MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2004.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

PG Alchin	B Glawson
RJ Allan	JR Moss (appointed 1 November 2003)
TE Bacon (appointed 1 November 2003)	PM Nolan (appointed 1 November 2003)
GK Chandler (resigned 19 April 2004)	CJ Shepherd
C Giffin	RA Smith

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the constitution. There were no significant changes in the nature of the Credit Unions activities during the year.

OPERATING RESULTS

The amount of profit of the Credit Union for the financial year after providing for income tax was $419,369 (2003 - $341,109).

DIVIDENDS RECOMMENDED

The Credit Union's constitution prevents the payment of a dividend and accordingly the Directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

On the 1 November 2003, Macquarie Credit Union Ltd merged with Post-Tel Credit Union Limited. This allowed both Credit Union's to service our members needs better and resulted in an after tax operating result of $419,369 compared to $341,109 in 2003. This was a very positive result for the Credit Union. The merger resulted in Post-Tel Credit Union Limited transferring its reserves of $980,091 into the operations of Macquarie Credit Union Ltd, and will allow the Credit Union to continue to expand in the years to come

Interest revenue increased by $808,460 to $3,166,790 while borrowing costs only increased by $253,200 to $1,143,141.

ENVIRONMENTAL ISSUES

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

A significant change in the state of affairs of the Credit Union occurred on the 1 November 2003 when Post-Tel Credit Union Ltd was merged with Macquarie Credit Union Ltd.

AFTER BALANCE DATE EVENTS

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

FUTURE DEVELOPMENTS

Our core banking platform, which up until recently was owned by 135 credit unions through Credit Union Services Corporation Australia Limited (CUSCAL) was sold to a private operator earlier this year. We will now within the next three years migrate over to the new operating system along with approximately 100 other credit unions. We consider that the migration to the new system will not effect our services to members or our profitability going into the future.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Credit Union or a related corporation with a Director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

INDEMNIFYING OFFICERS AND AUDITOR

The Credit Union has a Directors' and Officers' liability insurance policy covering all Directors. The premium paid in respect of this policy in force at the date of this report was $3,280.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, for the auditor of the Credit Union.

DIRECTORS' REPORT
(Continued)

INFORMATION ON DIRECTORS

The directors in office at the date of this report are:-

Mr C J Shepherd	-	Chairman
Experience:	-	Appointed Chairman 23/10/86
	-	Board Member since 19/04/71
Interest in Shares:	-	One ordinary share in the Credit Union
Mr C Giffin	-	Deputy Chairman
Experience:	-	Appointed Deputy Chairman 1/12/03
	-	Board Member since 28/08/00
Interest in Shares:	-	One ordinary share in the Credit Union
Mr P G Alchin	-	Director
Experience:	-	Board Member since 25/10/96
Interest in Shares:	-	One ordinary share in the Credit Union
Mr R J Allan	-	Director
Experience:	-	Board Member since 25/10/96
Interest in Shares:	-	One ordinary share in the Credit Union
Mr T E Bacon	-	Director
Experience:	-	Board Member since 1/11/03
Interest in Shares:	-	One ordinary share in the Credit Union
Mr B Glawson	-	Director
Experience:	-	Board Member since 24/02/99
Interest in Shares:	-	One ordinary share in the Credit Union
Mr J R Moss	-	Director
Experience:	-	Board Member since 1/11/03
Interest in Shares:	-	One ordinary share in the Credit Union
Mr P M Nolan	-	Director
Experience:	-	Board Member since 1/11/03
Interest in Shares:	-	One ordinary share in the Credit Union
Mr R A Smith	-	Director
Experience:	-	Board Member since 29/01/02
Interest in Shares:	-	One ordinary share in the Credit Union

DIRECTORS' REPORT
(Continued)

GENERAL BOARD AND AUDIT COMMITTEE ATTENDANCE

	Board Meetings Eligible to Attend	Attended	Special Meetings Eligible to Attend	Attended	Audit Meetings Eligible to Attend	Attended
PG Alchin	12	7	1	1	2	2
RJ Allan	12	8	1	1	-	-
TE Bacon	8	7	-	-	2	2
GK Chandler	9	4	1	-	1	1
C Giffin	12	9	1	1	3	2
B Glawson	12	5	1	-	-	-
JR Moss	8	7	-	-	-	-
PM Nolan	8	7	-	-	2	2
CJ Shepherd	12	12	1	1	3	3
RA Smith	12	4	1	1	1	1

The attendances have been effected by 3 board members taking extended leave during the financial year from Board commitments. They were PG Alchin, B Glawson and RA Smith.

Signed in accordance with a resolution of the Board of Directors.

Director   Director

Dated at Dubbo this 2nd day of August 2004.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACQUARIE CREDIT UNION LTD

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Macquarie Credit Union Ltd for the year ended 30 June 2004.

The directors of the Credit Union are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Credit Union. 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 aspects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Credit Union's financial position, 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.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MACQUARIE CREDIT UNION LTD
(Continued)

Audit Opinion

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

a) the Corporations Act 2001, including:

  i) giving a true and fair view of the Credit Union's financial position as at 30 June 2004 and its performance for the year ended on that date; and

  ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Alan Morse & Co

ALAN MORSE & CO
CHARTERED ACCOUNTANTS

PP BURGETT
PARTNER

36 Darling Street
Dubbo
Dated: 2 August 2004

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

DIRECTORS' DECLARATION

The Directors of the Credit Union declare that:

1. The financial report and notes set out on pages 8 to 35 are in accordance with the Corporations Act 2001;

   i) comply with Accounting Standards and the Corporations Regulations 2001; and
   ii) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Credit Union.

2. In the Directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed at Dubbo on 2nd August 2004 for and on behalf of the Directors by:

______________________________ ______________________________

Director Director

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 $	2003 $
Interest revenue	3	3,166,790	2,358,330
Borrowing costs	2	(1,143,141)	(889,941)
Net interest revenue		2,023,649	1,468,389
Other revenue from ordinary activities	3	183,674	125,361
Bad and doubtful debts expense	4	(11,741)	(18,178)
Employee benefits expense	4	(599,193)	(416,233)
Occupation expenses		(84,790)	(50,170)
Depreciation and amortisation expenses	4	(39,338)	(40,397)
Other expenses from ordinary activities	4	(876,252)	(582,143)
Profit from ordinary activities before income tax expense		596,009	486,629
Income tax expense relating to ordinary activities	5	(176,640)	(145,520)
Net profit from ordinary activities after income tax attributable to members of the Credit Union	19	419,369	341,109
Increase/(decrease) in asset revaluation reserve	20	9,772	(14,531)
Increase/(decrease) in general reserve	20	980,091	-
Increase in retained profits on adoption of new Accounting Standard	19	-	509,000
Total revenues, expenses and valuation adjustments recognised directly in Equity		1,409,232	835,578
Total changes in equity		$1,409,232	$835,578

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Notes	2004 $	2003 $
ASSETS			
Cash and liquid assets	7	5,570,144	4,099,792
Accrued receivables	8	113,334	17,852
Loans and advances	9	38,880,544	30,797,315
Other investments	10	297,126	217,076
Property, plant and equipment	11	68,515	67,995
Receivables	12	-	-
Deferred tax assets	13	261,871	234,682
TOTAL ASSETS		45,191,534	35,434,712
LIABILITIES			
Deposits and short term borrowings	14	36,627,119	27,146,756
Payables and other liabilities	15	409,884	300,627
Interest bearing liabilities	16	1,525,897	2,800,000
Tax liabilities	17	66,034	39,350
Provisions	18	82,588	77,199
TOTAL LIABILITIES		38,711,522	30,363,932
NET ASSETS		$6,480,012	$5,070,780
EQUITY			
Retained profits	19	2,681,457	2,262,088
Reserves	20	3,798,555	2,808,692
TOTAL EQUITY		$6,480,012	$5,070,780

The accompanying notes form part of these financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 $	2003 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on loans		2,835,448	2,180,774
Interest on investments		315,730	170,870
Other income		199,401	149,739
Interest paid on members' savings		(1,024,229)	(712,574)
Interest and other costs of finance		(99,569)	(68,860)
Payments to suppliers and employees		(1,647,086)	(1,065,794)
Tax paid		(178,684)	(176,940)
Net cash provided by (used in) operating activities	27.2	401,011	477,215
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		20,096	14,000
Members' loan repayments		11,892,165	8,885,880
Net sales/(purchases) of investments		3,119,456	(12,636)
Members' loans disbursed		(15,833,189)	(15,382,135)
Purchase of property, plant and equipment		(56,368)	(60,259)
Net cash provided by (used in) investing activities		(857,840)	(6,555,150)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in members' savings		3,201,284	4,577,151
Proceeds from borrowings		-	2,800,000
Repayment of borrowings		(1,274,103)	-
Net cash provided by (used in) financing activities		1,927,181	7,377,151
NET (DECREASE)/INCREASE IN CASH HELD		1,470,352	1,299,216
Cash at beginning of year		4,099,792	2,800,576
CASH AT END OF YEAR	27.3	$5,570,144	$4,099,792

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for the entity, Macquarie Credit Union Ltd as an individual entity. Macquarie Credit Union Ltd is a financial institution, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The following is a summary of material accounting policies adopted by the Credit Union in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

1.1 Income Tax

The Credit Union adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1.2 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment
Plant and equipment are measured on the cost basis.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Property, Plant and Equipment (Continued)

Plant and Equipment (Continued)

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Credit Union commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	**Depreciation rate**
Office equipment	33.3% - 50.0%
EDP equipment	33.3%
EDP software	33.3%
Office furniture and fittings	33.3%
Motor vehicles	22.0%

Assets with a cost less than $500 are not capitalised.

1.3 Loans and Advances

Loans and advances are recognised at their recoverable amount after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

All housing loans are secured by registered mortgages. Security for the remaining loans is assessed individually in accordance with the Credit Union's prescribed policies.

The amount provided for impaired loans is determined by management and the board. Prudential Standards require a minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears and the security held.

From 1 July 2002, the Credit Union is required to apply AASB1044 – Provisions, Contingent Liabilities and Contingent Assets. The standard prescribes recognition, measurement, presentation and disclosure requirements for provisions. These criteria are different to those applied in previous years based on APRA requirements. The effect of the application of this standard resulted in an amount of $509,000 being adjusted against retained profits at 1 July 2002. This is in accordance with the transitional requirements outlined by the standard.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.3 Loans and Advances (Continued)

As determined by management and the board of directors, bad debts are written off from time to time when it is reasonable to expect that the recovery of the debt is unlikely. Write-offs for bad debts are recognised as expenses in the statement of financial performance, or against the provision for impairment.

1.4 Receivables Due from other Financial Institutions

Receivables from other financial institutions are primarily settlement account balances due from banks, building societies and other credit unions and exclude call and term deposits with other ADI's. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the statement of financial performance when earned.

1.5 Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to financial assets. Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.

All revenue received arises from the operating activities of the Credit Union.

Fees and commissions are recognised as revenues on an accrual basis at the time services are rendered to customers. Yield-related loan fees are recognised over the term of the loan.

All revenue is stated net of the amount of goods and services tax (GST).

1.6 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Credit Union will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1.7 Investments

Investments are carried at cost or at Directors' valuation. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 Members' Deposits

Members' deposits are brought to account at the gross value of the outstanding balance. Interest on deposits is brought to account on an accruals basis. Interest accrued at balance date is shown as part of members' deposits.

1.9 Employee Benefits

Provision is made for the Credit Union's liability for employee benefits arising from the services rendered by employees to balance date.

Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Credit Union to employee superannuation funds and are charged as expenses when incurred. The Credit Union has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

1.10 Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

1.11 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

1.12 CU Technology Development Ltd

Based on advice received from CU Technology Development Ltd, there was a reduction in capital of the company by the amount of 86.5 cents for each B class share held in the capital of the company. For accounting purposes, this resulted in 86.5 cents for each B class share being transferred to an unsecured term debtor account. The remaining value of the investment is valued at $0.01 for each share.

1.13 Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current year. On 1 November 2003 Macquarie Credit Union Ltd and Post-Tel Credit Union Limited merged. Current year disclosures relate to the merged entity whilst the 2003 comparative only represent Macquarie Credit Union Ltd.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.14 Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Credit Union's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the Credit Union's transition to IFRS. We will seek to keep members informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the Credit Union's accounting policies which will arise from the adoption of IFRS are:

a) Impairment of Assets

The Credit Union currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

b) Non-current Investments

Under the pending AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

c) Income Tax

Currently, the Credit Union adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the Credit Union will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for 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, and are representative of the Credit Union's operations during the period.

	Average Balance $	Interest $	Average Rate %
Interest revenue - 2004			
Deposits with financial institutions	6,254,167	331,342	5.3%
Loans and advances (other than commercial loans)	33,552,630	2,717,763	8.1%
Commercial loans	1,320,326	117,685	8.9%
	41,127,123	3,166,790	
Interest revenue – 2003			
Deposits with financial Institutions	3,741,667	177,556	4.8%
Loans and advances (other than commercial loans)	25,916,956	2,058,047	7.9%
Commercial loans	1,590,032	122,727	7.7%
	31,248,655	2,358,330	
Borrowing costs - 2004			
Customer deposits	34,207,931	1,043,572	3.1%
Short-term borrowings	1,778,018	99,569	5.6%
	35,985,949	1,143,141	
Borrowing costs – 2003			
Customer deposits	25,684,503	821,081	3.2%
Short-term borrowings	1,324,231	68,860	5.2%
	27,008,734	889,941	

	2004 $	2003 $
3. REVENUE FROM ORDINARY ACTIVITIES		
Interest Revenue	$3,166,790	$2,358,330
Non-Interest Revenue		
Commissions	115,306	90,211
Bad debts recovered	5,926	2,899
Other revenue	42,346	18,251
Total Non-Interest Revenue	163,578	111,361
Proceeds on sale of property plant and equipment	20,096	14,000
Other Revenue from Ordinary Activities	$183,674	$125,361

4. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

	2004 $	2003 $
Expenses		
Bad debts		
Bad debts written off	45,687	14,410
Provision for impairment	(40,000)	-
	5,687	14,410
Doubtful debts - term debtor	6,054	3,768
	$11,741	$18,178
Employee benefits expense		
Salaries	448,228	317,091
Superannuation contributions	61,878	38,798
Annual leave	(1,538)	6,487
Long service leave	4,445	4,609
Sick leave	14,145	1,680
Other	72,035	47,568
	$599,193	$416,233

	2004 $	2003 $

4. PROFIT FROM ORDINARY ACTIVITIES (Continued)

Expenses (Continued)

	2004 $	2003 $
Depreciation		
Office equipment	3,647	2,753
Office furniture and fittings	3,454	-
Motor vehicles	13,176	13,176
EDP hardware	10,785	20,374
EDP software	8,276	4,094
	$39,338	$40,397
Other expenses from ordinary activities		
Fees and commissions	231,605	133,638
Loans administration	109,780	79,009
Data processing	208,542	142,554
General administration	326,325	226,942
	$876,252	$582,143

5. INCOME TAX

The prima facie tax on operating profit is reconciled to the income tax provided as follows:

	2004 $	2003 $
Prima facie tax on operating profit @ 30% (2003:30%)	178,803	145,988
Tax effect of permanent differences:		
- Rebateable fully franked dividends	(2,163)	(468)
Income tax expense attributable to operating profit	$176,640	$145,520
The income tax expense comprises amounts set aside as:		
- Income tax payable on current year profits	203,942	152,649
- Future income tax benefit	(27,302)	(7,129)
	$176,640	$145,520

	2004 $	2003 $
6. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditors of the Credit Union for:		
- Audit of the financial statements	15,600	12,110
- Other services	9,700	6,340
	$25,300	$18,450
7. CASH AND LIQUID ASSETS		
Impress accounts	150,209	78,348
Deposits at call	1,219,935	721,444
Interest earning deposits	4,200,000	3,300,000
	$5,570,144	$4,099,792
8. ACCRUED RECEIVABLES		
Interest receivable	22,298	6,686
Member clearing accounts	91,036	11,166
	$113,334	$17,852
9. LOANS AND ADVANCES		
Overdrafts	520,458	579,047
Visa	241,431	13,424
Term loans	38,178,655	30,264,844
	38,940,544	30,857,315
General provision for impairment	(60,000)	(60,000)
Loans and advances (net)	$38,880,544	$30,797,315

9. LOANS AND ADVANCES (Continued)

9.1 Maturity Analysis

	2004 $	2003 $
Overdrafts	520,458	579,047
Visa	241,431	13,424
Not longer than 3 months	17,115	13,964
Longer than 3 months but less than 12 months	355,554	263,303
Longer than 12 month but less than 5 years	11,391,320	9,067,660
Longer than 5 years	26,414,666	20,919,917
	$38,940,544	$30,857,315

9.2 Concentration of Risk

i) There are no members who have a loan which represents 10% or more of liabilities (2003:nil).

ii) Details of loans which represent, in aggregate, 10% or more of equity are set out below. This information is based on residential postcodes.

	2004 $	2003 $
Geographical Area		
Dubbo	17,296,870	13,107,238
Wellington	4,110,676	2,780,206
Gilgandra	3,394,976	3,319,530
Warren	2,157,018	1,765,908
Narromine	1,240,018	1,007,117
Cobar	1,201,445	1,214,449
Nyngan	957,404	996,076
Coonamble	765,482	705,670

9.3 Transactions with Directors and Director Related Entities

i) The aggregate loans and overdrafts to all directors and their spouses at 30 June 2004 amounted to $139,656 (2003 - $149,828). No provision for impairment applies to these loans.

ii) During the year loans and overdrafts disbursed to directors and their spouses amounted to $33,793 (2003 - $69,039).

iii) All loans to Directors and related persons are approved on the same terms and conditions which apply to members generally. There are no loans guaranteed or secured by the Credit Union in respect of the Directors and related persons.

9. LOANS AND ADVANCES (Continued)

9.4 Provisions for Impairment

	2004 $	2003 $
General provision for impairment		
Opening balance	60,000	569,000
Increase through acquisition of entity	40,000	-
Decrease in provision on adoption of new Accounting Standard	-	(509,000)
Provision no longer required	(40,000)	-
	$60,000	$60,000
Bad and doubtful debt expense comprises		
General provision for impairment	(40,000)	-
Bad debts written off	45,687	14,410
	$5,687	$14,410

9.5 Impairment of Loans and Advances

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification is described below.

	2004 $	2003 $
Non-accrual loans		
Balances with provisions for impairment	$89,877	$5,001
Restructured loans		
Balances at 30 June	-	-
Non-accrual and restructured loans		
Interest revenue earned	$5,575	$3,712
Interest revenue forgone	$8,374	$465
Past due loans		
Balance at 30 June	$26,455	$58,694

Assets acquired via security enforcement
No assets were acquired during the year by security enforcement (2003-Nil).

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and the interest being charged is less than the Credit Union's average cost of funds.

9. LOANS AND ADVANCES (Continued)

9.5 Impairment of Loans and Advances (Continued)

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities and the anticipated yield following restructuring is equal to or greater than the entity's average cost of funds. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

"Past-due loans" are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

	2004 $	2003 $
10. OTHER INVESTMENTS		
Shares held with Special Service Providers		
- Primary shares	20	10
- Commercial shares	259,759	208,374
Shares – at cost		
- Unlisted	53,852	34,957
	313,631	243,341
Less: Provision for diminution – unlisted shares	(34,969)	(34,957)
	278,662	208,384
Listed shares – at market value	18,464	8,692
Total other investments	$297,126	$217,076
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture - at cost	67,104	26,876
Less: provision for depreciation	(52,538)	(26,315)
	14,566	561
Office equipment - at cost	51,243	49,010
Less: provision for depreciation	(39,956)	(36,970)
	11,287	12,040

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2004 $	**2003 $**
Motor vehicles - at cost	40,850	59,901
Less: provision for depreciation	(14,004)	(17,844)
	26,846	42,057
EDP hardware - at cost	120,437	103,949
Less: provision for depreciation	(113,799)	(103,041)
	6,638	908
EDP software - at cost	99,920	97,357
Less: provision for depreciation	(90,742)	(84,928)
	9,178	12,429
Total Property, Plant and Equipment	$68,515	$67,995

Movement in carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

	Office Furniture $	**Office Equipment $**
Balance at the beginning of year	561	12,040
Additions	17,459	8,132
Depreciation expense	(3,454)	(3,647)
Disposals	-	(9,896)
Additions through acquisition of entity	-	4,658
Carrying amount at the end of year	$14,566	$11,287

	Motor Vehicles $	**EDP Hardware $**
Balance at the beginning of year	42,057	908
Additions	19,689	15,661
Depreciation expense	(13,176)	(10,785)
Disposals	(21,724)	-
Additions through acquisitions of entity	-	854
Carrying amount at the end of year	$26,846	$6,638

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	EDP Software $	Total $
Balance at the beginning of year	12,429	67,995
Additions	2,563	63,504
Depreciation expense	(8,276)	(39,338)
Disposals	(2,604)	(34,224)
Additions through acquisition of entity	5,066	10,578
Carrying amount at the end of year	$9,178	$68,515

	2004 $	2003 $
12. RECEIVABLES		
Term debtors – CU Technology Ltd	100,902	82,810
Provision for doubtful debts	(100,902)	(82,810)
	-	-
13. DEFERRED TAX ASSETS		
Future income tax benefits	$261,871	$234,682

The future income tax benefit is made up of the estimated tax benefits arising from timing differences.

14. DEPOSITS AND SHORT TERM BORROWINGS

	2004 $	2003 $
Term deposits	19,628,444	16,510,581
Call deposits	16,953,363	10,605,125
Withdrawable shares	45,312	31,050
	$36,627,119	$27,146,756

14.1 Maturity analysis

	2004 $	2003 $
On call	16,998,676	10,636,175
Not longer than 3 months	9,734,734	8,366,823
Longer than 3 months but less than 12 months	9,893,709	8,143,758
	$36,627,119	$27,146,756

14. DEPOSITS AND SHORT TERM BORROWINGS (Continued)

14.2 Concentration of Deposits

i) There are no members who have deposits which represent 10% or more of liabilities. (2003–Nil).

ii) Details of deposits which represent 10% or more of equity are set out below. This information is derived from records of payroll deductions and residential postcodes.

	2004 $	2003 $
Geographical Area		
Dubbo	17,523,670	14,534,531
Wellington	2,724,454	2,421,051
Gilgandra	2,502,528	2,400,581
Nyngan	2,268,553	2,264,070
Warren	1,440,369	1,416,720
Coonamble	1,301,021	1,232,261
Cobar	1,266,135	989,954
Narromine	825,469	724,258

14.3 Transactions with Directors and Director Related Parties

Directors and related parties have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of the Credit Union.

	2004 $	2003 $
15. PAYABLES AND OTHER LIABILITIES		
Payables and accrued expenses	83,119	23,394
Accrued interest payable	290,859	271,516
Member clearing accounts	35,906	5,717
	$409,884	$300,627

16. INTEREST BEARING LIABILITIES

Term loan	500,000	1,000,000
Deposits from other ADI's	1,025,897	1,800,000
	$1,525,897	$2,800,000

16.1 Maturity analysis

Not longer than 3 months	$1,525,897	$2,800,000

	2004 $	2003 $

17. TAX LIABILITIES

Income tax	$66,034	$39,350

18. PROVISIONS

Employee benefits	$82,588	$77,199

Number of employees at year end – 11 (2003:8)

19. RETAINED PROFITS

Retained profits at the beginning of the financial year	2,262,088	1,411,979
Net profit attributable to members	419,369	341,109
Increase in retained profits on adoption of a new Accounting Standard	-	509,000
Retained profits at the end of the financial year	$2,681,457	$2,262,088

Balance of franking account held by the Credit Union after adjustments for credits that will arise from the payment of income tax payable as at the end of the financial year is $1,070,657 (2003 - $894,017). Franking credits represent reserves upon which income tax has been paid.

Since the Credit Union constitution prevents a dividend being declared these credits are not presently available to members.

	2004 $	2003 $

20. RESERVES

General	3,780,091	2,800,000
Asset revaluation	18,464	8,692
	$3,798,555	$2,808,692

Asset Revaluation
Movements during the year

Opening balance	8,692	23,223
Revaluation of listed shares	9,772	(14,531)
Closing balance	$18,464	$8,692

20. RESERVES (Continued)

General

Movements during the year

	2004 $	2003 $
Opening balance	2,800,000	2,800,000
Equity through merger with Post-Tel Credit Union Ltd	980,091	-
Closing balance	$3,780,091	$2,800,000

21. DIRECTORS AND RELATED PARTY DISCLOSURES

21.1 Directors' Names

The Directors of the Credit Union during the year were:

PG Alchin
RJ Allan
TE Bacon (appointed 1 November 2003)
GK Chandler (resigned 19 April 2004)
C Giffin
B Glawson
JR Moss (appointed 1 November 2003)
PM Nolan (appointed 1 November 2003)
CJ Shepherd
RA Smith

21.2 Remuneration

The aggregate remuneration (excluding reimbursement of expenses) received by directors in the year was $Nil (2003 - $Nil). There are no payments made to superannuation funds for the benefit of directors.

21.3 Other

Financial transactions with Directors and related parties are conducted on the same terms and conditions as applicable to members generally as reported in Note 9 and 14.

22. EXPENDITURE COMMITMENTS AND CREDIT COMMITMENTS

22.1 Future Capital Commitments

The Credit Union has no future capital commitments as at 30 June 2004 (2003: $Nil)

22.2 Future Lease Rental Commitments

Operating lease payments under existing lease arrangements for accommodation are payable over the following periods:

	2004 $	2003 $
Within 1 year	48,859	15,270
1-2 years	34,653	16,262
2-5 years	50,427	8,494
	$133,939	$40,026

22. EXPENDITURE COMMITMENTS AND CREDIT COMMITMENTS (Continued)

22.3 Outstanding Loan Commitments

The loans approved by the board but not funded as at 30 June 2004 amount to $2,019,028 (2003 - $2,258,092).

The withdrawal of these funds is at the discretion of the board subject to available liquid funds. It is anticipated all of the commitment will be paid within 12 months.

22.4 Unfunded Loan Facilities

Loan facilities to members for overdrafts and line of credit loans approved but unfunded at 30 June 2004, amounted to $1,708,612 (2003 - $1,271,028). Net increase in limits during the year totalled $642,500. There are no restrictions to withdrawal of the funds provided normal repayments are maintained.

	2004 $	2003 $

23. STANDBY BORROWING FACILITIES

The Credit Union has gross borrowing facilities with CUSCAL of:

	2004 $	2003 $
Loan Facility		
Gross	600,000	600,000
Current borrowing	-	-
Net available	$600,000	$600,000
Loan Facility – TWT Fund		
Gross	1,000,000	-
Current borrowing	(500,000)	-
Net available	$500,000	-
Overdraft Facility		
Gross	300,000	300,000
Current borrowing	-	-
Net available	$300,000	$300,000

There are no restrictions as to withdrawal of these funds.

The borrowing facility is secured by a fixed and floating charge over the Credit Union’s assets.

24. CONTINGENT LIABILITIES

24.1 Credit Union Financial Support System

An Industry Support Contract made on the 4 March 1999 between Credit Union Services Corporation (Australia) Limited, (CUSCAL), Credit Union Financial Support System Limited and participating credit unions required the Credit Union to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the Credit Union and secures any advances which may be made to the Credit Union under the scheme.

The balance of the debt at 30 June 2004 was nil (2003: nil).

There are no other contingent liabilities at balance date or the date of this report.

The Credit Union is a participant in the Credit Union financial support system (CUFSS). The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

25. ECONOMIC DEPENDENCY

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

Credit Union Services Corporation (Australia) Limited - (CUSCAL)
This entity supplies financial banking services to the Credit Union for the provision of financial intermediation services. The Credit Union has invested all of its high quality liquid assets (HQLA) and operating liquid assets (OLA) with the entity to maximise return on funds.

This entity also supplies the Credit Union rights to members' cheques and Visa cards in Australia and provides services in the form of settlement with bankers for members' cheques and Visa card transactions and the production of Visa cards for use by members.

Corvis Pty Ltd
This company is a wholly owned subsidiary of CUSCAL which provides and maintains the application software utilised by the Credit Union.

Combined Financial Processing Pty Ltd (CFP)
This entity provides computing services to the Credit Union.

26. SEGMENTAL REPORTING

The Credit Union operates predominantly in the finance industry within New South Wales. The operations comprise the acceptance of deposits and the making of loans to members. Specific segments of related deposits and loans are set out in Notes 9 and 14 respectively.

27. STATEMENT OF CASH FLOWS

27.1 Cash Flows Presented on a Net Basis

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

i) customer deposits in and withdrawals from savings and other deposit accounts;
ii) sales and purchases of maturing certificates of deposit.

27.2 Reconciliation of Net Cash Provided by Operating Activities to Operating Profit after Income Tax

	2004 $	2003 $
Operating profit after tax	419,369	341,109
Bad debts written off	45,687	14,410
Employee leave entitlements	(44,464)	12,776
Provision for bad debts	(40,000)	-
Depreciation	39,338	40,397
Loss on sale of property, plant and equipment	6,992	-
Provision for doubtful debts	6,054	3,768
(Increase) / decrease in future income tax benefit	(27,189)	(7,252)
Increase / (decrease) in provision for income tax	25,245	(24,168)
Increase / (decrease) in accrued interest payable	19,343	108,507
Increase / (decrease) in payables	26,816	(18,993)
(Increase) / decrease in other receivables	(76,180)	6,661
Net cash provided by operating activities	$401,011	$477,215

27.3 Reconciliation of Cash

Cash on hand and at SSPs	1,370,144	799,792
Term deposits	4,200,000	3,300,000
Cash as per Statement of Cash Flows	$5,570,144	$4,099,792

28. FINANCIAL INSTRUMENTS

28.1 Terms, conditions and accounting policies

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

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
(i) Financial assets			
Loans and Advances	9	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis. Loan interest is calculated on daily balances and charged in arrears on the last day of the month.
Loans and Advances – related parties	9	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.	All loans disbursed are approved on the same terms and conditions which apply to all members.
Short-term deposits	7	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Short-term deposits have an average maturity of 30 days and effective interest rates of 4.5% to 5.5% (2003:4.0% to 5.0%).
Unlisted shares	10	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	-
Listed shares	10	Listed shares are carried at market value. Dividend income is recognised when the dividends are received.	-
Accrued receivables	8	The carrying value of receivables are carried at their nominal amounts due.	-
Receivables	12	Receivables are carried at cost less any provision for doubtful debts.	-

28. FINANCIAL INSTRUMENTS (Continued)

28.1 Terms, conditions and accounting policies (Continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(ii) Financial liabilities			
Payables and other liabilities	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30 day terms.
Deposits and short term borrowings	14	Deposits are recorded at the principal amount	Details of maturity terms are set out in note 14. Interest is calculated on the daily balance.

28. FINANCIAL INSTRUMENTS (Continued)

28.2 Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Non interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Financial Instrument	$	$	$	$	$	$	$	$	%	%
(i) Financial assets										
Cash and liquid assets	1,219,935	721,444	4,200,000	3,300,000	150,209	78,348	5,570,144	4,099,792	4.9	4.8
Accrued receivables	-	-	-	-	113,334	17,852	113,334	17,852	-	-
Loans and advances - related parties/entities	139,656	149,828	-	-	-	-	139,656	149,828	8.1	7.9
Other investments	-	-	-	-	297,126	217,076	297,126	217,076	-	-
Loans and advances	38,740,888	30,647,487	-	-	-	-	38,740,888	30,647,487	8.1	7.9
Total financial assets	40,100,479	31,518,759	4,200,000	3,300,000	560,669	313,276	44,861,148	35,132,035		
(ii) Financial liabilities										
Deposits and short term borrowings	16,953,363	10,605,125	19,628,444	16,510,581	45,312	31,050	36,627,119	27,146,756	3.1	3.2
Payables and other liabilities	-	-	-	-	409,884	300,627	409,884	300,627	-	-
Interest bearing liabilities	1,525,897	2,800,000	-	-	-	-	1,525,897	2,800,000	5.6	5.2
Total financial liabilities	18,479,260	13,405,125	19,628,444	16,510,581	455,196	331,677	38,562,900	30,247,383		

There are no financial assets and financial liabilities with fixed interest rates with terms in excess of one year.

28. FINANCIAL INSTRUMENTS (Continued)

28.3 Net fair values

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

	Total carrying amount in the statement of financial position		Aggregate net fair value	
	2004 $	2003 $	2004 $	2003 $
Financial assets				
Cash and liquid assets	5,570,144	4,099,792	5,570,144	4,099,792
Accrued receivables	113,334	17,852	113,334	17,852
Loans and advances-related parties	139,656	149,828	139,656	149,828
Other investments	297,126	217,076	297,126	217,076
Loans and advances	38,740,888	30,647,487	38,714,433	30,588,793
Total financial assets	$44,861,148	$35,132,035	$44,839,693	$35,073,341
Financial liabilities				
Deposits and short term borrowings	36,627,119	27,146,756	44,834,693	27,146,756
Payables and other liabilities	409,884	300,627	409,884	300,627
Interest bearing liabilities	1,525,897	2,800,000	1,525,897	2,800,000
Total financial liabilities	$38,562,900	$30,247,383	$38,562,900	$30,247,383

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Cash and liquid assets and due from other financial institutions: The carrying amount approximates fair value because of their short-term to maturity or are receivable on demand.

Accrued receivables: The carrying amounts approximate fair value because they are short term in nature.

Unlisted shares and deposits: Securities are carried at net market/net fair value.

Loan and advances: The fair values of loans receivable excluding impaired loans, are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Payables and other liabilities: The carrying amounts approximate fair value as they are short term in nature.

28. FINANCIAL INSTRUMENTS (Continued)

28.3 Net fair values (Continued)

Deposits: This includes interest and unrealised expenses payable for which the carrying amount is considered to be reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities. The fair value of deposits at call is the amount payable on demand at the reporting date.

28.4 Credit risk exposures

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

28.5 Concentrations of credit risk

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers. Loans to members by geographical area is detailed in note 9. There are also a number of industry groups with payroll transactions with the Credit Union. Specific information about these industries is not readily available.

28.6 Securitisation

The Credit Union has an agreement with a mortgage provider whereby it acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The Credit Union also manages a loan portfolio on behalf of the trust. The Credit Union bears no credit risk exposure in respect of these loans.

29. COMPANY DETAILS

The registered office of the Credit Union is:-

Macquarie Credit Union Ltd
23 Hawthorn Street,
DUBBO NSW 2830

End of audited financial statements.

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2004

MACQUARIE CREDIT UNION LTD
ABN 85 087 650 256

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