

CAPRI CORNIA
CREDIT UNION

ANNUAL REPORT 2004

Capricornia Credit Union Ltd.

Chairman's Report - 30th June 2004

On behalf of your Board of Directors, it gives me great pleasure to present this report on your credit union for the year ended 30th June 2004.

Financial Result

Strategies adopted in previous years to improve the credit union's competitiveness and financial performance are now yielding the intended results, with net profit after tax up from \$271,996 in 2003 to \$775,678 this year.

By adding this profit to reserves the credit union's capital base has been increased, thus providing additional protection for depositors and further potential for growth.

Lending

Record new loan advances of \$61.9 million were achieved on the back of a buoyant local housing market. Directors do not anticipate this "boom" to continue indefinitely, however loan demand from members remains strong.

Deposits

The credit union has furthered its strategy of raising funds entirely from members, with deposits growing by \$24.4 million (or 15%) during the year.

New Services

In response to strong demand from our members for more complete advice and assistance on financial matters, a financial planning service was launched in October 2003 with the addition of a licenced financial planner to the credit union's staff.

Our planner is an authorized representative of Australian Investment and Financial Planners Pty Ltd, who work closely with the credit union to provide a comprehensive service to members.

In recognition of longstanding support for the credit union, the "Freetime" term deposit is now offered for retirees who have been members for at least 10 years. This investment attracts an interest rate which is 0.5% above the credit union's standard 12 month rate.

Fees and Charges

The schedule of fees was updated on 1st December 2003. Your Directors are of the view that a policy of 'cost recovery' for banking products and services is not only fair and equitable, but enables the credit union to offer better value on loans and investments.

It was therefore necessary to introduce an annual fee for VISA cards and Cuecards following the Reserve Bank of Australia's action to "de-regulate" the credit card market, which resulted in the loss of over \$100,000 p.a. in interchange income. This income was used by the credit union to offset the cost of issuing cards to members.

The Reserve Bank has foreshadowed further changes to the structure of the payments system, so your Board cannot rule out further amendments to the Schedule of Fees.

Member Benefits

A key strategy of your Board is to strive for better value for members on care loans and investment products. It is therefore pleasing to comment on two "successes" in this regard.

Capricornia Credit Union was named as a finalist in two term deposit categories of "Money" Magazine's prestigious "Best of the Best" awards 2004. This competition - amongst all Australian financial institutions - requires consistency throughout the year, not just a "good rate" occasionally.

Capricornia Credit Union Ltd.

Chairman's Report 30th June 2004

The award demonstrates your credit union's commitment to offering market leading investments consistently.

Secondly, we were pleased to launch the "Premier Plus" home loan in September 2004. This is a variable rate loan with flexible repayments, offset and redraw facilities, and with no monthly loan service fee. The interest rate on this loan is set at 0.5% below Capricornia's standard variable home loan rate for the life of the loan.

Future Outlook

Your Board is confident that the credit union is providing valuable advice, solutions and assistance for members' financial needs. This is evidenced by the strong growth experienced in recent years. Continued growth (which is important for the future viability of the credit union) brings its own challenges, including the need to ensure that sufficient capital is held to support the balance sheet.

In 2001 we launched "Capricornia Investment Bonds" to supplement our capital base and to provide members with an alternative form of investment. Approximately \$7 million has been raised through this means.

Your Board has been actively seeking opportunities to improve the capital structure of the credit union whilst ensuring that our focus remains firmly on servicing our members within a "mutual" framework.

To this end, Directors will be recommending amendments to the Constitution at a forthcoming Members' Meeting to permit the credit union to issue a new form of supplementary capital investment for subscription by members.

This initiative is subject to necessary consents being received from our regulators, and of course is subject to passing a Special Resolution by the members.

Your Directors believe that this is an exciting opportunity for the credit union and look forward to your support when details are released.

Acknowledgements

in closing, I would like to thank all members for their continued patronage and I encourage you to recommend the credit union to your family and friends.

I would like to specially commend general manager, Peter Mogg and our staff who have achieved excellent results and ensured "business as usual" whilst preparing for the very onerous compliance requirements of the Financial Services Reform Act.

Finally, thanks also to my fellow directors for their valued contributions during the year.



Ross Strelow
Chairman

Capricornia Credit Union Ltd.
Directors' Report -30th June 2004

Your directors present their report on the financial report of the Capricornia Credit Union Ltd. for the year ended 30th June 2004.

DIRECTORS

- (a) The following persons held office as directors during the year and at the date of this report unless otherwise noted:-

Ross STRELOW
(Chairman)
Business Proprietor. Director for 11 years.
Member of the Audit Committee.

George Anthony EDWARDS, B.Bus., F.C.A.
(Vice-Chairman)
Chartered Accountant. Director for 3 years.
Chairman of the Audit Committee.

Ronald Joseph COCKBURN, B.A.
Retired. Director for 22 years.
Chairman of the Loans Committee
Member of the Audit Committee

Hugh Chapman GRANT, L.L.B. Solicitor.
Director for 18 years. Member of
the Loans Committee.

John Leslie SHAW
Solicitor. Director for 30 years.

Peter Francis THOMPSON, M.B.,B.S.
General Practitioner. Director for 17 years.
Member of the Loans Committee.

Vicki Anne BASTIN-BYRNE
Business Proprietor. Director for 1 year.
Member of the Loans Committee Member
of the Audit Committee
Appointed 1st August 2003.

DIRECTORS' MEETINGS

- (b) The number of Directors' Meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the directors of the credit union during the financial year were:-

Copricornia Credit Union Ltd.
Directors' Report - 30th June 2004

	Directors' Meetings		Audit Committee Meetings		Loans Committee Meetings	
	# eligible	# attended	# eligible	# attended	# eligible	# attended
Number of meetings attended by:-	11	10	6	6		
G. A. Edwards	11	11	6	6		
R. I. Cockburn	11	10	6	6	1	1
H. C. Grant	11	11			2	2
J. L. Shaw	11	10			1	1
P. F. Thompson	11	7			2	1
V. A. Bastin-Byrne	11	11	5	5	2	2

The role of the audit committee is to:

- . Monitor compliance with board policies as well as prudential and statutory requirements.
- . Oversee financial reporting, external and internal audits, and appointment of the external auditor.

The role of the loans committee is to:

- . Review lending policies
- . Consider certain loan applications in accordance with internal policies.
- . Review the adequacy of doubtful debt provisioning and approve the writing off of bad debts.

- (c) No director has a relevant interest in securities or options issued by the credit union or by a body corporate related to the credit union.
- (d) No director has declared an interest in a contract or proposed contract with the credit union, being an interest declared by the director under the Prudential Standards since 30th September 2003, the date on which particulars of director's interests were last given.
- (e) During the financial year a premium was paid in respect of a contract insuring directors and officers of the credit union against liability.

The officers of the credit union covered by the insurance contract include the directors, executive officers, secretary and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract 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.

PRINCIPAL ACTIVITIES

The principal continuing activities of the credit union for the financial year were -

- (a) accepting savings, fixed deposits and unsecured deposit notes,
- (b) providing loans secured by mortgage over property, secured by bill of sale over motor vehicles, or unsecured,
- (c) providing payment services by various means,
- (d) arranging insurance for members and
- (e) providing financial planning services through a credit union employee who is an authorized representative of a licenced securities dealer.

Capricornia Credit Union Ltd.
Directors' Report - 30th June 2004

RESULTS

The profit from ordinary activities, after related income tax of \$333,274, was \$775,678. (2003 net profit of \$271,996 after recording an income tax expense of \$357,952)

DIVIDENDS

Since the end of the previous financial year no dividend has been paid or declared and the directors do not now recommend the payment of a dividend.

REVIEW OF OPERATIONS

Refer to the Chairman's Report for a review of operations.

STATEMENT OF AFFAIRS

During the year under review there was no significant change in the affairs of the credit union other than matters mentioned elsewhere in this report or in the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR There is at the date of this report no matter or circumstance which has arisen since 30th June 2004 that has significantly affected or may significantly affect:-

- (a) the operations of the credit union, or
 - (b) the results of those operations, or
 - (c) the state of affairs of the credit union,
- in financial years subsequent to 30th June 2004.

LIKELY DEVELOPMENTS

The credit union is working towards raising supplementary capital from members. Further information is contained in the chairman's report.

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATIONS

The credit union has complied with all environmental regulations applicable to a credit union.

DIRECTORS' BENEFITS

During the year:-

- Mr R Strelow provided travel services to the credit union.

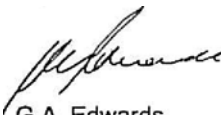
The details of these transactions are set out in Note 6 to the accounts.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit other than noted above by reason of a contract that:-

- the director; or
- a firm of which the director is a member; or
- an entity in which the director has a substantial financial interest;

has made, during that or any other financial year, with the credit union or an entity related to the credit union at the time of making the contract.

Signed at Rockhampton this 21st day of September 2004.



G.A. Edwards
Director



J.L. Shaw
Director

Capricornia Credit Union Ltd.
Statement of Financial Performance
For the year ended 30th June 2004

	Note	2004	2003
		\$	\$
Interest revenue	2	12,155,816	10,454,076
Interest expense	2	(7,381,035)	(6,182,228)
Net interest revenue		4,774,781	4,271,848
Non-interest revenues	3	1,923,072	1,892,762
Bad and doubtful debts expense	11(b)	(206,000)	(288,810)
Other expenses	3	(5,382,901)	(5,245,852)
Profit from ordinary activities before income tax		1,108,952	629,948
Income tax expense	4	(333,274)	(357,952)
Profit from ordinary activities after related income tax		775,678	271,996
Net Profit		775,678	271,996
Net movement in asset revaluation reserve		256,307	-
Total changes in equity other than those resulting from transactions with owners as owners		1,031,985	271,996

The above Statement of Financial Performance should be
read in conjunction with the accompanying notes.

Capricornia Credit Union Ltd.
Statement of Financial Position
As at 30th June 2004

	Note	2004	2003
		\$	\$
ASSETS			
Cash and liquid assets	7	23,846,535	11,931,650
Accrued receivables	8	144,404	223,715
Investment securities	9	22,137,804	18,240,153
Loans and advances	10, 11	142,625,450	133,332,434
Other investments	12	276,700	238,500
Property, plant and equipment	13	2,298,922	2,134,013
Deferred Tax assets		344,783	278,857
Other assets	14	293,231	179,824
TOTAL ASSETS		191,967,829	166, 559,146
LIABILITIES			
Deposits and borrowings	15	181,643,927	157,239,730
Creditors and other liabilities	16	1,894,460	1,748,165
Tax Liabilities - provision for income tax		179,313	377,839
Provisions, excluding tax liabilities	17	104,965	80,233
TOTAL LIABILITIES		183,822,665	159,445,967
NET ASSETS		8,145,164	7,113,179
EQUITY			
Reserves	18(a)	256,307	
Retained profits	18(b)	7,888,857	7,113,179
TOTAL EQUITY		8,145,164 ,	7,113,179

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Capricornia Credit Union Ltd.
Statement of Cash Rows
For the year ended 30th June 2004

	Note	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		12,159,667	10,451,285
Interest paid		(7,247,727)	(5,733,768)
Non interest revenue received		1,859,146	1,551,220
Dividends received		25,978	13,176
Cash paid to suppliers and employees		(4,873,160)	(4,650,872)
Income taxes paid		(597,728)	(227,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	28	1,326,176	1,403,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Investments		(38,200)	(29,000)
Loans advanced		(61,889,344)	(60,712,467)
Loans repaid (net of movement in overdrafts)		52,390,328	41,059,076
Payments for property, plant and equipment		(398,453)	(428,287)
Proceeds from sale of property, plant and equipment		17,832	
NET CASH PROVIDED BY INVESTING ACTIVITIES		(9,917,837)	(20,110,678)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net inflow in member deposits		24,404,197	27,693,994
NET CASH PROVIDED FROM FINANCING ACTIVITIES		24,404,197	27,693,994
TOTAL NET INCREASE IN CASH HELD		15,812,536	8,986,562
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		30,171,803	21,185,241
CASH AT THE END OF THE FINANCIAL YEAR	29	45,984,339	30,171,803

The above Statement of Cash Flows *should* be read in conjunction with the accompanying notes.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, Corporations Act 2001 and the reporting requirements of the Prudential Standards.

The historical cost convention has been applied, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year except where noted.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the credit union's financial statements for the year ending 30 June 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(k).

Where applicable, comparative amounts have been reclassified to ensure comparability with the current reporting period.

(a) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realization. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(b) 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 that it is not in excess of the recoverable amount. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

Dividends are brought to account in the Statement of Financial Performance when received.

(c) Loan interest

Loan interest is calculated on the daily loan balance outstanding and is charged to the members' loan account monthly in arrears.

Loan fees are brought to account as income in the year of receipt.

(d) Loans to members

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

The provision for impaired loans consists of the following components:-

- The 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. The Board may make an additional specific provision on loans and advances where the minimum provision required by the Prudential Standards is deemed to be insufficient, having regard to the likelihood of recovery.
- The Board may make a general provision against potential bad debts which have not been identified as at reporting date.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

Bad debts are written off when identified. If a provision for impairment has been recognized in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognized, write offs for bad debts are recognized as an expense 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 do not meet the definition of a restructured loan only because it yields less than the credit union's average cost of funds, and includes category (ii) loans, category (iii) loans and revolving credit loans where statutory provisioning is required in respect of arrears, in accordance with the Prudential Standards.

"Restructured loans" are loans and revolving credit facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to the financial difficulties of the member or group of members. This does not include loans where the yield following restructure is less than the credit union's average cost of funds.

"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 (i) loans that are in arrears for at least 90 days, in accordance with the Prudential Standards.

(e) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognized as an expense in the net profit or loss 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 amount.

(f) Revaluation of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not materially exceed its fair value at the reporting date. Annual assessments will be made by the directors, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognized as an expense in the net profit or loss, the increment is recognized immediately as revenue in net profit or loss.

Revaluation decrements are recognized immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallize.

Revaluations do not result in the carrying value of land and buildings exceeding their recoverable amount.

(g) Depreciation of property, plant and equipment

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

Property, plant and equipment is depreciated on a straight line basis. The rates used are:-

Buildings	4.0%
Computer Hardware	25.0%
Core banking system (licences and installation costs)	20.0%
General computer software	33.3%
Leasehold improvements	10.0% (or the unexpired term of the lease whichever is shorter)
Motor Vehicles	20.0%
Office Furniture and Equipment	15.0%
"Low value pool" depreciable assets whose individual acquisition cost is less than \$1000	25.0%

(h) 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 accrual basis. Interest accrued at balance date is included in accrued expenses.

(i) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognized in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with the paragraph above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

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

(j) Goods and Services Tax Status

As a financial institution providing input taxed supplies, the credit union is unable to claim back all GST paid and thus amounts shown in this financial report are inclusive of any non-recoverable GST.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

(K) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the credit union's financial statements for the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

In order to manage this transition the Credit Union has commenced staff training and an initial high level review has been completed. The Credit Union plans to focus on and apply resources to the project during the 2005 financial year.

Major changes identified to date that will be required to the credit union's existing accounting policies include the following:

(i) Income tax

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognized directly in equity.

(ii) investment properties

Under the Australian equivalent to IAS 40 Investment Property, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognized in net profit or loss for the period in which they arise.

This will result in a change to the current accounting policy which was adopted with effect from 1 July 2003, under which investment properties are revalued to fair value and changes in fair value are recognized in the asset revaluation reserve.

(iii) Financial Instruments

Under the Australian equivalent to IAS 32 Financial Instruments: Disclosure and Presentation the current classification of financial instruments issued by entities in the credit union will not change.

Under the Australian equivalent to IAS 39 Financial Instruments: Recognition and Measurement there may be major impacts as a result of financial assets held by the credit union being subject to classification, measured at fair value or amortized cost.

Given the industry in which Capricornia Credit Union operates IAS 39 could have a significant impact, however at this point the directors are not at a stage in the IFRS transition project to make an accurate judgement of the extent of this impact.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the credit union's financial position and reported results.

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th 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. All averages are month end averages.

	Average Balance	Interest \$	Average Rate %
<u>Interest Revenue 2004</u>			
Cash and liquid assets	17,095,675	701,094	4.10%
Investment securities	21,803,404	1,114,692	5.11%
Loans and advances	139,188,820	10,335,053	7.43%
Other investments	258,792	4,977	1.92%
	<u>178,346,691</u>	<u>12,155,816</u>	<u>6.82%</u>
<u>Interest Revenue 2003</u>			
Cash and liquid assets	10,446,374	335,259	3.21%
Investment securities	17,541,809	859,484	4.90%
Loans and advances	127,535,930	9,254,334	7.26%
Other investments	214,333	4,999	2.33%
	<u>155,738,446</u>	<u>10,454,076</u>	<u>6.71%</u>
<u>Interest Expense 2004</u>			
Member deposits	165,051,763	6,948,509	4.21%
Investment Bonds	6,045,030	432,526	7.16%
Borrowings	-	-	0.00%
	<u>171,096,793</u>	<u>7,381,035</u>	<u>4.31%</u>
<u>Interest Expense 2003</u>			
Member deposits	144,488,144	5,857,032	4.05%
Investment Bonds	4,745,641	325,196	6.85%
Borrowings	-	-	0.00%
	<u>149,233,785</u>	<u>6,182,228</u>	<u>4.14%</u>

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Net gains and expenses

The profit from ordinary activities before income tax includes the following specific net gains and expenses:

	2004	2003
	\$	\$
Net gains		
Interest revenue	12,155,816	10,454,076
Non-interest revenue		
Fees and commissions		
- loan fee income	136,782	283,733
- other fee income	1,016,719	888,586
- insurance commissions	242,192	244,889
- other commissions	17,567	15,934
Bad debts recovered	20,862	3,514
Other revenue		
- income from property	54,001	52,184
- dividend income	25,978	13,176
- other	408,971	390,746
Total non-interest revenue	<u>1,923,072</u>	<u>1,892,762</u>
Operating revenue	<u>14,078,888</u>	<u>12,346,838</u>
Expenses		
Bad and doubtful debts		
- other persons/bodies corporate	206,000	288,810
Depreciation and Amortization		
- plant and equipment	428,697	483,763
- buildings	42,000	42,094
General and administration		
- personnel costs	2,369,129	2,326,149
- other	1,699,926	1,586,807
Other provisions		
- provisions for employee entitlements	39,980	19,715
Other expenses		
- operating lease expenses	195,960	183,018
- net loss on sale of non-current assets	1,323	
- other	605,886	604,306
Total Other Expenses	<u>5,382,901</u>	<u>5,245,852</u>
Total expenses	<u>5,588,901</u>	<u>5,534,662</u>

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

NOTE 4: INCOME TAX

(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

	2004	2003
	\$	\$
Profit from ordinary activities before income tax	1,108,952	629,948
Income tax calculated at 30%	332,686	188,984
Tax effect of permanent differences:-		
- Non deductible expenses	13,825	10,332
Amendment to 1999 income tax assessment (see note 4b)	-	164,282
Income tax credit (dividend rebate)	(13,237)	(5,646)
Income tax expense	333,274	357,952

(b) On 1st July 1999 the governing legislation for Australian credit unions became the Corporations Act. Previous governing legislation - the Financial Institutions (OLD) Code - was repealed with effect from 30th June 1999. The repeal process included winding up of the former Credit Unions Contingency Fund ("CUCF"), to which Capricornia Credit Union had made contributions.

The Financial Institutions (Old) Code required the credit union to carry contributions to CUCF on its balance sheet (Statement of Financial Position) as a deferred asset.

On 30th June 1999, the credit union received a refund of its contributions and a proportionate share of the retained earnings of CUCF. The component relating to 'retained earnings' was treated as income of the credit union upon which income tax was duly paid. The component relating to 'refund of contributions' was treated as repayment of the deferred asset on the basis that contributions were accounted for in the nature of a 'deposit' in CUCF.

The Australian Taxation Office has now issued an amended income tax assessment notice for the 1999 year which deems refunded contributions from CUCF totaling \$349,034 to be taxable income of the credit union. This resulted in the payment of net additional income tax and interest totaling \$164,282 in the 2003 financial year.

On advice available to directors in 1999, the treatment of this transaction as a deferred asset was deemed appropriate at that time. However, in view of the assessment now received and advice from our taxation and legal advisors, directors are of the view that the likelihood of a successful appeal against the additional income tax imposed is low. Accordingly, the net effect of the amended assessment was added to the income tax expense for 2003.

NOTE 5: AUDITORS' REMUNERATION

	2004	2003
	\$	\$
Amounts received or due and receivable by the auditor for:-		
Auditing or reviewing the accounts	46,593	41,650
Other services	17,163	20,468
	63,758	62,118

are inclusive of non-recoverable GST.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

NOTE 6: DIRECTORS

(a) **Names of directors**

The following persons held office as directors during the year and at the date of this report:-

V.A. Bastin-Byrne, R.J. Cockburn, G.A. Edwards,
H.C. Grant, J.L. Shaw, R. Strelow, P.F. Thompson.

V.A. Bastin-Byrne was appointed on 1st August 2003. This appointment was confirmed at the 2003 Annual General Meeting. All other directors listed above were also directors during the year ended 30 June 2003.

(b) **Remuneration**

	2004	2003
	\$	\$
Income paid or payable or otherwise made available to directors by the credit union and related parties in connection with the management of affairs of the credit union.	<u>61,000</u>	<u>58,000</u>

The number of directors whose total income from the credit union or related parties was within the specified bands are as follows:-

	2004	2003
\$0 - \$9,999	6	6
\$10,000 - \$19,999	1	1

Remuneration means all payments and benefits to directors but excludes reimbursements of out of pocket expenses. All remuneration 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.

(c) **Loans to directors**

Loans have been made to directors, spouses of directors and entities associated with 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 to directors have not been breached.

	2004	2003
	\$	\$
Aggregate amount outstanding at balance date	782,264	871,777
Aggregate amount of loans funded and overdrafts granted during the financial year:-	<u>424,240</u>	370,070
Directors concerned:-		
2004 - P.F. Thompson		
2003 - P.F. Thompson, H.C. Grant, R. Strelow		
Aggregate amount of repayments received during the financial year:-	555,439	476,603
Directors concerned:-		
2004 - P.F. Thompson, J.L. Shaw, H.C. Grant, R. Strelow		
2003 - P.F. Thompson, J.L. Shaw, H.C. Grant, A. Strelow		
Aggregate amount of interest received on loans/overdraft facilities during the financial year:-	73,810	75,731

Directors concerned:-

2004 - P.F. Thompson, J.L. Shaw, H.C. Grant, R. Strelow
2003 - P.F. Thompson, J.L. Shaw, H.C. Grant, R. Strelow, B.M. Fitzgerald

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

(d) Other transactions with directors and director-related entities:

An entity associated with Mr R. Streiw provides travel services to the credit union.

All transactions described above occurred within the normal customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the credit union would have adopted if dealing with the director at arm's length in the same circumstances.

Aggregate amounts of each of the above types of transactions with directors and their director-related entities were as follows:-

	2004	2003
	\$	\$
Travel services (GST Inclusive)	5,992	6,683

Directors and spouses of directors have received interest on deposits and unsecured deposit notes 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.

NOTE 7: CASH AND LIQUID ASSETS

	2004	2003
	\$	\$
Cash on hand	1,283,949	1,038,304
Current accounts with Authorised Deposit-Taking Institutions	22,562,586	10,893,346
	23,846,535	11,931,650

NOTE 8: ACCRUED RECEIVABLES

	2004	2003
	\$	\$
Accrued income	71,170	194,393
Prepayments	73,234	29,322
	144,404	223,715

NOTE 9: INVESTMENT SECURITIES

	2004	2003
	\$	\$
Deposits with Authorised Deposit-Taking Institutions	22,137,804	18,240,153
	22,137,804	18,240,153

Maturity Analysis

At call		
Not longer than 3 months	22,137,804	17,980,153
Longer than 3 months and not longer than 12 months		260,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years		
No maturity specified		
	22,137,804,	18,240,153

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

NOTE 10: LOANS AND ADVANCES	2004	2003
	\$	\$
Overdrafts	4,326,226	4,145,375
Term loans	138,732,644	129,581,233
Gross loans and advances	<u>143,058,870</u>	<u>133,726,608</u>
Statutory provision for impairment	(157,420)	(234,174)
	<u>142,901,450</u>	<u>133,492,434</u>
General provision for impairment	(276,000)	(160,000)
Net loans and advances	<u>142,625,450</u>	<u>133,332,434</u>

Maturity Analysis

At Call		
Overdrafts	4,326,226	4,145,375
Not longer than 3 months	1,754,441	1,901,884
Longer than 3 months and not longer than 12 months	7,166,905	7,239,057
Longer than 1 year and not longer than 5 years	31,658,308	33,014,915
Longer than 5 years	98,152,990	87,425,377
No maturity specified		
	<u>143,058,870</u>	<u>133,726,608</u>

Concentration of Loans

The credit union's operations are predominately in the Central Queensland region. There is no significant exposure to a particular industry or customer group.

NOTE 11: IMPAIRMENT OF LOANS AND ADVANCES

2004 **2003**
\$ **\$**

These provisions have been determined in accordance with the policies as set out in Note 1.

(a) Provisions for impairment

Statutory provision for impairment

Opening Balance	234,174	170,508
Doubtful Debts Expense	90,000	198,810
Bad debts written off	(166,754)	(135,144)
Closing Balance	<u>157,420</u>	<u>234,174</u>

General provision for impairment

Opening Balance	160,000	70,000
Doubtful Debts Expense	116,000	90,000
Bad debts written off		
Closing Balance	<u>276,000</u>	<u>160,000</u>

(b) Bad and doubtful debts expense

Statutory provision for impairment	90,000	198,810
General provision for impairment	116,000	90,000
Bad debts written off directly		
	<u>206,000</u>	<u>288,810</u>

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

	2004	2003
	\$	\$
(c) Impaired loans and past due loans		
Non-accrual loans	230,719	640,123
Statutory provision on non-accrual loans	(143,507)	(158,666)
Net carrying value	87,212	481,457
Interest foregone on non-accrual loans	1,718	11,768
Balance of past-due loans	98,046	95,081

NOTE 12: OTHER INVESTMENTS

	2004	2003
	\$	\$
Shares in industry service companies	180,100	141,900
Subordinated deferred deposits with industry service	96,600	96,600
	276,700	238,500

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

(a) Freehold land and buildings

	2004	2003
- at directors' valuation 2001		1,300,000
- at directors' valuation 2004	1,560,000	
- Land at Cost		69,560
Less accumulated depreciation		(84,100)
	1,560,000	1,285,460
Plant and equipment - at cost	3,152,603	2,941,375
Less accumulated depreciation	(2,413,681)	(2,092,822)
	738,922	848,553
Total property, plant and equipment	2,298,922	2,134,013

A revaluation of freehold land and buildings was performed by directors as at 30 June 2004, based on an assessment of current market value. In performing the revaluation, directors referred to an independent valuation as at 30th June 2004 by Herron Todd White Valuers, Rockhampton, wherein current market value of freehold properties was assessed at \$1,990,000. It is the opinion of the directors that the current carrying value is appropriate.

The revaluation was made in accordance with a policy to revalue freehold land and buildings every three years.

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Freehold Land and Buildings	Plant and Equipment	Total
	\$	\$	\$
Carrying amount at 1 July 2003	1,285,460	848,553	2,134,013
Transfers	60,233	(60,233)	
Additions		398,453	398,453
Disposal		(19,154)	(19,154)
Revaluation increments	256,307	-	256,307
Depreciation	(42,000)	(428,697)	(470,697)
Carrying amount at 30 June 2004	1,560,000	738,922	296,922

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

NOTE 14: OTHER ASSETS	2004	2003
	\$	\$
Other assets	293,231	179,824
	<u>293,231</u>	<u>179,824</u>

NOTE 15: DEPOSITS AND BORROWINGS	2004	2003
	\$	\$
Member call deposits (including withdrawable shares)	85,934,276	72,410,332
Member term deposits	88,742,496	79,824,604
Member unsecured deposit notes	6,967,155	5,004,794
	<u>181,643,927</u>	<u>157,239,730</u>

Maturity Analysis

At Call	85,818,556	72,296,322
Not longer than 3 months	53,233,082	43,373,918
Longer than 3 months and not longer than 12 months	34,841,627	35,182,912
Longer than 1 year and not longer than 5 years	7,634,942	6,272,568
Longer than 5 years	-	-
No maturity specified	115,720	114,010
	<u>181,643,927</u>	<u>157,239,730</u>

Concentration of Deposits

The credit union's operations are predominately in the Central Queensland region. There is no significant exposure to a particular industry or customer group. There are no deposits lodged by individual depositors or related groups which exceed 10% of liabilities.

NOTE 16: CREDITORS AND OTHER LIABILITIES	2004	2003
	\$	\$
Accrued expenses	1,542,986	1,421,469
Other liabilities	351,474	326,696
	<u>1,894,460</u>	<u>1,748,165</u>

NOTE 17: PROVISIONS	2004	2003
	\$	\$
Provision for employee benefits	104,965	80,233
	<u>104,965</u>	<u>80,233</u>

NOTE 18: RESERVES AND RETAINED PROFITS	2004	2003
	\$	\$

(a) Reserves

Asset revaluation reserve - opening balance

Movements:

Increment on revaluation of freehold land and buildings at the end of financial year.	256,307	
Balance 30 June 2004	<u>256,307</u>	

(b) Retained profits

Retained profits at the beginning of the financial year	7,113,179	6,841,183
Operating profit after income tax	775,678	271,996
Retained profits at the end of the financial year	<u>7,888,857</u>	<u>7,113,179</u>

(c) Nature and purpose of reserves

The asset revaluation is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(f).

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

NOTE 19: EMPLOYEE BENEFITS

	2004	2003
	\$	\$
(a) Employee benefit and related on-costs liabilities		
Included in other liabilities - current (note 16)	159,103	143,855
Provision for employee benefits - current (note 17)	33,613	38,322
Provision for employee benefits - non current (note 17)	71,352	41,911
Aggregate employee benefit liability	264,068	224,088
(b) Employee Numbers		
(Full time Equivalent)	48	47

NOTE 20: COMMITMENTS

(a) Future capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not yet recognized as liabilities, payable:

	2004	2003
	\$	\$
Within one year	217,002	
Later than one year but no later than 5 years		
Later than 5 years		
	217,002	

(b) Operating lease commitments

Non cancellable operating leases contracted for but not capitalized in the accounts, payable (GST Inclusive):

	2004	2003
	\$	\$
No longer than 1 year	137,443	149,938
Later than 1 year but not later than 5 years	101,731	117,824
Later than 5 years		
	239,174	267,762

(e) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year.

	2004	2003
	\$	\$
Loans approved but not funded	3,893,018	6,100,792
Undrawn overdraft and lines of credit	4,607,582	4,203,258
	8,500,600	10,304,050

Approved loans not utilized by the applicant may be cancelled by the credit union after 30 days. The terms and conditions relating to overdrafts and lines of credit provide that the credit union may cancel the undrawn portion at any time.

NOTE 21: STANDBY BORROWING FACILITIES

	Approved facility	Current borrowing	Net available
	\$	\$	\$
The credit union has a gross borrowing facility with: -			
2004			
CreditLink Services			
Overdraft facility	100,000		100,000
	100,000		100,000
2003			
CreditLink Services Ltd			
Overdraft facility	100,000		100,000
	100,000		100,000

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

At balance date the facility was not utilized.

The facility may be utilized at the credit union's discretion, and is secured by an equitable mortgage over the assets and undertaking of the credit union.

NOTE 22: CONTINGENT LIABILITIES

Guarantees

The credit union has issued guarantees to support the obligations of certain members. The guarantees are for limited amounts and limited terms. Security is taken from the member whose obligation is guaranteed in accordance with the credit union's normal lending policies.

	2009	2003
	\$	\$
Face value of guarantees issued	<u>55,602</u>	<u>143,102</u>

NOTE 23: FINANCIAL REPORTING BY SEGMENTS

The credit union operates predominately in the finance industry. Its principal activities are to provide financial services to members. The credit union's operations are predominately in the Central Queensland region.

NOTE 24: INTEREST RATE RISK

The credit union may be subject to risk arising from the effects of future changes in the prevailing level of interest rates. The extent of any exposure to interest rate risk is described by the period to contractual repricing as follows:-

- (a) Financial assets and liabilities not exposed to interest rate risk:-
- + Cash and liquid assets (*Note 7*)
 - + Accrued receivables (*Note 8*)
 - + Other investments (*Note 12*)
 - + Other assets (*Note 14*)
 - + Creditors and other liabilities (*Note 16*)
 - + Provisions (*Note 17*)
- (b) Financial assets and liabilities where the period to contractual repricing is equivalent to the maturity analysis:-
- + Investment securities (*Note 9*)
 - + Deposits and borrowings - member call deposits and member term deposits (*Note 15*)
- (c) Unsecured deposit notes (*Refer Note 15*) are issued for a five year term with repayment of principal and outstanding interest subordinated to the rights of depositors, secured and unsecured creditors and any other payments required by law to be made in priority.

Contractual terms provide for the repricing of subordinated deferred deposits every 3 months, as indicated in the following schedule:-

	2004	2003
	\$	\$
No longer than 1 month	4,933,894	5,004,794
More than 1 month and less than 3 months	2,033,261	
More than 3 months and less than 12 months		
More than 12 months and less than 5 years		
5 years or more		
	<u>6,967,155</u>	<u>5,004,794</u>

Capricornia Credit Union Ltd.
Notes to and forming part of the accounts
year ended 30th June 2004

(d) Loans and advances will potentially reprice in accordance with the following schedule:-

	2004	2003
	\$	\$
No longer than 1 month	141,121,503	131,704,246
More than 1 month and less than 3 months	-	
More than 3 months and less than 12 months	997,966	232,743
More than 1 year and less than 5 years	939,401	1,789,619
5 years or more		-
	143,058,870	133,726,608

NOTE 25: CREDIT RISK

(a) Maximum credit risk exposure

The 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 is equivalent to the amounts reported in the balance sheet or notes to and forming part of the accounts for the following financial assets:-

- + Cash and liquid assets - current accounts with Authorised Deposit-Taking Institutions (Note 7)
- + Accrued receivables (Note 8)
- + Investment securities (Note 9)
- + Loans and advances (Note 10)
- + Other investments (Note 12)
- + Guarantees (Note 22)

(b) Concentrations of credit risk

The following groups represent concentrations of financial assets in excess of 10% of capital:-

	2004	2003
	\$	\$
+ Authorised Deposit-Taking Institutions		
Aggregate Amount	44,700,390	29,133,499
+ Loans to individual borrowers or related groups of borrowers		
Aggregate amount	-	
	2004	2003
Number		

NOTE 26: FAIR VALUE OF FINANCIAL INSTRUMENTS

The credit union has not invested in or issued marketable securities during the year. In the opinion of the directors, the fair value of financial instruments is equivalent to the carrying amount, net of any provisions for impairment or amortization.

NOTE 27: ECONOMIC DEPENDENCY

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

(a) Industry service companies

The credit union is a member of CreditLink Services Ltd.

This entity provides cheque clearing, card and electronic transaction clearing and banking facilities to the credit union.

Capricornia Credit Union Ltd.

Notes to and forming part of the accounts year ended 30th June 2004

(b) **First Data Resources Australia Ltd**

This entity operates the switching network used to link Cuecards and VISA cards operated through approved ATM and EFTPOS suppliers to the credit union's computer system.

(c) **Ultradata Australia Pty Ltd**

This entity is the provider of support, maintenance and disaster recovery for the retail banking application software utilized by the credit union.

**NOTE 28: RECONCILIATION OF PROFIT FROM ORDINARY ACITIVITIES AFTER
INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004	2003
	\$	\$
Profit from ordinary activities	775,678	271,996
Depreciation	470,697	525,857
Provision for doubtful debts	206,000	288,810
Net loss/(profit) on disposal of non-current assets	1,323	
Changes in operating assets and liabilities		
(Increase) decrease in future income tax benefit	(65,926)	(119,699)
(Increase) decrease in other assets	(34,095)	(331,157)
Increase (decrease) in creditors and borrowings	146,295	510,413
Increase (decrease) in provision for income tax	(198,528)	249,855
Increase (decrease) in other provisions	24,732	7,171
Net cash inflows from operating activities	1,326,176	1,403,246

NOTE 29: RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash is defined as currency, on call deposits with a financial institution net of overdrafts, and short term deposits used in the credit union's cash management function on a day to day basis.

	2004	2003
	\$	\$
Cash at the end of the financial year as shown in the Statement of Cash Flows consists of:-		
Cash on hand and at bank	23,846,535	11,931,650
Short term deposits	22,137,804	18,240,153
Cash at the end of the financial year	45,984,339	30,171,803

Cash Flows presented on a net basis

Certain cash flows arising from:-

- Purchase and sale of investments
- Loans advanced by way of overdraft or line of credit
- Deposits and withdrawals by members,

have been presented on a net basis due to the large volume and rapid turnover of such items.

NOTE 30: FRANKING CREDITS

Franking credits arise from the payment of income tax payable as at the end of the year. Although the credit union has paid income tax in this and previous years, at the time of this report there was no mechanism that allows the distribution of franking credits.

NOTE 31: SECURITIZATION SCHEME

The credit union is a sub-manager of mortgage loans to the value of \$374,895 (2003 \$894,357) at balance date. The credit union bears no credit risk in relation to these loans. Interest rate movements may impact on the sub-management commission received.

Capricornia Credit Union Ltd.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 25:-

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the credit union's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cashflows, for the financial year ended on that date.

In the directors' opinion:-

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they come due and payable.

Signed at Rockhampton this 21st day of September 2004 in accordance with a resolution of the directors.



G A Edwards
Director



J L Shaw
Director

Capricornia Credit Union Ltd.

Independent audit report to the members of Capricornia Credit Union Ltd.

Audit Opinion

In our opinion, the financial report of Capricornia Credit Union Ltd:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Capricornia Credit Union Ltd as at 30 June 2004 and of its performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

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 Capricornia Credit Union Ltd (the company), for the year ended 30 June 2004.

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

Audit approach

We conducted an independent audit in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material mis-statement. 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 mis-statements 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, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and 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 evidence, 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.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers



R.J. Roach
Partner

Brisbane
21 September 2004

Capricornia Credit Union Ltd. Directory

Capricornia Credit Union Ltd.

Registered office: 157 East Street, Rockhampton 4700
A.F.S.L.:- 246 780
A.B.N.:- 54 087 650 940
Telephone:- (07) 4931 4900
Facsimile:- (07) 4931 4970
email:- info@capricorniacu.com.au
Phonefa\$: 1300 654 654
Netfa\$: www.capricorniacu.com.au

Park Avenue Mall, Main Street, North Rockhampton
Rockhampton Shopping Fair, Yaarnba Road, North Rockhampton 2
James Street, Yeppoon
115 Egerton Street, Emerald
62 Sydney Street, Mackay
Blomfield Street, Miriam Vale
Branches: Valley Shopping Centre, Goondoon Street, Gladstone

Automatic Teller Machines (ATM's) are located at all branches listed above, and in addition:

ATM's: Northside Plaza, Musgrave Street, North Rockhampton

Directors: R Strelow *Chairman*
G A Edwards *Vice Chairman*
H C Grant
R J Cockburn
J L Shaw
P F Thompson
V A Bastin-Byrne

Secretary: External P R Mogg
Auditors: PricewaterhouseCoopers

Internal Auditors: BDO Kendalls

Solicitors: Connolly, Schirmer & Batts (Rockhampton)
Gilshenan & Luton (Brisbane)

Affiliations: CreditLink Services Ltd.