	(1,526)	2,070
Increase/(decrease) in provision for deferred tax	316	115	316	115
Net (profit)/loss on sale of property, plant & equipment and investments	(768)	(118)	(768)	(113)
Change in assets and liabilities:				
Increase/(decrease) in interest payable	(1,353)	(1,299)	(1,353)	(1,299)
Increase/(decrease) in payables and other liabilities	5,835	(8,155)	6,629	(8,172)
Decrease/(increase) in interest receivable	991	(828)	997	(828)
Increase/(decrease) in provisions	(15)	–	(15)	–
Decrease/(increase) in other assets	(12,168)	(149)	(13,092)	23
Net cash inflow/(outflow) from operating activities	11,246	11,746	11,673	11,961

41. RELATED PARTIES

(a) Directors

The following were Directors of the Consolidated Entity at any time during the reporting period and unless otherwise indicated were Directors for the entire period.

(i) Chairman – Non-Executive

J.L. Cossons (Chairman)

(ii) Executive Director

P.H.T. Evers (Managing Director)

(iii) Non-Executive Directors

M. W. Basley

Dr. R. H. S. Brooks

M. W. Coleman

A. F. C. Digance

E. T. McGuirk

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, during the financial year:

Name	Position	Employer
G. Strawbridge	General Manager Corporate Services	Australian Central Credit Union Ltd
A. Hamilton	General Manager Value Creation and Technology	Australian Central Credit Union Ltd
S. Lipkiewicz	General Manager Advice and Distribution	Australian Central Credit Union Ltd
D. Mattiske	Executive Manager Organisational Development	Australian Central Credit Union Ltd

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

41. RELATED PARTIES (CONTINUED)

(c) Key management personnel compensation

Information regarding individual Directors' and Executives' compensation is provided in the Directors Report on pages 14 to 15.

		Primary salary & fees \$'000	Bonus \$'000	Non monetary benefits \$'000	Post employment super & termination benefits \$'000	Total \$'000
Non-Executive Directors						
J. L. Cossons (Chairman)	2006	58	–	–	5	63
	2005	56	–	–	5	61
M. W. Basley	2006	39	–	–	3	42
	2005	28	–	–	3	31
Dr R. H. S. Brooks	2006	41	–	–	4	45
	2005	30	–	–	3	33
M. W. Coleman	2006	33	–	–	7	40
	2005	31	–	–	3	34
A. F. C. Digance	2006	34	–	–	3	37
	2005	26	–	–	5	31
E. T. McGuirk	2006	1	–	–	40	41
	2005	–	–	–	34	34
Former Non-Executive Directors						
P.J. Wright (Resigned 29 November 2004)	2006	–	–	–	–	–
	2005	12	–	–	64	76
A. J. Hurst (Resigned 29 March 2005)	2006	–	–	–	–	–
	2005	21	–	–	65	86
Sub-total Non-Executive Directors	2006	205	–	–	62	267
	2005	204	–	–	182	386
Executive Directors						
P. H. T. Evers (Managing Director)	2006	338	40	3	40	421
	2005	327	54	4	39	424
Total all Directors	2006	543	40	–	102	688
	2005	531	54	4	221	810

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

41. RELATED PARTIES (CONTINUED)

(c) Key management personnel compensation (continued)

		Primary salary & fees \$'000	Bonus \$'000	Non monetary benefits \$'000	Post employment super & termination benefits \$'000	Total \$'000
Key Management Personnel						
S. Lipkiewicz	2006	227	27	3	23	280
General Manager Advice and Distribution	2005	203	26	3	21	253
G. Strawbridge	2006	197	26	2	34	259
General Manager Corporate Services	2005	195	25	7	20	247
A. Hamilton	2006	188	25	3	37	253
General Manager Value Creation and Technology	2005	176	24	3	36	239
D. Mattiske	2006	162	14	3	16	195
Executive Manager Organisational Development	2005	148	12	7	14	181
Former Key Management Personnel						
T. Mundy	2006	-	-	-	-	-
Executive Manager Member Relationship (Resigned 31 December 2004)	2005	72	13	4	80	169
Total Key Management Personnel	2006	774	92	11	110	987
	2005	794	100	23	171	1,090

	Credit Union		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(d) Summary of key management personnel compensation				
Short-term employee benefits	1,592	1,507	1,592	1,507
Post-employment benefits	604	392	604	392
	2,196	1,899	2,196	1,899

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

41. RELATED PARTIES (CONTINUED)

(e) Loans to key management personnel

Loans

Details regarding loans outstanding at the reporting date to Directors and key management personnel, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

(i) Aggregates for key management personnel

Consolidated	Opening balance \$'000	Interest paid and payable for the year \$'000	Closing balance \$'000	Number in the group at the reporting period
2006	1,852	128	1,596	3
2005	1,713	119	1,853	4

(ii) Individuals with loans above \$100,000 during the financial year

	Balance 1 July 2005 \$'000	Interest paid and payable for the year \$'000	Balance 30 June 2006 \$'000	Highest indebtedness during the year \$'000
Specified Directors				
Non-Executive				
J.L. Cossons (Chairman)	859	58	418	859
Executive				
P.H.T. Evers (Managing Director)	499	45	827	829
Specified Executives				
A. Hamilton, General Manager Value Creation and Technology	369	25	351	371
T Mundy, Executive Manager Member Relationship (Resigned 31 December 2004)	125	-	-	-

All loans to Directors and key management personnel and Directors and key management personnel spouses are made on normal member terms and conditions which apply to each class of loan. There has been no breach of any terms or conditions in respect of loans made to Directors and key management personnel and Directors and key management personnel spouses. No provision for impairment has been raised against any loans made to Directors and key management personnel and Directors and key management personnel spouses.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

41. RELATED PARTIES (CONTINUED)

(f) Other related party disclosures

Non-key management personnel disclosures

- (i) The Holding Entity has related party transactions with its subsidiaries the transactions are set out below.

Controlled entities

Interests in controlled entities are set out in Note 37.

Key personnel

Disclosures relating to key management personnel of the Consolidated Entity are set out on pages 77 to 80.

- (ii) Transactions with related parties

	Credit Union	
	2006	2005
	\$'000	\$'000
Australian Central Credit Union Members' Property Trust		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Australian Central Credit Union Members' Property Trust:		
Income distribution	335	303
Management fee income	36	40
Interest income	100	115
Interest expenditure	29	–
Occupancy expenditure	842	1,014
Members' deposits	–	73
Receivables	–	201
Loans to members	–	1,725
Accounts payable	–	27
Following the sale of the 70 Light Square Adelaide property the Australian Central Credit Union Members' Property Trust was wound up on 30 June 2006.		
Aggregate amounts included in the Holding Entity accounts that represent future lease commitments to the Australian Central Credit Union Members' Property Trust being amounts due:		
not later than 1 year	–	785
The Holding Entity is entitled to remuneration of up to 2.25% of gross rental income of the Property Trust as at 30 June 2006 as property manager and 0.50% of the value of the Property Trust as at 30 June 2006 as trust manager.		
Deposits of the above related parties are paid at interest rates at least equal to the interest rates generally available to members.		
Financial Solutions Australasia Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Financial Solutions Australasia Pty Ltd:		
Management fee income	386	122
Payable	2	82
Receivable	2,518	42

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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

Recognised financial instruments	Balance Sheet note	Accounting policies	Terms and conditions
(i) Financial assets			
Cash and cash equivalents	10	Cash is carried at face value. Overnight deposits are carried at their principal amount. Interest on overnight deposits is credited as income as it accrues.	Overnight funds are generally accessed prior to 11am daily but can be accessed at call if needed. Interest rates on overnight accounts are set daily.
Receivables due from other financial institutions	11	Amounts due from other financial institutions represents term investments which are carried at face value. Income is brought to account on an accruals basis. These amounts are recognised as investments (Available-for-Sale financial assets and Held-to-Maturity investments).	Term investments can be redeemed at any time at the prevailing market interest rate for the investment's residual term.
Receivables	12	Receivables are recognised at the nominal value of any contractual right to financial asset that has not yet been received.	Receivables substantially comprise income or member charges due and in most cases settle within 30 days.
Loans and advances	13,14	Loans and advances are recognised at amortised cost, being the cost of the loan on initial recognition less principal repayments and accumulated amortisation using the Effective Interest Rate Method and impairment losses. Full details of accounting policies for loans and advances are set out in Note 1.	Housing loans are secured by registered mortgage. Personal loans may either have some form of collateral security or be unsecured. Minimum progress repayments are required but members may make additional repayments at their discretion for which fees or penalties may apply. Loan interest rates are either variable or fixed for up to five years for housing loans or seven years for personal loans.
Investments	16	Available-for-Sale financial assets and Held-to-Maturity investments represents term investments which are carried at face value. Income is brought to account on an accruals basis. These amounts are recognised as investments.	Term investments can be redeemed at any time at the prevailing market interest rate for the investment's residual term.
Available-for-Sale financial assets			
Held-to-Maturity investments			
Other investments		Debt and equity investments are unlisted and carried at the lower of costs and recoverable amount. Income is recognised when the investee declares it.	Investments are largely associated with industry support or service organisations and are therefore long-term in nature.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Terms, conditions and accounting policies (continued)

Recognised financial instruments	Balance Sheet note	Accounting policies	Terms and conditions
(ii) Financial liabilities			
Payables due to other financial institutions	21	The overdraft is carried at principal amount, adjusted for unrepresented cheques and outstanding deposits. Interest is charged as an expense as it accrues.	The interest rate on the overdraft account is set monthly in advance. The overdraft is secured by a fixed and floating charge over the Holding Entity's assets.
Deposits	22	Member deposits are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. Full details of accounting policies for deposits are set out in Note 1.	Details of the maturity profile of deposits are set out in Note 22. Penalties may be levied for early redemption of term deposits.
Trade and other payables	23	Trade and other payables are recognised for amounts to be paid in the future for goods and service, whether or not the amounts have been billed.	Trade and other payables are normally settled within 30 days. Accrued interest payable on deposits and borrowings settles between a month and maturity.
Borrowings	24	Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. Full details of accounting policies for borrowings are set out in Note 1.	Details of the terms of borrowings are set out in Note 24.
Subordinated debt	28	Term subordinated debt is carried at the principal amount less attributable transaction costs. Interest is charged as an expense as it accrues. Full details of accounting policies for subordinated debts are set out in Note 1.	Details of the terms of subordinated debt are set out in Note 28.

Exposure to credit and interest rate risk arises in the normal course of the Consolidated Entity's business. Derivative financial instruments are used to hedge exposure in fluctuation in interest rates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk on financial assets which have been recognised on the Balance Sheet is their carrying amount, net of any provision for impairment.

The Consolidated Entity minimises credit risk on its retail financial assets by undertaking transactions with a large number of diverse members in various geographic locations (refer to Note 32). Credit risk on wholesale activities, including derivative financial instruments, is minimised through dealing only with counterparties which are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

(c) Fair Value

The carrying amount and fair value of financial instruments at 30 June 2006 is \$107.5 million and \$97.7 million respectively (1 July 2005: carrying amount of \$96.0 million and fair value of \$91.8 million).

Estimating of fair values

The following summarises the major methods used in estimating the fair values of financial instruments:

Receivables and other assets/trade and other payables

Carrying amount approximates net fair value because of short term to settlement of the amounts due.

Derivatives

Interest rate swaps are marked to market using broker quotes. These quotes are back tested using pricing models or discounted cash flow techniques.

When discounted cash flow techniques are used, estimated future cashflows are based on management's best estimate and the discount rate is the market related rate for a similar instrument at the balance sheet date. When other pricing models are used, inputs are based on market related data, at the balance sheet date.

Interest bearing loans and borrowings (inclusive of member deposits)

Fair value is calculated on discounted expect principal and interest cash flows.

(d) Interest rate risk

The Consolidated Entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in AUD, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Consolidated Entity's policy. The swaps mature within the next five years following the maturity of the related borrowings and have fixed swap rates ranging from 5.34% to 6.01%.

The Consolidated Entity classifies interest rate swaps as cash flow hedges and measures them at fair value. The fair value of swaps at 1 July 2005 was adjusted against opening balance of hedging reserve at that date.

The net fair value of swaps at 30 June 2006 was \$1.105 million (1 July 2005: \$0.098 million) comprising assets of \$1.105 million (1 July 2005: \$0.119 million) and liabilities of \$Nil (1 July 2005: \$0.217 million). These amounts were recognised as derivatives measured at fair value. At 30 June 2006, the Consolidated Entity has interest rate swaps with a notional contract amount of \$155 million (30 June 2005: \$100 million).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate risk (continued)

Consolidated

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
(i) Financial assets														
Cash and cash equivalents	-	-	-	-	-	-	-	-	14,048	9,855	14,048	9,855	-	-
Receivables due from other financial institutions	-	-	-	220,400	-	-	-	-	-	-	-	220,400	-	5.74%
Receivables	-	-	-	-	-	-	-	-	14,850	8,465	14,850	8,386	-	-
Loans and advances	1,078,429	952,438	125,897	138,896	687,482	451,210	105,372	117,748	-	-	1,997,180	1,660,292	7.36%	7.38%
Investments	-	-	-	-	-	-	-	-	-	9,014	-	9,014	-	-
Available-for-Sale financial assets	-	-	100,000	-	-	-	-	-	-	-	100,000	-	5.86%	-
Held-to-Maturity investments	-	-	137,110	-	-	-	-	-	-	-	137,110	-	5.90%	-
Other investments	-	-	-	-	-	-	-	-	5,731	-	5,731	-	-	-
Total financial assets	1,078,429	952,438	363,007	359,296	687,482	451,210	105,372	117,748	34,629	27,334	2,268,919	1,907,947	-	-
(ii) Financial liabilities														
Payables due to other financial institutions	-	-	-	-	-	-	-	-	2,164	2,411	2,164	2,411	8.55%	8.10%
Deposits	739,445	658,742	609,254	561,492	9,718	1,307	-	-	411	408	1,358,416	1,221,949	4.41%	4.15%
Trade and other payables	-	-	-	-	-	-	-	-	26,466	21,056	26,466	21,056	-	-
Borrowings	-	-	734,661	526,513	-	-	-	-	-	-	734,661	526,513	6.22%	6.08%
Subordinated debt	-	-	34,794	35,000	-	-	4,899	5,000	-	-	39,693	40,000	8.49%	8.34%
Total financial liabilities	739,445	658,742	1,378,709	1,123,005	9,718	1,307	4,899	5,000	29,041	23,875	2,161,400	1,811,929	-	-
(iii) Interest rate swaps	155,000	100,000	-	-	(155,000)	(100,000)	-	-	-	-	-	-	0.27%	0.11%

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

Consolidated

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value		Methods and assumptions used to determine net fair value
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	
(i) Financial assets					
Cash and cash equivalents	14,048	9,855	14,048	9,855	Being cash at call deposits, the carrying amount is the net fair value.
Receivables due from other financial institutions	–	220,400	–	220,425	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements. The carrying amount has not been reduced to net fair value as the underlying investments are expected to be Held-to-Maturity and recovered in full.
Receivables	14,850	8,386	14,850	8,386	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Loans and advances	1,997,180	1,660,292	1,988,403	1,658,534	The net fair value of impaired loans has been estimated by their carrying amount net of the aggregate provision for impairment. The net fair value of other loans has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for loans with similar terms.
Investments					
Available-for-Sale financial assets	100,000	–	100,000	–	Being certificates of deposit, the carrying amount is the net fair value.
Held-to-Maturity investments	137,110	–	137,110	–	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements. The carrying amount has not been reduced to net fair value as the underlying investments are expected to be Held-to-Maturity and recovered in full.
Other investments	5,731	9,014	5,731	9,014	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Total financial assets	2,268,919	1,907,947	2,260,143	1,906,214	

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

42. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Net fair values (continued)

Consolidated

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value		Methods and assumptions used to determine net fair value
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	
(ii) Financial liabilities					
Payables due to other financial institutions	2,164	2,411	2,164	2,411	Carrying amount approximates net fair value due to the short term nature of the debt.
Deposits	1,358,416	1,221,949	1,358,372	1,222,356	The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for deposits with similar terms.
Trade and other payables	26,466	21,056	26,607	21,718	Carrying amount approximates net fair value because of the short term to settlement of the amounts due.
Borrowings	734,661	526,513	734,645	526,353	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Subordinated debt	39,693	40,000	40,591	41,602	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Total financial liabilities	2,161,400	1,811,929	2,162,379	1,814,440	
(iii) Interest rate swaps	1,105,272	–	1,105,272	14	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements

43. SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Consolidated Entity comprises the following main business segments, based on the Consolidated Entity's management reporting system:

Retail financial services: provision of loans, savings, investment and transaction services to members.

Other: sale of insurance policies (as agent), wealth management, corporate superannuation and ownership and management of an office property.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

43. SEGMENT REPORTING (CONTINUED)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Primary Reporting Business Segments

	Retail Financial Services 2006 \$'000	Other 2006 \$'000	Consol- idated 2006 \$'000	Retail Financial Services 2005 \$'000	Other 2005 \$'000	Consol- idated 2005 \$'000
Revenue						
Total segment revenue	171,169	11,981	183,150	147,740	11,184	158,924
Other unallocated revenue	-	-	-	-	-	1,681
Total Revenue	171,169	11,981	183,150	147,740	11,184	160,605
Result						
Segment result	53,189	6,379	59,568	29,688	1,071	30,759
Unallocated corporate expenses	-	-	(40,387)	-	-	(12,710)
Profit before tax	-	-	19,181	-	-	18,049
Income tax expense	-	-	(5,444)	-	-	(5,152)
Profit for the year	-	-	13,737	-	-	12,897
Depreciation and amortisation	4,035	182	4,217	3,876	36	3,912
Assets						
Segment assets	2,013,435	8,011	2,021,446	1,668,338	1,663	1,670,001
Unallocated corporate assets	-	-	277,407	-	-	266,452
Consolidated total assets	2,013,435	8,011	2,298,853	1,668,338	1,663	1,936,453
Liabilities						
Segment liabilities	1,359,378	4,722	1,364,100	1,231,259	437	1,231,696
Unallocated corporate liabilities	-	-	804,614	-	-	587,737
Consolidated total liabilities	1,359,378	4,722	2,168,714	1,231,259	437	1,819,433
Capital Expenditure	8,887	902	9,789	3,866	-	3,866
Non-cash expenses other than depreciation	1,585	-	1,585	1,877	-	1,877

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

43. SEGMENT REPORTING (CONTINUED)

Geographical segments

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of members. Segment assets are based on the geographical location of the assets.

The Consolidated Entity's business segments operate geographically as follows:

Primary:	South Australia	Provision of financial services to members
	Northern Territory	Provision of financial services to members
	New South Wales	Provision of financial services to members
	Western Australia	Provision of financial services to members

	South	Northern	New		Total	South	Northern	New		Total
	Australia	Territory	South	Western		Australia	Territory	South	Western	
Secondary reporting geographical segments	2006	2006	2006	2006	2006	2005	2005	2005	2005	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue by location of customers	142,149	28,597	7,977	4,426	183,150	127,497	23,332	6,340	3,436	160,605
Segment assets by location of assets	1,755,851	352,724	145,412	44,866	2,298,853	1,491,219	318,634	106,088	20,512	1,936,453
Capital expenditure	8,887	-	-	902	9,789	3,867	-	-	-	3,867

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

44. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO AIFRSs

(a) Reconciliation of Equity reported under previous Generally Accepted Accounting Principles ("GAAP") to Equity under Australian equivalents to IFRSs ("AIFRSs"). At the date of transition to AIFRS (1 July 2004) and at the end of the last reporting period under previous GAAP (30 June 2005)

Note	Credit Union						Consolidated					
	1 July 2004			30 June 2005			1 July 2004			30 June 2005		
	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Assets												
Cash and cash equivalents	9,473	-	9,473	9,160	-	9,160	10,020	-	10,020	9,855	-	9,855
Receivables due from other financial institutions	186,510	-	186,510	220,400	-	220,400	186,510	-	186,510	220,400	-	220,400
Receivables	8,899	-	8,899	8,323	79	8,402	8,789	-	8,789	8,386	-	8,386
Loans and advances	1,574,114	-	1,574,114	1,662,017	-	1,662,017	1,572,464	-	1,572,464	1,660,292	-	1,660,292
Non-current assets classified as Held-for-Sale Investments:	-	-	-	-	-	-	-	-	-	-	5,232	5,232
Available-for-Sale financial assets	20,461	-	20,461	16,997	-	16,997	12,559	-	12,559	9,014	-	9,014
Held-to-Maturity investments	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets investments	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	11,707	(5,232)	6,475	10,623	(4,307)	6,316	17,073	(5,232)	11,841	16,176	(9,539)	6,637
Deferred tax assets	2,605	-	2,605	2,566	(31)	2,535	2,605	-	2,605	2,566	-	2,566
Intangible assets	142	5,232	5,374	86	4,363	4,449	4,543	5,232	9,775	4,068	4,782	8,850
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,791	-	4,791	5,221	-	5,221	4,791	-	4,791	5,221	-	5,221
Total assets	1,818,702	-	1,818,702	1,935,393	104	1,935,497	1,819,354	-	1,819,354	1,935,978	475	1,936,453
Liabilities												
Payables due to other financial institutions	910	-	910	2,411	-	2,411	910	-	910	2,411	-	2,411
Deposits	1,141,374	-	1,141,374	1,222,022	-	1,222,022	1,141,348	-	1,141,348	1,221,949	-	1,221,949
Trade and other payables	29,678	-	29,678	20,993	-	20,993	29,790	-	29,790	21,056	-	21,056
Borrowings	509,076	-	509,076	526,513	-	526,513	509,076	-	509,076	526,513	-	526,513
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Income tax payable	1,372	-	1,372	3,826	48	3,874	1,372	-	1,372	3,826	-	3,826
Provisions	3,303	-	3,303	3,576	-	3,576	3,454	-	3,454	3,678	-	3,678
Subordinated debt	29,416	-	29,416	40,000	-	40,000	29,416	-	29,416	40,000	-	40,000
Total liabilities	1,715,129	-	1,715,129	1,819,341	48	1,819,389	1,715,366	-	1,715,366	1,819,433	-	1,819,433
Net assets	103,573	-	103,573	116,052	56	116,108	103,988	-	103,988	116,545	475	117,020

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

44. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO AIFRSs (CONTINUED)

Equity	Credit Union				Consolidated			
	1 July 2004		30 June 2005		1 July 2004		30 June 2005	
	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000
Redeemable preference share capital	181	-	181	219	-	219	219	-
Retained earnings	-	-	-	-	-	-	-	-
General reserve- credit losses	-	-	-	-	-	-	-	-
Asset revaluation reserve	-	-	-	-	-	905	1078	-
Hedging reserve- cash flow hedges	-	-	-	-	-	-	-	-
General reserve	103,392	-	103,392	115,833	56	102,368	114,710	475
Total Equity attributable to members of the Holding Entity	103,573	-	103,573	116,052	56	103,454	116,007	475
Minority interest	-	-	-	-	-	534	538	-
Total Equity	103,573	-	103,573	116,052	56	103,988	116,545	475

Notes to the reconciliation of Equity

- (a) The Consolidated Entity had applied UJG1052 for tax consolidation purposes under previous GAAP, resulting in the Holding Entity as the head entity of the tax consolidated group recognising both current and deferred taxes before recognising the head entity current tax liability (asset) and tax losses/credit. Hence under AIFRS the subsidiaries are now required to recognise deferred tax assets relating to temporary differences. There is \$Nil impact on the Consolidated Entity as upon consolidation, the intercompany balance is eliminated. This allocation to subsidiaries has resulted in a decrease in "Deferred tax assets" of \$0.031 million and an increase in "Income tax payable" of \$0.048 million with a corresponding increase in "Receivables" representing intercompany balances of \$0.079 million.
- (b) Software not integral to the operation of hardware is now recognised as an intangible asset with a finite useful life. This has resulted in a reallocation between "Property, plant & equipment" and "Intangible assets" of \$4.307 million at 30 June 2005 and \$5.717 million July 2004.
- (c) The Consolidated Entity has reclassified its land and buildings as "Available-for-Sale" and as such has reallocated their value of \$5.232 million to "Non-current assets classified as Held-for-Sale" at 30 June 2005.
- (d) The Consolidated Entity has under the requirements of AIFRS ceased amortisation of goodwill from 1 July 2004. From that date goodwill is tested annually for impairment. This reversal of amortised goodwill has resulted in a increase in "Intangible assets" at 1 July 2004 in the Holding Entity of \$0.056 million and \$0.485 million in the Consolidated Entity, at 31 December 2004 \$0.028 million and \$0.238 million respectively and at 30 June 2005 \$0.056 million and \$0.475 million.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

44. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO AIFRSs (CONTINUED)

(b) Reconciliation of profit for the year ended 30 June 2005

	Note	Credit Union			Consolidated		
		30 June 2005			30 June 2005		
		Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous GAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Interest and similar income		125,286	–	125,286	125,171	–	125,171
Interest expense and similar charges	a	(79,078)	(46)	(79,124)	(79,078)	(47)	(79,125)
Net interest income		46,208	(46)	46,162	46,093	(47)	46,046
Fee and commission income		–	–	–	–	–	–
Fee and commission expense		–	–	–	–	–	–
Net fee and commission income		–	–	–	–	–	–
Dividend income		–	–	–	–	–	–
Other operating income		33,514	–	33,514	35,422	–	35,422
Impairment losses on loans and advances		(1,593)	–	(1,593)	(1,593)	–	(1,593)
Operating expenses	b	(60,599)	102	(60,497)	(62,348)	522	(61,826)
Profit before income tax		17,530	56	17,586	17,574	475	18,049
Income tax expense		(5,050)	–	(5,050)	(5,152)	–	(5,152)
Profit for the year		12,480	56	12,536	12,422	475	12,897
Attributable to:							
Members of the Holding Entity		12,480	56	12,536	12,383	475	12,858
Minority interest		–	–	–	39	–	39
		12,480	56	12,536	12,422	475	12,897

Notes to the reconciliation of profit for the year ended 30 June 2005

- (a) The Consolidated Entity has reallocated the interest cost of the unwinding of the discount from long service leave expense "Other expenses" to "Interest expense and similar charges" from 1 July 2004 resulting in a reallocation amount of \$0.046 million in the Holding Entity and \$0.047 million in the Consolidated Entity respectively and as such had no profit impact.
- (b) The Consolidated Entity has under the requirements of AIFRS, ceased amortisation of goodwill from 1 July 2004 and from that date goodwill is tested annually for impairment. This reversal of amortised goodwill has resulted in a writeback to "Operating expenses" of \$0.238 million in the Consolidated Entity and \$0.028 million in the Holding Entity at 31 December 2004 and \$0.056 million and \$0.475 million respectively at 30 June 2005.

(c) Reconciliation of cash flow statement for the year ended 30 June 2005

There has been no impact on the Statements of Cash Flows other than the adjustment to goodwill amortisation no longer applying from 1 July 2004 due to the adoption of AIFRS.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION AND ITS CONTROLLED ENTITIES

45. CHANGE IN ACCOUNTING POLICY

Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement: 1 July 2005

Note	Credit Union			Consolidated		
	30 June 2005			30 June 2005		
	Adjusted AIFRS 30 June 2005 (Note 44) \$'000	Effect of transition to AIFRS \$'000	AIFRS 1 July 2005 \$'000	Adjusted AIFRS 30 June 2005 (Note 44) \$'000	Effect of transition to AIFRS \$'000	AIFRS 1 July 2005 \$'000
Assets						
Cash and cash equivalents	9,160	–	9,160	9,855	–	9,855
Receivables due from other financial institutions	a	220,400	(220,400)	–	220,400	(220,400)
Receivables		8,402	–	8,402	8,386	–
Loans and advances	b	1,662,017	113,184	1,775,201	1,660,292	113,184
Non-current assets classified as Held-for-Sale		–	–	–	5,232	–
Investments:						
Available-for-Sale financial assets	a	–	57,398	57,398	–	57,398
Held-to-Maturity investments	a	–	163,500	163,500	–	163,500
Other financial assets		16,997	–	16,997	9,014	–
Property, plant & equipment		6,316	–	6,316	6,637	–
Deferred income tax assets		2,535	256	2,791	2,566	256
Intangible assets		4,449	–	4,449	8,850	–
Derivative financial assets	c	–	119	119	–	119
Other assets		5,221	–	5,221	5,221	–
Total assets		1,935,497	114,057	2,049,554	1,936,453	114,057
Liabilities						
Payables due to other financial institutions		2,411	–	2,411	2,411	–
Deposits		1,222,022	–	1,222,022	1,221,949	–
Trade and other payables		20,993	–	20,993	21,056	–
Borrowings	b	526,513	113,808	640,321	526,513	113,808
Derivative financial liabilities	c	–	217	217	–	217
Income tax payable		3,874	37	3,911	3,826	37
Provisions		3,576	–	3,576	3,678	–
Subordinated debt		40,000	–	40,000	40,000	–
Total liabilities		1,819,389	114,062	1,933,451	1,819,433	114,062
Net assets		116,108	(5)	116,103	117,020	(5)
Equity						
Redeemable preference share capital		219	–	219	219	–
Retained earnings		–	–	–	–	–
General reserve – credit losses	b	–	3,407	3,407	–	3,407
Asset revaluation reserve		–	–	–	1,078	–
Hedging reserve – cash flow hedges		–	(98)	(98)	–	(98)
Fair value reserve – Available-for-Sale financial assets		–	499	499	–	498
General reserve	b	115,889	(3,812)	112,077	115,185	(3,812)
Total Equity attributable to members of the Holding Entity		116,108	(4)	116,104	116,482	(5)
Minority interest		–	–	–	538	–
Total Equity		116,108	(4)	116,104	117,020	(5)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

45. CHANGE IN ACCOUNTING POLICY (CONTINUED)

In the current financial year the Consolidated Entity adopted *AASB 139 Financial Instruments: Recognition and Measurement* and *AASB 132 Financial Instruments: Disclosure and Presentation*. This change in accounting policy has been adopted in accordance with the transition rules contained in *AASB 1*, which does not require the restatement of comparative information for financial instruments within the scope of *AASB 132* and *AASB 139*.

The adoption of *AASB 139* has resulted in the Consolidated Entity recognising all financial instruments as assets or liabilities at fair value or amortised cost. This change has been accounted for by adjusting the opening balance of Equity (General reserve and Hedging reserve) at 1 July 2005.

The impact on the Balance Sheet in the comparative period is set out above as an adjustment to the opening Balance Sheet at 1 July 2005.

Notes to the change in accounting policy

- (a) Under previous GAAP, the Consolidated Entity recorded Held-to-Maturity and Available-for-Sale investments as “*Receivables due from other financial institutions*”. In accordance with AIFRS, these investments are now recognised as Held-to-Maturity and Available-for-Sale. The effect of measuring Available-for-Sale investments at fair value is to increase “*Available-for-Sale financial assets*” and “*Fair value reserve*” by \$0.498 million at 1 July 2005.
- (b) (i) Under previous GAAP, the Consolidated Entity recorded loans and advances at recoverable amount, after assessing required provisions for impairment. In accordance with AIFRS, loans and advances are recognised at amortised cost (refer Note 1 (f)). Loan fees paid on acquiring the loan are now capitalised and amortised under the Effective Interest Rate method. This has resulted in the recognition of an unearned loan fees (a reduction against loans and advances) of \$4.031 million and a corresponding reduction in Equity, as an opening adjustment at 1 July 2005.

The recognition of unearned loan fees gave rise to a deferred tax asset of \$1.209 million at 1 July 2005.

- (ii) Under previous GAAP, the Consolidated Entity recognised impairment provisions against loans and advances including a general provision for impairment. Under AIFRS provisions for impairment can only be raised for incurred losses based on objective evidence of impairment having occurred. As such, the general provision has been derecognised giving rise to a reduction in impairment provisions of \$3.407 million under “*Loans and advances*” and the recognition of a reserve in Equity representing the level of provisioning required under *AASB 139* and the regulatory requirements of APRA at 1 July 2005.

The reduction in impairment provisions resulted in a corresponding decrease in the deferred tax asset of \$1.022 million at 1 July 2005.

- (iii) Under previous GAAP, securitised loan assets were not recognised on the Balance Sheet. In accordance with the recognition requirements under *AASB 139*, these loans under two securitisation facilities have been recognised on Balance Sheet resulting in an increase in “*Loans and advances*” of \$113.808 million, with a corresponding increase in wholesale borrowing facilities under “*Borrowings*”, with \$Nil tax impact.

45. CHANGE IN ACCOUNTING POLICY (CONTINUED)

Notes to the change in accounting policy (continued)

- (c) Under previous GAAP, the Consolidated Entity did not recognise derivatives at fair value on the Balance Sheet. In accordance with AIFRS, derivatives are now recognised at fair value, resulting in the recognition of a "Hedging reserve" of \$0.098 million, fair value "Derivative financial instruments" comprising assets of \$0.119 million and liabilities of \$0.217 million, giving rise to a deferred tax asset of \$0.065 million and deferred tax liability of \$0.036 million at 1 July 2005.

GLOSSARY

FOR THE YEAR ENDED 30 JUNE 2006

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

GLOSSARY

The Holding Entity

The organisation Australian Central Credit Union Ltd (excluding its controlled entities).

The Consolidated Entity

The combined accounts of Australian Central and its controlled entities.

Controlled Entity

An entity for which Australian Central has the capacity to dominate its decision-making so as to enable it to operate in pursuit of Australian Central goals and objectives.

Entity

A business arrangement, eg: a company, trust or other incorporated body.

Liability

A debt or obligation to another party, eg: a savings account held on behalf of an Australian Central member.

Members' Funds

The excess of Australian Central's assets over its liabilities, which is the amount owned by members.

Outside Equity Interest

The portion of consolidated net assets and profit due to holders of property trust units other than Australian Central.

Provisions

An amount set aside out of profits in the accounts of Australian Central for a known liability (even though the specific amount or time of payment may not be known).

Receivables

Claims against members and other external parties other than loans to members.

Reserves

Accumulated past profits of Australian Central (General Reserve) and the net change in value of revalued assets (Asset Revaluation Reserve).

PROFESSIONAL MEMBERSHIPS

AAICD

Associate of the Australian Institute of Company Directors.

AFACUI

Associate Fellow of the Australian Credit Union Institute

AFPA

Associate of the Financial Planning Association of Australia.

FACUI

Fellow of the Australian Credit Union Institute

FAIBF

Fellow of the Australian Institute of Banking and Finance.

FAICD

Fellow of the Australian Institute of Company Directors.

FAIM

Fellow of the Australian Institute of Management.

FCPA

Fellow of Certified Practising Accountants Australia.

F Fin

Fellow of the Financial Services Institute of Australasia

GAICD

Graduate of the Australian Institute of Company Directors.

MACUI

Member of the Australian Credit Union Institute.

MAICD

Member of the Australian Institute of Company Directors.

MAICUD

Member of the Australian Institute of Credit Union Directors.

SA Fin

Senior Associate of the Financial Services Institute of Australasia

Corporate Directory

BRANCHES - ADELAIDE CITY

Adelaide
60 Light Square
Adelaide SA 5000

BRANCHES - ADELAIDE METROPOLITAN

Burnside
Burnside Village Shopping Centre
Portrush Road
Glenside SA 5065

Golden Grove
Golden Grove Village Shopping Centre
Golden Way
Golden Grove SA 5125

Kilkenny
Centro Arndale Shopping Centre
Hanson Road
Kilkenny SA 5009

Marion
Westfield Marion
Diagonal Road
Marion SA 5043

Noarlunga
Colonnades Shopping Centre
Beach Road
Noarlunga SA 5168

Port Adelaide
Old Port Canal Shopping Centre
Commercial Road
Port Adelaide SA 5015

Tea Tree Plaza
Westfield Tea Tree Plaza
North East Road
Modbury SA 5092

West Lakes
Westfield West Lakes
West Lakes Boulevard
West Lakes SA 5021

BRANCHES - SOUTH AUSTRALIA COUNTRY

Berri
Riverland Plaza
Kay Avenue
Berri SA 5343

Millicent
37 George Street
Millicent SA 5280

Mount Barker
26 McLaren Street Mall
Mount Barker SA 5251

Mount Gambier
Lakes Village Shopping Centre
Cnr Gray & Helen Streets
Mt Gambier SA 5290

Murray Bridge
15 Adelaide Road
Murray Bridge SA 5253

Nuriootpa
Barossa Regional Shopping Centre
Murray Street
Nuriootpa SA 5355

Port Pirie
Ellen Centre
Ellen Street
Port Pirie SA 5540

Whyalla
Westlands Shopping Centre
Nicolson Avenue
Whyalla Norrie SA 5608

AGENCIES - SOUTH AUSTRALIA

Barmera
Barmera Variety of Gifts
13 Barwell Street
Barmera SA 5345

Loxton
Cole and Edwards Pharmacy
6 East Terrace
Loxton SA 5333

Renmark
John's Chemist
Ral Ral Avenue
Renmark SA 5341

Waikerie
DN's Newsagency
McCoy Street
Waikerie SA 5330

BRANCHES - NORTHERN TERRITORY

Alice Springs
Coles Complex
Bath Street
Alice Springs NT 0870

Casuarina
Shop GD41
Casuarina Shopping Square
Trower Road
Casuarina NT 0810

Darwin
3 Searcy Street
Darwin NT 0810

Palmerston
Palmerston Shopping Centre
Palmerston NT 0830

ADVICE CENTRE - WESTERN AUSTRALIA

431 Roberts Road
Subiaco WA 6008

WEBSITE
australiancentral.com.au

DIAL
13 26 21

ELECTRONIC BANKING
ATM, EFTPOS, Bank@Post™

ONLINE BANKING
24 hours a day, 7 days a week
australiancentral.com.au

NATIONAL CALL CENTRE
13 13 21
8am - 8pm Monday to Friday
and 8.30am - 4pm Saturdays
(Central Standard Time)

EMAIL
general@accu.com.au

AUSTRALIAN CENTRAL CREDIT UNION LTD AND ITS CONTROLLED ENTITIES

AFFILIATIONS

Business SA
Credit Union Employers' Association
Credit Union Services Corporation
(Australia) Limited (Cuscal)
Financial Planning Association of Australia
Mortgage Industry Association of Australia
Northern Territory Chamber of Commerce & Industry
Real Estate Institute of Northern Territory

BANKERS

Credit Union Services Corporation
(Australia) Limited (Cuscal)
National Australia Bank Limited

AUDITORS
KPMG

SOLICITORS

Fisher Jeffries
Mellor Olsson
Cridlands
Clayton Utz
EMA Consulting

TAX AGENT
KPMG

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the:
The Sebel Playford
120 North Terrace
Time: 11.00am
Date: 30 November 2006

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