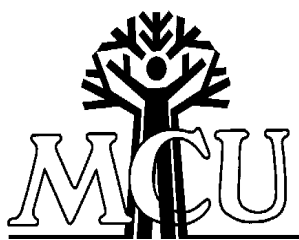


# Maleny Credit Union

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## Full Financial Statements 2004

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**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**DIRECTORS REPORT**

Your directors present their report on the credit union for the financial year ended 30 June 2004.

**Directors**

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

John Duthie (Facilitator October 2003 – June 2004)  
Kevin Dale (Staff director – resigned 4<sup>th</sup> October 2003)  
Robyn Grivell (Staff director – appointed 4<sup>th</sup> October 2003)  
Steve Swayne (Facilitator July 2003 – October 2003)  
Alan Harrington  
Bernice McLennan  
Peter Pamment  
Peter Searle  
James Davidson  
Lynne Frederiksen  
Margaret Rimmer (Casual director appointed by the Board 18<sup>th</sup> May 2004)  
Mary Smith (Resigned 20 April 2004)  
Kerrienne Russell (Resigned 4<sup>th</sup> October 2003)

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

**Principle activities**

The principal activities of the credit union during the financial year were the provision of deposit and borrowing facilities to members.

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

**Operating results**

The profit of the credit union after providing for income tax amounted to \$190,164.

**Contingent Liability**

The Directors of the credit union have made a pledge of \$5,000 to the Maleny & District Green Hills Fund Trust Account People's Park to assist in the acquisition of the land at 2-4 Bunya Street, Maleny (proposed supermarket site) for the purpose of creating public open space and environment reserve on the banks of the Obi Obi Creek.

The fulfilment of this pledge is contingent on the Green Hills Trust Fund receiving sufficient funds to purchase the land from the current owners.

**Dividends paid or recommended**

The directors do not recommend payment of a dividend, nor has any dividend been declared or paid since the commencement of the financial year.

**Review of operations**

The credit union's operations were normal and no extraordinary events took place during the year. The results of these operations, and a detailed report, are found later in the annual report.

**Significant changes in the state of affairs**

No significant changes in the credit union's state of affairs occurred during the financial year.

**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.

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**Future developments**

No significant likely developments in the operation of the credit union are expected in the forthcoming year.

**Environmental issues**

The credit union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory. The credit union's internal Governance Policy outlines environmental intent.

**Information on directors**

(refer to Section 2.1 Directors' Profile)

**Directors' emoluments**

Neither during the financial year or since the end of the financial year has a director received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts, or the fixed salary of a full-time employee of the credit union, or an entity controlled by the society, or of a body corporate that was related to the credit union) by reason of a contract made by a director, a firm of which the director is a member or an entity in which the director has a substantial financial interest, with the credit union or an entity that the credit union controlled, or a body corporate that was related to the credit union when the contract was made or when the director received or became entitled to receive the benefit other than director Peter Pamment who received consultancy fees paid at less than usual commercial rates.

**Meetings of directors**

During the financial year 12 meetings of the directors (including committees) were held. Attendance were:

Director Name	Board	Audit Committee
John Duthie	11	5
Kevin Dale (staff director) (resigned 4/10/03)	3	3
Robyn Grivell (staff director) (appointed 4/10/03)	8	6
Steve Swayne	10	5
Alan Harrington	11	10
Bernice McLennan	11	5
Peter Pamment	9	10
Peter Searle	10	3
James Davidson	11	9
Lynne Frederiksen	9	2
Margaret Rimmer (casual director appoint by the Board 18/5/04)	2	-
Mary Smith (resigned 20/4/04)	4	2

In addition, Directors attended meetings of various sub-committees, special board meetings and staff/directors meetings throughout the year.

**MALENY CREDIT UNION**  
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**Indemnification officers or auditors**

The credit union has paid premiums to insure all directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. In accordance with normal commercial practice, disclosure of the total amount of premium is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the credit union.

**Options**

No options over issued shares or interests in the credit union were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**Proceedings on behalf of the credit union**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the credit union is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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



**Alan Harrington**  
Director

Dated this 21st day of September 2004.

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

	Note	2004 \$	2003 \$
Interest revenue	2	1,649,697	1,489,340
Interest expense	2	(738,940)	(632,105)
		-----	-----
Net interest revenue		910,757	857,235
Other revenue from ordinary activities	3	346,461	316,243
Bad and doubtful debts expense	12	(70,000)	(120,000)
Employee benefits expense		(583,796)	(528,464)
Occupancy expense		(16,492)	(13,319)
Depreciation expense	4	(42,071)	(31,024)
Other expenses from ordinary activities	4	(345,566)	(304,107)
		-----	-----
Profit from ordinary activities before income tax expense		199,293	176,564
Income tax expense relating to ordinary activities	5	(9,129)	(64,307)
		-----	-----
Net profit from ordinary activities after income tax expense attributable to members		190,164	112,257
Net increase in asset revaluation reserve	23	-	89,178
		-----	-----
Total revenues, expenses and valuation adjustments attributable to members of the company and recognised directly in equity		-	-
		-----	-----
Total changes in equity other than those resulting from transactions with owners as owners		<b>190,164</b>	<b>201,435</b>
		=====	=====

The accompanying notes should be read in conjunction with these financial statements

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT**  
**30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>ASSETS</b>			
Cash and liquid assets	8	1,651,544	1,462,327
Investment Securities	9	2,200,000	1,950,000
Accrued receivables	10	23,336	14,524
Loans and advances	11	18,339,226	14,351,504
Other investments	13	24,520	20,820
Property, plant and equipment	14	783,867	791,981
Deferred tax assets	15	64,926	-
Other Assets	16	14,994	18,136
		-----	-----
<b>TOTAL ASSETS</b>		<b>23,102,413</b>	<b>18,609,292</b>
		-----	-----
<b>LIABILITIES</b>			
Deposits	17	21,186,662	16,922,333
Payables and other liabilities	18	35,666	28,854
Tax liabilities	19	44,395	31,100
Provisions	20	84,891	66,373
Interest bearing liabilities	21	200,000	200,000
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>21,551,614</b>	<b>17,248,660</b>
		-----	-----
<b>NET ASSETS</b>		<b>1,550,799</b>	<b>1,360,632</b>
		=====	=====
<b>EQUITY</b>			
Redeemed preference share capital account	22	14,646	-
Reserves	23	1,536,153	1,360,632
		-----	-----
<b>TOTAL EQUITY</b>		<b>1,550,799</b>	<b>1,360,632</b>
		=====	=====

The accompanying notes should be read in conjunction with these financial statements

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		1,641,097	1,492,641
Fees and commissions received		346,923	317,218
Interest paid		(715,831)	(620,288)
Payments to suppliers and employees		(918,054)	(944,686)
Income taxes paid		(60,759)	(66,166)
		-----	-----
Net cash provided by operating activities	32(c)	293,376	178,719
		-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in investment securities		(250,000)	(1,275,899)
Net movement in member loans		(4,057,721)	(1,352,450)
Payments for property, plant and equipment		(33,958)	(53,039)
Payments for other investments		(3,700)	-
		-----	-----
Net cash used in investing activities		(4,345,379)	(2,681,388)
		-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in member deposits		4,241,220	1,582,072
		-----	-----
Net cash provided by financing activities		4,241,220	1,582,072
		-----	-----
Total net increase/(decrease) in cash held		189,217	(920,597)
Cash at the beginning of the financial year		1,462,327	2,382,924
		-----	-----
Cash at the end of the financial year		1,651,544	1,462,327
	32(a)	-----	-----

The accompanying notes should be read in conjunction with these financial statements

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 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, the Corporations Act 2001 and the Prudential Standards set down by APRA.

The financial report covers Maleny and District Community Credit Union Limited as an individual entity. MCU is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values nor, 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 the 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.

**(a) Income Tax**

Tax-effect accounting is applied by the credit union whereby the income tax expense shown in the Statement of Financial Performance is based on the profit from ordinary activities before tax 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 either as a provision for deferred income tax or an asset described as 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(b) Property, Plant and Equipment**

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

**Property**

Freehold land and buildings are measured at the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the credit union to have an independent valuation at least every three years, with annual appraisals being made by the directors. The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gain tax.

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Property, Plant and Equipment(cont'd)**

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an expense in the net profit and loss from ordinary activities in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the credit union commencing from the time the asset is held ready for use.

Property, plant and equipment is depreciated on a diminishing value basis except for buildings which is depreciated on a straight line basis. A summary of the rates used are:

Buildings	2.5%	Computer Software	50.0%
Computer Hardware	37.5%	Office Furniture and Equipment	22.5%

**(c) Employee Benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits for annual leave and other employee benefits expected to be settled within 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.

Present values are discounted using rates for Commonwealth Government guaranteed securities having terms to maturity that match, as closely as possible, the terms of the related liabilities. Future increases in remuneration rates are taken into account in estimating future cash outflows.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

**(d) Revenue**

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the last day of each month. When a loan is classified as non-accrual, the credit union ceases to recognise interest and other income earned but not yet received.

Loan interest is not brought to account when the credit union is informed that the member has deceased or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the member is minimal. However, accrued interest may be recovered as part of the recovery of the debt.

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(d) Revenue(cont'd)**

Loan fees are brought to account as income in the year of receipt up to the amount of costs recouped. Loan fees in excess of costs are brought to account as income over the period of the loan or 5 years whichever is the lesser.

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue received arises from the operating activities of the credit union and is reported net of GST. Fees and commissions are recognised upon the rendering of the service to members.

**(e) 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 expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(f) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**(g) Investment Securities**

Investment securities are intended to be held to maturity, and are recorded at the lower of cost (adjusted for premium or discount) and recoverable amount. 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 decrement in the carrying amount is recognised as an expense in the net profit or loss from ordinary activities in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

**(h) Loans to members**

Loans and advances to members are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principle and interest can be collected in accordance with the terms of the loan agreement.

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by APRA enable the 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. This approach is adopted by the economic entity. In addition, the board makes a provision for loans in arrears where the collectibility of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously

**MALENY CREDIT UNION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(h) Loans to members (cont'd)**

been recognised, write offs for bad debts are recognised as expenses in the Statement of Financial Performance.

The various components of impaired assets are as follows:

"Non-accrual loans" are loans and advances:

(a) for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement; or

(b) which does not meet the definition of a restructured loan only because it yields less than the entity's average cost of funds.

and includes Category Two loans, Category Three loans and Category Four loans, in accordance with Prudential Standard Guidance Note AGN 220.1.

"Restructured loans" are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

"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" means a loan or similar facility in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan and includes Category One loans in accordance with Prudential Standard Guidance Note AGN 220.1 that are in arrears for at least 90 days and are well-secured.

**(i) Members deposits**

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

**(j) Management of Transition to IFRS**

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.

The directors are of the opinion that the key differences in the economic credit union's accounting policies that will arise from the adoption of IFRS are:

**MALENY CREDIT UNION**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(j) Management of Transition to IFRS(cont'd)**

• **Financial Statement Terminology**

Minor changes in the disclosure of the financial statements including terminology changes (ie. Statement of Financial Performance = Income Statement and Statement of Financial Position = Balance Sheet) and inclusion of Statement of Changes in Equity;

• **First Time Adoption**

All changes required as a result of first time adoption will be recognised directly in retained earnings.

• **Recognition of Loan Fees**

Some forms of loan fees will be deferred and recognised as revenue over the life of the loan or period the fees relate to, whereas they are currently immediately recognised as revenue;

• **Effective Interest Method**

Loan receivables and term deposits payable will be measured at amortised cost using the effective interest method. Currently these are recognised at cost. The effective interest method includes in the value of the financial asset or liability all cashflows that form an integral part of the effective interest rate, such as transaction costs;

• **Loan Provisioning**

Provisions for loan receivables currently include a specific provision as required by APRA prudential regulation and a general provision based on best estimates. Provisions for impairment in the future can only be based on objective evidence of impairment as a result of one or more events occurring;

• **Impairment Testing of Assets**

Most assets (other than financial instruments) will be subject to annual impairment testing;

• **Income Tax**

Income tax obligations were previously calculated based on transactions recorded in the former Statement of Financial Performance. Income tax obligations under IFRS will be calculated on the basis of changes to tax assets and tax liabilities in the Balance Sheet;

• **Measurement of Employee Benefits**

Previously all employee benefits payable (other than long service leave) were measured at their nominal amount expected to be paid out irrespective of the expected date of payment. Under IFRS, all employee benefits payable in excess of 12 months will be discounted.

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 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 daily averages. Weekly or month-end averages are also used provided they are representative of the credit union's operations during the period.

	Average Balance \$	Interest \$	Average Rate %
<u>Interest revenue 2004</u>			
Cash and liquid assets	1,763,325	76,681	4.35
Investment securities	1,575,000	77,679	4.93
Loans and advances:			
Overdrafts	263,561	40,958	15.54
Housing loans	12,820,981	989,420	7.71
Term loans	3,523,023	464,579	13.19
	-----	-----	-----
	19,869,213	1,649,697	8.30
	-----	-----	-----
<u>Interest revenue 2003</u>			
Cash and liquid assets	1,985,404	75,688	3.81
Investment securities	1,631,556	68,597	4.20
Loans and advances:			
Overdrafts	146,840	23,226	15.82
Housing loans	9,038,125	742,421	8.21
Term loans	4,214,779	579,405	13.75
	-----	-----	-----
	16,775,000	1,489,340	8.88
	-----	-----	-----
<u>Interest expense 2004</u>			
Member deposits	18,431,655	726,736	3.94
Interest bearing liabilities	200,000	12,204	6.07
	-----	-----	-----
	18,631,655	738,940	3.97
	-----	-----	-----
<u>Interest expense 2003</u>			
Member deposits	15,896,098	626,138	3.94
Interest bearing liabilities	200,000	5,967	2.98
	-----	-----	-----
	16,096,098	632,105	3.93
	-----	-----	-----

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

	2004	2003
	\$	\$
<b>NOTE 3: REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>Interest Revenue</b>	1,649,697	1,489,340
	-----	-----
<b>Non-Interest revenues</b>		
Dividends received	2,208	1,551
Fees and commissions	317,537	250,823
Bad debts recovered	5,745	19,462
Other	20,971	44,407
	-----	-----
Total non-interest revenue	346,461	316,243
	-----	-----
Total Revenue from Ordinary Activities	1,996,158	1,805,583
	-----	-----
 <b>NOTE 4: PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before income tax has been determined after:		
(a) Expenses:		
Interest Expense	738,940	632,105
	-----	-----
<b>Non-Interest Expenses</b>		
Fees and commissions	117,194	80,722
Depreciation of property, plant and equipment		
- buildings	5,500	-
- plant and equipment	36,571	31,024
Employee benefit expenses	583,796	528,464
General and administration	228,373	223,385

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

	2004	2003
	\$	\$
<b>NOTE 5: INCOME TAX</b>		
(a) The Prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax provided in the financial report as follows: -		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	59,788	54,759
<b>Add/(deduct) tax effect of:</b>		
Timing differences	-	12,345
Non-deductible expenses	1,824	(2,290)
Adjustment to record prior year FITB	(50,833)	-
Non-assessable income	(1,650)	(507)
	-----	-----
Income tax expense attributable to profit from ordinary activities	9,129	64,307
	-----	-----
(b) The income tax expense comprises amounts set aside as:		
Income tax payable on current year profits	74,055	50,720
Under provision for income tax in prior years	-	13,587
Future income tax benefit	(64,926)	-
	-----	-----
	9,129	64,307
	-----	-----
(c) Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the reporting date.	310,289	204,189
	-----	-----
<b>NOTE 6: AUDITORS' REMUNERATION</b>		
Amounts received or due and receivable by the auditor for:		
Auditing and reviewing the accounts	20,350	15,963
Other services	1,645	524
	-----	-----
	21,995	16,487
	-----	-----

**MALENY CREDIT UNION**  
**ABN: 52 087 650 995**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2004**

**NOTE 7: DIRECTORS**

(a) The names of the directors of the credit union who have held office during the financial year are:

John Duthie	Peter Searle
Kevin Dale (resn'd 4/10/03)	James Davidson
Robyn Grivell (appt'd 4/10/03)	Lynne Frederiksen
Steve Swayne	Margaret Rimmer (appt'd 18/5/04)
Alan Harrington	Mary Smith (resn'd 20/04/04)
Bernice McLennan	Kerriane Russell (resn'd 4/10/03)
Peter Pamment	

	2004	2003
	\$	\$
(b) <b>Remuneration</b>		
The aggregate remuneration of directors for the year	16,762	15,683
	-----	-----
	No	No
Number of directors whose remuneration falls within the following bands:		
\$0 - \$9,999	11	11

Remuneration includes all payments to directors and benefits, but excludes reimbursement of out of pocket expenses. All remuneration of directors was approved by the members at the previous Annual General Meeting of the credit union.

There are no amounts paid in connection with the retirement of a director to a superannuation plan except for amounts payable in accordance with Superannuation Guarantee Legislation. Superannuation payments made are on the same terms and conditions as for employees of the credit union generally.

(c) **Loans to directors**

Loans and overdrafts have been made to directors and spouses of directors on terms and conditions no more favourable than those available on similar transactions to members of the credit union. The terms and conditions in respect of all loans and overdrafts to directors have not been breached.

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	2004	2003
	\$	\$
<b>NOTE 7: DIRECTORS (cont'd)</b>		
<b>Loans</b>		
Aggregate amount outstanding at balance date	29,078	29,697
Aggregate amount of loans funded during the financial year	-	3,100
Aggregate amount of repayments received during the financial year	2,952	2,974

Directors Concerned  
Peter Searle

**Overdrafts**

Disclosures under AASB 1017 in relation to overdrafts are made on the basis that the approval of an overdraft facility, or the increase in such a facility is considered to be the making of a loan in accordance with AASB 1017. The cancellation of an overdraft facility is considered to be a repayment in accordance with AASB 1017.

Aggregate amount of overdraft facilities used at balance date	-	2,361
Aggregate amount of overdraft limits at balance date	3,000	3,000
Aggregate amount of overdraft facilities approved during the financial year	-	1,000

Directors Concerned  
Peter Searle

The Credit Union has been exempted, subject to certain conditions, under an Australian Securities and Investments Commission Class Order 98/110, as amended by Class Order 99/1224, from making disclosures of any loans made, guaranteed or secured to related parties (other than Directors) and financial instrument transactions where a Director is not a party to the transaction and where the loans or financial instruments are entered into regularly, in the ordinary course of business, on an arm's length basis.

The Class Order does not apply to a loan or financial instrument transaction which any Director of the relevant entity should reasonably be aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the financial statements.

**(d) Other transactions of directors**

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

The particulars of any interest of a Director in a contract, or a proposed contract, since the date of the last report are as follows:

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**NOTE 7: DIRECTORS (cont'd)**

Peter Pamment is contracted to provide computer services to the Credit Union.

The contract terms and conditions are no more favourable than those available in arms length commercial transactions.

	2004	2003
	\$	\$
<b>NOTE 8: CASH AND LIQUID ASSETS</b>		
Cash on hand	117,939	67,349
Deposits with ADI's	1,533,605	1,394,978
	-----	-----
	1,651,544	1,462,327
	-----	-----
 <b>NOTE 9: INVESTMENT SECURITIES</b>		
Deposits with ADI's	2,200,000	1,950,000
	-----	-----
	2,200,000	1,950,000
	-----	-----
<u>Maturity analysis</u>		
Not longer than 3 months	800,000	1,600,000
Longer than 3 and not longer than 12 months	1,400,000	350,000
	-----	-----
	2,200,000	1,950,000
	-----	-----
 <b>NOTE 10: ACCRUED RECEIVABLES</b>		
Accrued income	20,726	11,370
Sundry debtors	2,610	3,154
	-----	-----
	23,336	14,524
	-----	-----
 <b>NOTE 11: LOANS AND ADVANCES</b>		
Overdrafts	228,161	173,857
Term loans	18,252,598	14,288,217
	-----	-----
Gross loans and advances	18,480,759	14,462,074
Specific provisions for impairment	(36,349)	(31,856)
General provision for impairment	(105,184)	(78,714)
	-----	-----
Net loans and advances	18,339,226	14,351,504
	-----	-----

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	2004	2003
	\$	\$
<b>NOTE 11: LOANS AND ADVANCES (cont'd)</b>		
<u>Maturity analysis</u>		
Overdrafts	227,410	173,857
Not longer than 3 months	337,620	355,705
Longer than 3 and not longer than 12 months	1,003,341	1,030,473
Longer than 1 and not longer than 5 years	3,777,682	3,722,744
Longer than 5 years	12,459,924	8,616,454
No maturity specified	638,433	530,985
	-----	-----
Gross loans net of specific provision for impairment	18,444,410	14,430,218
	-----	-----
 <b>NOTE 12: IMPAIRMENT OF LOANS AND ADVANCES</b>		
(a) <b>Provisions for doubtful debts</b>	141,533	110,570
<u>Specific provisions for impairment</u>		
Opening balance	31,856	91,607
Doubtful debts expense	-	48,177
Transfer from general provision	43,530	3,654
Bad debts written off	(39,037)	(111,582)
	-----	-----
Closing balance	36,349	31,856
	-----	-----
<u>General provision for impairment</u>		
Opening balance	78,714	10,546
Doubtful debts expense	70,000	71,822
Transfer to specific provision	(43,530)	(3,654)
	-----	-----
Closing balance	105,184	78,714
	-----	-----
 (b) <b>Bad and doubtful debts expense</b>		
Specific provisions for impairment	-	48,177
General provision for impairment	70,000	71,823
	-----	-----
	70,000	120,000
	-----	-----

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	2004	2003
	\$	\$
<b>NOTE 12: IMPAIRMENT OF LOANS AND ADVANCES (cont'd)</b>		
<b>(c) Impaired loans, assets acquired and past due loans</b>		
<u>Non-accrual loans</u>		
Balance with specific provision	53,731	102,158
Specific provision for impairment	(24,474)	(31,494)
	-----	-----
	29,258	70,664
	-----	-----
<u>Restructured loans</u>		
Balance	88,267	36,462
Specific provision for impairment	(11,875)	-
	-----	-----
	76,392	36,462
	-----	-----
<u>Past-due loans</u>		
Balance	-	-
	-----	-----
<b>(d) Interest and other Revenue recognised and foregone</b>		
Interest revenue on non-accrual and restructured loans	16,587	4,135
	-----	-----
Interest foregone on non-accrual and restructured loans	11,020	7,348
	-----	-----
<b>NOTE 13: OTHER INVESTMENTS</b>		
Shares in Creditlink	15,520	11,820
Other investments	9,000	9,000
	-----	-----
	24,520	20,820
	-----	-----
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>(a) Land</b>		
At independent valuation - 2003	480,000	480,000
	-----	-----
	480,000	480,000
	-----	-----

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	2004	2003
	\$	\$
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT (cont'd)</b>		
<u>Buildings</u>		
At independent valuation – 2003	220,000	220,000
Accumulated depreciation	(5,500)	-
	-----	-----
	214,500	220,000
	-----	-----
<u>Plant &amp; Equipment</u>		
At cost	275,358	241,401
Accumulated depreciation	(185,991)	(149,420)
	-----	-----
	89,367	91,981
	-----	-----
Total Property, Plant & Equipment	783,867	791,981
	-----	-----

(b) Movement in carrying amounts  
Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Land	Buildings	Plant & equipment	Total
	\$	\$	\$	\$
Balance at the beginning of the financial year	480,000	220,000	91,981	791,981
Additions	-	-	33,957	33,957
Depreciation expense	-	(5,500)	(36,571)	(42,071)
	-----	-----	-----	-----
Carrying amount at the end of the financial year	480,000	214,500	89,367	783,867
	-----	-----	-----	-----

(c) Revaluations  
The revaluations of freehold land and buildings were based on the assessment of their current market value. The independent revaluations on 25 June 2003 were carried out by Denis G. Cupitt & Associates.

**MALENY CREDIT UNION**  
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<b>NOTE 14:</b>	<b>PROPERTY, PLANT AND EQUIPMENT (cont'd)</b> The valuation was made in accordance with a regular policy to revalue land and buildings every three years. No capital gains tax has been taken into account in determining revalued amounts.		
		2004	2003
		\$	\$
<b>NOTE 15:</b>	<b>DEFERRED TAX ASSETS</b> Future Income Tax Benefits - Timing Differences	64,926 -----	- -----
<b>NOTE 16:</b>	<b>OTHER ASSETS</b> Prepayments	14,994 -----	18,136 -----
<b>NOTE 17:</b>	<b>DEPOSITS</b> Member call deposits (including withdrawable shares) Member term deposits	5,160,690 16,025,972 ----- 21,186,662 -----	5,171,183 11,751,150 ----- 16,922,333 -----
	<u>Maturity analysis</u> At call Not longer than 3 months Longer than 3 and not longer than 12 months Longer than 1 and not longer than 5 years	5,160,690 9,474,998 5,055,809 1,495,165 ----- 21,186,662 -----	5,171,183 5,463,565 5,799,525 488,060 ----- 16,922,333 -----
<b>NOTE 18:</b>	<b>PAYABLES</b> Sundry creditors and accrued expenses	35,666 -----	28,854 -----
<b>NOTE 19:</b>	<b>TAX LIABILITES</b> Provision for income tax	44,395 -----	31,100 -----
<b>NOTE 20:</b>	<b>PROVISIONS</b> Provision for employee benefits Provision for staff bonus	52,891 32,000 ----- 84,891 -----	42,373 24,000 ----- 66,373 -----

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<b>NOTE 20:</b>	<b>PROVISIONS (cont'd)</b>	No.	No.
	Number of employees at year end	12	10
		2004	2003
		\$	\$
<b>NOTE 21:</b>	<b>INTEREST BEARING LIABILITIES</b>		
	Term subordinated debt	200,000	200,000
		-----	-----
	<u>Maturity analysis</u>		
	Longer than 5 and not longer than 10 years	200,000	200,000
		-----	-----
<b>NOTE 22:</b>	<b>REDEEMED PREFERENCE SHARE CAPITAL ACCOUNT</b>		
	Redeemed member shares	14,646	-
		-----	-----

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

<b>NOTE 23:</b>	<b>RESERVES</b>		
	<u>General reserve</u>		
	Opening balance	942,646	830,389
	Transfer from retained profits	190,164	112,257
	Transfer to redeemed preference shares account	(14,646)	-
		-----	-----
	Closing balance	1,118,164	942,646
		-----	-----

The general reserve records funds set aside for future expansion of the company.

	<u>Asset revaluation reserve</u>		
	Opening balance	417,986	328,808
	Increase recognised in the Statement of Financial Performance on revaluation of assets	-	89,178
		-----	-----
	Closing balance	417,986	417,986
		-----	-----

The assets revaluation reserve records revaluations of non-current assets.

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	2004	2003	
	\$	\$	
<b>NOTE 24: COMMITMENTS</b>			
<u>Outstanding loan commitments</u>			
Loans and credit facilities approved but not funded or drawn at the end of the financial year:			
Loans approved but not funded	1,463,980	425,021	
Undrawn overdraft	115,264	92,143	
	-----	-----	
	1,579,244	517,164	
	-----	-----	
<b>NOTE 25: RETAINED PROFITS</b>			
Retained profits at the beginning of the financial year	-	-	
Net profit attributable to members	190,164	112,257	
Transfer from/(to) general reserves	(190,164)	( 112,257)	
	-----	-----	
Retained profits at the end of the financial year	-	-	
	-----	-----	
<b>NOTE 26: STAND BY BORROWING FACILITIES</b>			
The credit union has a gross borrowing facility with Creditlink Services Limited of:			
	Approved facility	Current borrowing	Net available
2004	\$	\$	\$
Overdraft facility	280,000	0	280,000
	-----	-----	-----
2003			
Overdraft facility	280,000	0	280,000
	-----	-----	-----
Borrowings, stand by lines, and credit facilities are secured by an equitable mortgage over all assets of the Credit Union.			

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**NOTE 27: CONTINGENT LIABILITIES**

The Directors of the credit union have made a pledge of \$5,000 to the Maleny & District Green Hills Fund Trust Account People's Park to assist in the acquisition of the land at 2-4 Bunya Street, Maleny (proposed supermarket site) for the purpose of creating public open space and environment reserve on the banks of the Obi Obi Creek.

The fulfilment of this pledge is contingent on the Green Hills Trust Fund receiving sufficient funds to purchase the land from the current owners

**NOTE 28: SEGMENTAL REPORTING**

Primary reporting – Business segments

The Credit Union operates predominantly in one business segment being the finance industry. The operations comprise the provision of a full range of personal finance products.

Secondary reporting – Geographical segments

The Credit Union operates in only one geographical segment, being Queensland.

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**NOTE 29: INTEREST RATE RISK**

The credit union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Interest Rate %		0 to 12 months \$		1 to 5 years \$		over 5 years \$		Non interest sensitive \$		Total \$	
	04	03	04	03	04	03	04	03	04	03	04	03
<b>Assets</b>												
Cash and liquid assets	3.94	3.94	1,651,544	1,462,327							1,651,544	1,462,327
Investment securities	5.67	4.86	2,200,000	1,950,000							2,200,000	1,950,000
Accrued receivables	5.67	4.86	20,726	14,524					2,610	-	23,336	14,524
Loans and advances	8.85	9.38	18,339,226	14,351,504							18,339,226	14,351,504
Other investments									24,520	20,820	24,520	20,820
Property, plant and equipment									783,867	791,981	783,867	791,981
Deferred tax assets									64,926	-	64,926	-
Other assets									14,994	18,136	14,994	18,136
<b>Total Assets</b>			<b>22,211,496</b>	<b>17,775,201</b>					<b>890,917</b>	<b>830,937</b>	<b>23,102,413</b>	<b>18,609,292</b>
<b>Liabilities &amp; equity</b>												
Deposits	4.46	3.80	19,669,003	16,434,273	1,495,165	488,060			22,494	28,854	21,186,662	16,922,333
Interest bearing liabilities	6.42	5.68	200,000	200,000							200,000	200,000
Payables and other liabilities									35,666	28,854	35,666	28,854
Provisions									84,891	66,373	84,891	66,373
Tax liabilities									44,395	31,100	44,395	31,100
Equity									1,550,799	1,360,632	1,550,799	1,360,632
<b>Total Liabilities and Equity</b>			<b>19,869,003</b>	<b>16,634,273</b>	<b>1,495,165</b>	<b>488,060</b>			<b>1,738,245</b>	<b>1,486,959</b>	<b>23,102,413</b>	<b>18,609,292</b>

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**NOTE 30: CREDIT RISK**

(a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position, except loans where the maximum credit risk is \$18,339,226.

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk on loans greater than 10% of capital currently arise in the following categories:

	<b>Maximum Credit Risk Exposure</b>			
	<b>% of Total Loans</b>		<b>\$</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Geographical Area</b>				
South East	6.3	1.1	1,160,028	153,446
Queensland				

Concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital are detailed as follows:

	<b>2004</b>	<b>2003</b>
Number of loans	6	1
Outstanding balance	\$1,160,028	\$153,446

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**NOTE 31: FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Liquid assets and receivables from other financial institutions

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

Securities

Investment securities have their net fair value determined based on quoted market prices or net assets of associates.

Loans and advances

The carrying value of loans, advances and other receivables is net of general and specific provisions for impairment.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value.

Member Deposits

The net fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repriced within twelve months is the carrying value as at 30 June 2004.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the net fair value of other term deposits.

Accounts Payable and Other Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the financial institution.

	<b>2004</b>		<b>2003</b>	
	<b>Carrying Value</b>	<b>Net Fair Value</b>	<b>Carrying Value</b>	<b>Net Fair Value</b>
	\$	\$	\$	\$
<b>Assets</b>				
Cash and liquid assets	1,651,544	1,651,544	1,462,327	1,462,327
Investment securities	2,200,000	2,200,000	1,950,000	1,950,000
Accrued receivables	20,726	20,726	11,370	11,370
Loans and advances	18,339,226	18,339,226	14,351,504	14,351,504
Other investments	24,520	24,520	20,820	20,820
<b>Liabilities</b>				
Deposits	21,186,662	21,186,662	16,922,333	16,922,333
Interest-bearing liabilities	200,000	200,000	200,000	200,000
Payables and other liabilities	35,666	35,666	28,854	28,854
Provisions	84,891	84,891	66,373	66,373

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 32: STATEMENT OF CASH FLOWS**

(a) Reconciliations of cash

For the purposes of the statement of cash flows, cash includes cash on hand and “at call” deposits with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2004	2003
	\$	\$
Cash liquid assets	117,939	67,349
At call receivables due from other financial institutions	1,533,605	1,394,978
	-----	-----
	1,651,544	1,462,327
	-----	-----

(b) Cash flows presented on a net basis

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

- (a) customer deposits in and withdrawals from savings, money market and other deposit accounts;
- (b) sales and purchases of maturing certificates of deposit;
- (c) short-term borrowings; and
- (d) provision of member loans and the repayment of such loans.

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

	2004	2003
	\$	\$
Profit from ordinary activities	190,164	112,257
Non-cash flows in profit from ordinary activities:		
Loss on sale of property, plant and equipment	-	975
Depreciation	42,071	31,024
Provision for loan impairment	70,000	8,417
Changes in assets and liabilities:		
(Increase)/decrease - accrued receivable	(8,813)	3,301
(Increase)/decrease – other assets	3,143	(6,583)
(Increase)/decrease – interest payable	23,110	-
Increase/(decrease) - provisions	18,518	20,621
Increase/(decrease) - income taxes payable	13,295	4,108
Increase/(decrease) – payables and other liabilities	6,814	4,599
Increase/(decrease) – deferred tax assets	(64,926)	-
	-----	-----
Net cash provided by operating activities	293,376	178,719
	-----	-----

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 33: ECONOMIC DEPENDENCY**

The credit union has an economic dependency on the following suppliers of service:

Creditlink Services Limited

This entity provides services in the form of settlement with Bankers for member and corporate chequing transactions

**NOTE 34: COMPANY DETAILS**

The registered office of the company is:  
Maleny and District Community Credit Union Limited  
28 Maple Street  
Maleny Qld 4552

The principal places of business is:  
28 Maple Street  
Maleny Qld 4552

The Australian Financial Services License number is:  
246921

**MALENY CREDIT UNION**  
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**DIRECTORS' DECLARATION**

The directors of the credit union declare that:

1. the financial statements and notes:
  - (a) comply with Accounting Standards and the Corporations Act 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and 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.



**Alan Harrington**  
Director

Dated this 21<sup>st</sup> day of September 2004

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MALENY CREDIT UNION LIMITED

## 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 Maleny Credit Union Limited (the credit union), 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 judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
MALENY CREDIT UNION LIMITED (cont'd)**

**Independence**

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

**Audit opinion**

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

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the credit union's financial position as at 30 June 2004 and of 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 financial reporting requirements in Australia.

**BDO Kendalls  
Chartered Accountants**



**Paul A Gallagher**  
Partner

Brisbane: 21 September 2004.