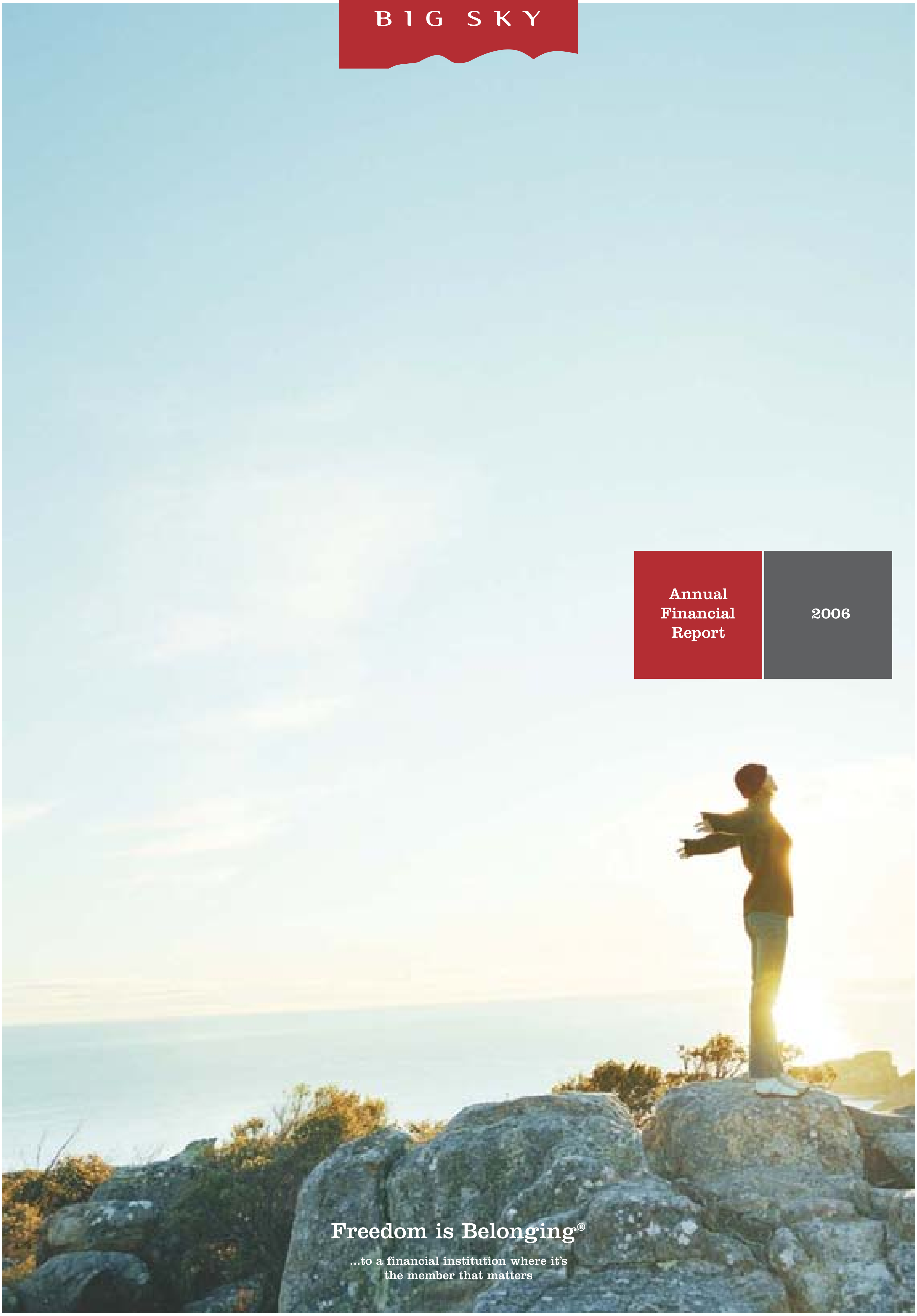
BIG SKY



Annual Financial Report 2006

Freedom is Belonging®

...to a financial institution where it's the member that matters

Big Sky Credit Union Ltd
Annual Financial Report
for the year ended 30 June 2006
ABN 51 087 651 358

Directors
C W Wirth, B.Comm, FCPA (Chairman)
P A MacCuspie, B.Sc (Hons), FAICD (Deputy Chairman)
L E Coburn, B.Comm (Hons), FCPA
N A Duncan, BA (Hons)/LLB, MAICD
B F Excell, B.Sc (Hons), MAICD
H L Thornton, B.Ec, ACA
G J Willcock, B.Comm, FCPA, F.Fin, GAICD, MAIM

Chief Executive Officer
A P Ryan, B.Bus(Acc), FCPA, AFAIM, F.Fin, FdnDFP, FACUI

Registered Office
Level 7, 607 Bourke Street
Melbourne Victoria 3000
1300 654 321

Solicitors
Mahonys Solicitors

Bankers
National Australia Bank
Credit Union Services Corporation Australia Ltd

Auditors
Ernst & Young

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Big Sky Credit Union Ltd

Annual Financial Report for the year ended 30 June 2006.

“Stronger interest revenue and commission revenue combined with a focus on cost management resulted in an excellent operating after-tax profit of $2.8 million.”

Chairman's and CEO's Report

Tony Ryan
Chief Executive Officer

Colin Wirth
Chairman

Members, it is with pleasure we present this report on a very successful financial year for your Credit Union.

Financial Performance

Big Sky enjoyed another strong year of growth. Total assets grew by 18.1% to $310.9 million, member equity by 18.8% to $27.7 million and the loan portfolio by 8.9% to $245.0 million. Your Credit Union also has a securitised off balance sheet loan portfolio of $24.5 million therefore total assets under management are $335.4 million.

Whilst growth was predominately organic, it was assisted by the RACV Credit Union transferring its engagements to Big Sky during the financial year. RACV Credit Union was a small but very well managed credit union that recommended to its 2,364 members that member interests were best served by integrating into Big Sky. The transfer of engagements contributed $12.1 million to Big Sky's assets and $1.6 million to member equity.

Strong growth experienced by your Credit Union reflects economic growth in the resources industry, particularly in Western Australia where 23% of our members live and work. It also reflects members increasingly using Big Sky for all financial banking needs including investments, loans, insurance and financial planning in addition to everyday banking.

Stronger interest revenue and commission revenue, combined with a focus on cost management, resulted in an excellent operating after-tax profit of $2.8 million. This net profit result equates to a return on average assets of 1% which is the target set by Board as the right balance between growing the Credit Union's reserves to sustain future growth and delivering excellent value to members through a wide range of products and services at highly competitive prices. It is pleasing to note that Big Sky is one of Australia's best performing credit unions in managing costs. This reflects not only the effort to contain costs for overall member benefit but also the efficiencies achieved as Big Sky grows.

Corporate Governance

Your Board of Directors is committed to the highest standards of corporate governance.

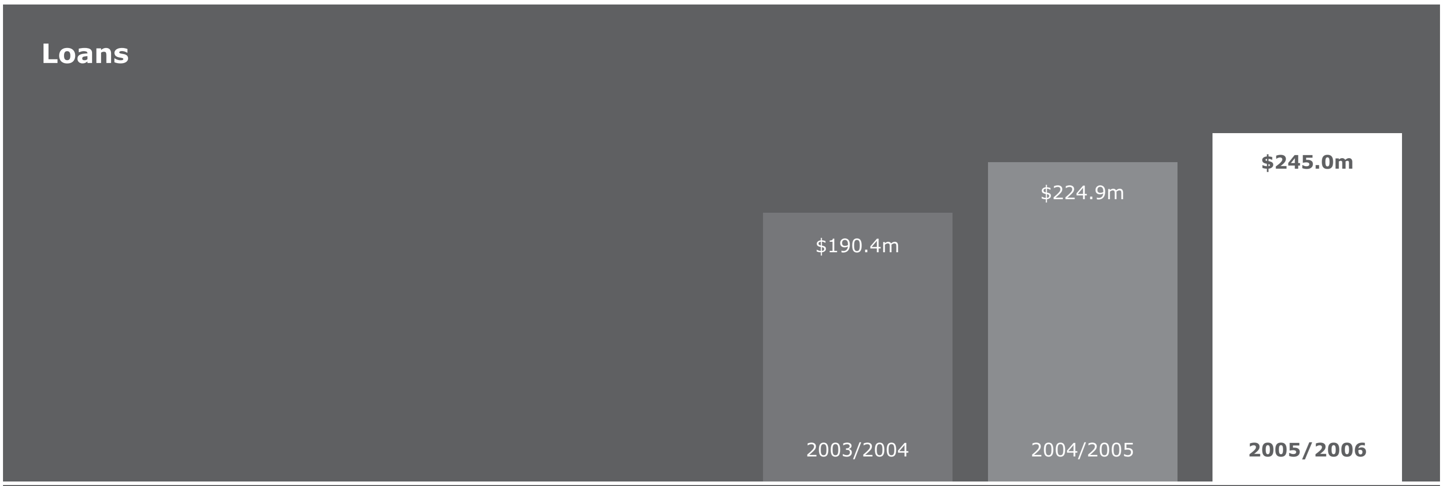
The Australian Prudential Regulation Authority (APRA) has issued two prudential standards, APS 510 and APS 520 to be effective from 1 October 2006. APS 510 requires all credit unions, building societies and banks to have a sound governance framework to enhance protection and member value.

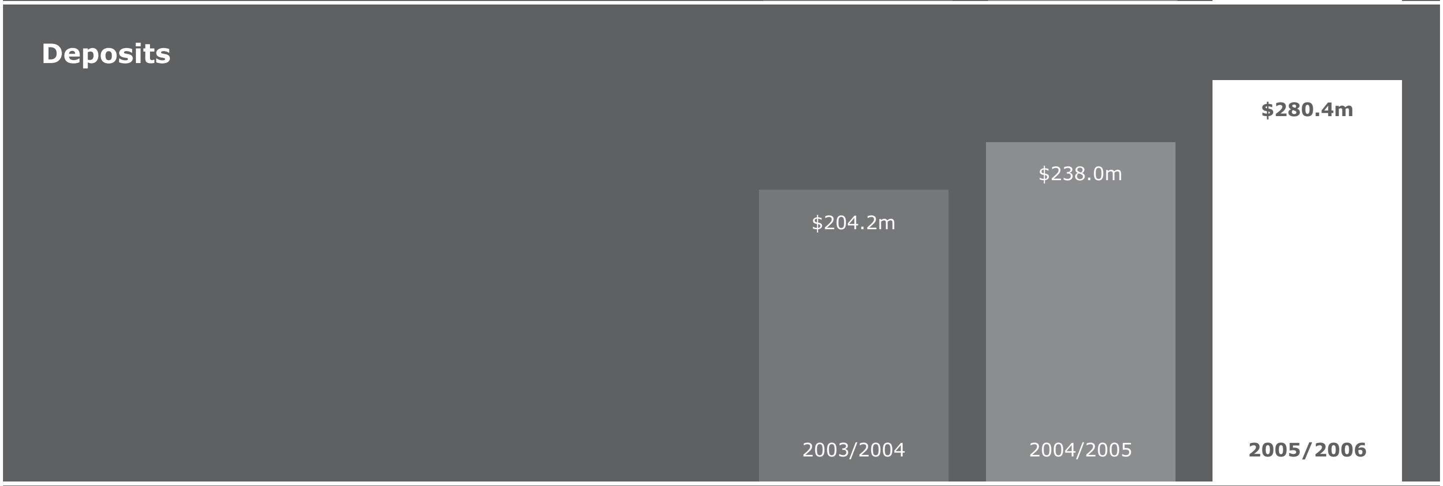
APS520 requires annual assessment of the fitness and propriety of Directors, senior managers and auditors to ensure they have appropriate skills, experience and knowledge and act with honesty and integrity.

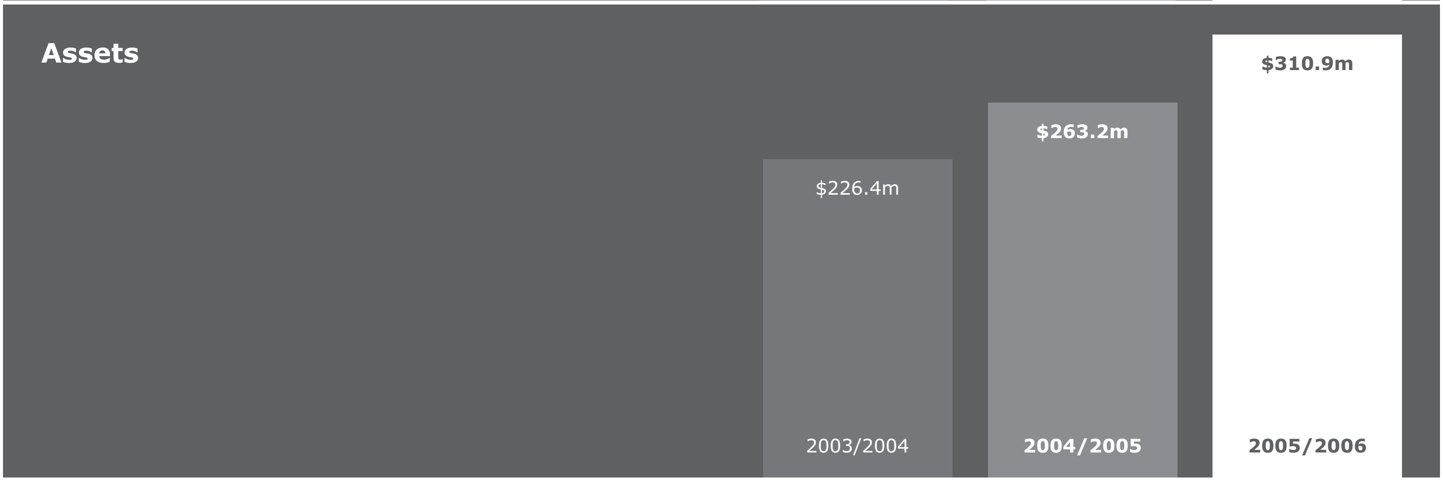
The Board fully endorses APRA's initiative in drafting and issuing these standards. The standards are consistent with the Board's long-standing commitment in respect to good corporate governance. As a result, Big Sky is well advanced in the implementation of the requirements of both standards.

Products and Services

A credit union is a mutual organisation where our owners are also our customers. Big Sky provides you, our owners (members) with a complete range of everyday access, savings, loans, insurance and financial planning services and products at highly competitive interest rates and prices.


Loans
$190.4m
$224.9m
$245.0m
2003/2004
2004/2005
2005/2006


Deposits
$204.2m
$238.0m
$280.4m
2003/2004
2004/2005
2005/2006


Assets
$226.4m
$263.2m
$310.9m
2003/2004
2004/2005
2005/2006

The member benefit dividend as measured independently by Cannex (Aust) Pty Ltd was $3.7 million. This pricing dividend and caring, personal service is your Credit Union's member value proposition.

It is pleasing to see more members using an increased number of products and services from the range and enjoying the substantial benefit from doing so. We encourage all members to think of their Credit Union when in the market for any retail banking needs.

It was with pleasure that a new Big Sky Service Centre was opened at Roxby Downs in April to support our growing membership associated with the Olympic Dam copper and uranium mine in central South Australia, on the rim of the Lake Eyre Basin.

An excellent addition to the range of products and services was Big Sky's own Visa credit card. The card has an optional and unique reward scheme, very low interest rates and of course, no annual fee. We believe the Big Sky Visa Credit Card is one of the most competitive credit cards on the Australian market.

Also introduced this year is a quality on-balance sheet fixed interest rate home loan product to provide borrowing members extra choice and flexibility when considering their borrowing needs.

Community Development

We are delighted to advise you that Big Sky has entered into a partnership with the Financial Basics Foundation. The Foundation is a registered charity established to help educate secondary school students about the credit system and develop responsible personal money management skills.

The Foundation's programs combine classroom, community, web and researched based activities. Classroom activities are in the form of modules delivered by teachers to their students. Modules include budgeting, credit and borrowing, saving, taxation and mobile phone debt.

Our focus is to raise money and work with the Financial Basics Foundation to support senior secondary students as they approach tertiary study and employment in our resource industry communities of Port Hedland and Newman in Western Australia, Roxby Downs in South Australia and Moranbah in North-East Queensland.

Big Sky provides the Financial Basics Foundation with $10 for every Big Sky credit card issued to members to assist with funding this very important community development program as a tangible illustration of our commitment to corporate social responsibility.

Thank you

We wish to thank Big Sky members for your support and for acquiring your Credit Union's products and services. We encourage you to gain maximum value from your membership by using Big Sky for all of your financial needs. The complete range of products and services is available for your information at www.bigsky.net.au or by calling us on 1300 654 321.

Thank you also to Directors, management and staff. The 2005/06 financial year has been an exciting year of growth, development and change and also a year of continuing our commitment to achieving the highest standards of corporate governance. The commitment of Board, management and staff to provide members with outstanding service and value in the spirit of mutuality is second to none.

We also wish to thank the former Board of RACV Credit Union for their hard work and commitment to member interest leading to the merger into Big Sky and we look forward to working with the RACV Club in the coming year.

Finally, we wish to acknowledge the ongoing support of host employers including but not limited to BHP Billiton, BP Australia, BlueScope Steel, OneSteel, Hatch Associates and RACV for allowing Big Sky the opportunity to visit sites and provide services to their employees. The relationship between Big Sky and host employers is one that Big Sky values highly and is committed to maintaining and developing in the mutual interests of all.

Colin Wirth
Chairman

Tony Ryan
Chief Executive Officer

Director Remuneration Policy

Constitution and Regulation

Big Sky Credit Union Ltd (Big Sky) is a public company limited by shares (members' shares) under the Corporations Act 2001 administered by the Australian Securities and Investments Commission. Big Sky is also an Authorised Deposit-taking Institution and is regulated under the Federal regime and subject to Prudential Standards issued by the Australian Prudential Regulation Authority.

Board of Directors

Big Sky's Board currently consists of seven non-executive independent Directors, all of whom are elected by members at Annual General Meetings. The Chief Executive Officer is Secretary to the Board; however, the appointment carries no entitlement to a vote on Board matters.

Directors are elected for a term of three years, commencing at the end of the Annual General Meeting at which his or her election is announced and ending at the end of the third Annual General Meeting after his or her election. At the end of their term, Directors may offer themselves for re-election.

The Board comprises Directors with a wide range of experience and business backgrounds. All Directors have extensive academic and commercial qualifications and experience that enables them to fulfill the responsibilities of corporate governance.

Directors are required to undertake 60 hours professional development during their three-year term.

During the year, Directors held 11 meetings of the Board and also attended a number of meetings of Board Committees. Each year, the Board of Directors and Senior Managers attend a weekend planning conference to review the progress of Big Sky and to consider strategic issues.

Directors of Big Sky are regulated under the APRA "Fit and Proper" prudential standard. Amongst other things this standard provides that Directors must have appropriate skills, experience and knowledge and act with honesty and integrity.

The fitness and propriety of Directors is assessed on an annual basis.

The Board and Management are responsible to ensure that Big Sky meets its prudential and statutory requirements and has management practices in place to limit risks to prudent levels. The Board has determined the various risks and has established policies and monitoring systems to manage those risks.

Committee Structure

The Board has established four sub Committees (made up of Directors) to assist in the effective discharge of its responsibilities:

- Audit and Risk;
- Executive;
- Governance; and
- Nominations

Remuneration

The Board has engaged Mercer Human Resource Consulting to provide advice on the appropriate policy settings for Director remuneration. Mercer defined a benchmarking comparator group consisting of companies within a similar revenue range to Big Sky. The rationale for this is complexity is correlated with organisational size.

The Mercer analysis then takes into account the operating environment, corporate governance requirements, Board member skill sets, experience and time demands placed upon Directors relative to the comparator group of companies.

Based on this analysis, Mercer has recommended the appropriate policy for remuneration of Big Sky Directors would be at the 25th percentile of Director remuneration paid by the comparator group. (This means 75% of Boards in the comparator group of organisations receive higher remuneration than the Big Sky Board and 25% receive less remuneration).

The Board has accepted this recommendation and adopted it as policy for recommending aggregate remuneration to the Annual General Meeting for approval.

All other transactions between Directors and Big Sky are on the same terms and conditions that apply to all members.

Directors' Report

Pictured left to right:
Nicole Duncan, Greg Willcock, Tony Ryan (CEO),
Peter MacCuspie (Deputy Chairman), Bev Excell,
Lance Coburn, Helen Thornton, Colin Wirth (Chairman)

Your directors present their report on Big Sky Credit Union Ltd ("the Credit Union") for the financial year ended 30 June 2006.

The Credit Union is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

The names and details of the Directors of the Credit Union in office at any time during the financial year and until the date of this report are:

C W Wirth, B.Comm, FCPA (Chairman)
Chairman of the Board since June 2001. Board Member since December 2000. Member of the Nominations and Remuneration Committee. Ex-officio member of all Board Committees.

P A MacCuspie, B.Sc (Hons), FAICD (Deputy Chairman)
Former Chairman of BP Credit Union, appointed to the Board in September 2003. Deputy Chairman since September 2003. Chairman of the Nominations and Remuneration Committee.

L E Coburn, B.Comm (Hons) FCPA
Board Member since September 2002. Member of the Audit and Risk Committee.

N A Duncan, BA (Hons)/LLB, MAICD
Board Member since December 2000. Member of the Audit and Risk Committee.

B F Excell, B.Sc (Hons), MAICD
Former Director of BP Credit Union, appointed to the Board in September 2003. Member of the Audit and Risk Committee.

T M Parker, B.Comm, M.Comm, CPA
Board Member since December 2000. Member of the Audit and Risk Committee. Resigned from the Board in January 2006.

H L Thornton, B.Ec, ACA
Board Member since August 1999 and Deputy Chairperson between June 2001 and August 2003. Chairperson of the Audit and Risk Committee.

G J Willcock, B.Comm, FCPA, F.Fin, GAICD, MAIM
Board Member since January 2006. Formerly with National Australia Bank Ltd with broad experience in financial services in Australia, U.S. and the U.K.

The names of the Company Secretaries in office at the end of the year are:

A P Ryan, B.Bus(Acc), FCPA, AFAIM, F.Fin, FdnDFP, FACUI
Current Chief Executive Officer of Big Sky Credit Union.

M R McCall, B.Ec, ASA, MACUI
Current Chief Financial Officer of Big Sky Credit Union

DIRECTORS' MEETING ATTENDANCE

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director in their period of appointment were as follows:

	Directors Meetings'		Audit & Compliance Committee		Nominations & Remuneration Committee	
Number of meetings held	11		4		2	
	(a)	(b)	(a)	(b)	(a)	(b)
L E Coburn	11	9	4	4		
N A Duncan (3)	11	11	1	1		
B F Excell (4)	11	10	1	1		
P A MacCuspie	11	11			2	2
T M Parker (1)	6	4	2	1		
H L Thornton	11	10	4	4		
G J Willcock (2)	5	5				
C W Wirth	11	10			2	2

(a) Denotes the number of meetings a Director was eligible to attend.
(b) Denotes the number of meetings attended.
(1) T M Parker resigned from the Board effective January 2006.
(2) G J Willcock appointed to Board effective January 2006.
(3) N A Duncan appointed to Audit and Risk Committee effective March 2006.
(4) B F Excell appointed to Audit and Risk Committee effective March 2006.

DIRECTORS' BENEFITS

During or since the financial year, no Director of the Credit Union has received or become entitled to receive any benefit, apart from details disclosed in Notes 9 and 22 of the Notes to the Financial Statements, by reason of a contract entered into by the Credit Union 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 with:

- a Director, or
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Credit Union has paid insurance premiums in respect of a contract insuring all the Directors and Officers of the Credit Union against costs incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an officer of the Credit Union.
This includes indemnifying for conduct involving:

(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by Section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $1,669.80.

PRINCIPAL ACTIVITIES

The principal activity of the Credit Union is the provision of financial products and services to members.
There has been no significant change in the nature of these activities during the year ended 30 June 2006.

OPERATING RESULTS

Operating profit after income tax for the financial year was $2,797,666 (2005: $2,138,963)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Credit Union during the financial year under review not disclosed in this Report or the Financial Statements of the Credit Union.

REVIEW OF OPERATIONS

The scope and results of operations of the Credit Union have not changed significantly during the year.
The Directors have undertaken a review of operations for the year to date, and have satisfied themselves that this report reflects a view that is consistent with the results of that review.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No other events or circumstances have arisen 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 subsequent years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect: -

(i) The operations of the Credit Union;
(ii) The results of those operations; or
(iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

AUDITOR'S INDEPENDENCE

The Directors received the Auditor's Independence Declaration as prescribed by the Corporations Act 2001 and this is presented within the Directors' Report on page 12.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 06/51. The Credit Union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

C W Wirth
Director

Melbourne, 21st September, 2006

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's have provided the following Independence Declaration to the Board as prescribed by the Corporations Act 2001.

ERNST & YOUNG

■ Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

■ Tel 61 3 9288 8000
Fax 61 3 8650 7777

Auditor's Independence Declaration to the Directors of Big Sky Credit Union Limited

In relation to our audit of the financial report of Big Sky Credit Union Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D. J. Thorn
Partner

Date: 21 September 2006

Liability limited by a scheme approved under
Professional Standards Legislation

Directors' Declaration

The Directors of Big Sky Credit Union Ltd ("the Credit Union") declare that:

In the opinion of the Directors:

(a) the financial statements and notes of the Credit Union are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Credit Union's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards; and

(b) 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.

C W Wirth
Director

Melbourne, 21st September, 2006

Big Sky Financials 2006

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 $'000	2005 $'000
Interest revenue	2,3	**18,855**	15,997
Interest expense	2	**(8,265)**	(6,154)
Net Interest Revenue		**10,590**	9,843
Non-interest revenue	3	**2,553**	1,840
Total Revenue		**13,143**	11,683
Bad and doubtful debts	3	**(149)**	(166)
Merger cost expenses	3	**(144)**	-
Borrowing costs expense	3	**-**	(13)
Other operating expenses	3	**(8,839)**	(8,496)
Total Expenses		**(9,132)**	(8,675)
Profit before Income Tax Expense		**4,011**	3,008
Income tax expense	4	**(1,213)**	(869)
Net Profit after income tax attributable to members of Big Sky Credit Union Ltd		**2,798**	2,139

BALANCE SHEET

AS AT 30 JUNE 2006

	Notes	2006 $'000	2005 $'000
ASSETS			
Cash and liquid assets	5	**1,233**	987
Receivables due from other financial institutions	6	**24,913**	16,435
Trade and other receivables	7	**1,270**	1,797
Investments held to maturity	8	**36,598**	17,093
Loans and advances	9,10	**245,048**	224,902
Other investments	11	**927**	1,083
Taxation assets	4	**298**	421
Plant and equipment	12	**682**	496
TOTAL ASSETS		**310,969**	263,214
LIABILITIES			
Trade and other payables	14	**1,750**	1,542
Deposits from members	13	**280,406**	237,968
Taxation liabilities	4	**579**	440
Provisions	15	**428**	353
Deferred tax liability	4	**27**	11
TOTAL LIABILITIES		**283,190**	240,314
NET ASSETS		**27,779**	22,900
EQUITY			
Reserves	16	**10,661**	10,661
Reserve for credit losses (AIFRS)	16	**682**	-
Retained profits	17	**16,436**	12,239
TOTAL EQUITY		**27,779**	22,900

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Retained Profits $'000	Reserve for Credit Losses $'000	General Reserves $'000	Total $'000
Total at 1 July 2004	10,100	-	10,661	20,761
Net Profit for the year	2,139	-	-	2,139
Total at 30 June 2005	12,239	-	10,661	22,900
General provision transferred to retained profits on 1 July 2005 under AIFRS, net of tax	469	-	-	469
Net Profit for the period	2,798	-	-	2,798
Transfers to (from) reserves	(682)	682	-	-
Transfer from RACV Credit Union	1,612	-	-	1,612
Total at 30 June 2006	16,436	682	10,661	27,779

The above statement reports the changes in equity under AIFRS only. For details of the variances from previous year's reported results and account balances due to AIFRS changes refer to Note 27.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**18,778**	16,126
Dividend received		**112**	106
Interest payments for deposits		**(8,256)**	(6,054)
Other non interest revenue received		**2,605**	1,804
Personnel and occupancy costs paid		**(4,052)**	(3,723)
General expenses paid		**(4,269)**	(4,685)
Income tax paid		**(804)**	(585)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	18 (a)	**4,114**	2,989
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds/(payments) for investments		**(27,829)**	(2,756)
Net increase payments of loans, advances and other receivables		**(19,629)**	(34,678)
Merger with RACV Credit Union	18 (b)	**5**	-
Payments for plant and equipment		**(436)**	(96)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(47,889)**	(37,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits		**44,021**	33,721
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**44,021**	33,721
NET INCREASE/(DECREASE) IN CASH HELD		**246**	(820)
Add opening cash brought forward		**987**	1,807
CLOSING CASH CARRIED FORWARD	18 (c)	**1,233**	987

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Big Sky Credit Union Ltd ("the Credit Union") is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

(a) Basis of Preparation

The financial statements have been prepared on an accruals basis, and are based on historical cost except otherwise stated in the accounting policy notes.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Credit Union under ASIC class order 98/100. The Credit Union is an entity to which the class order applies.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement". The Company has adopted the exemption under AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliation of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 27.

AUSTRALIAN ACCOUNTING STANDARDS RECENTLY ISSUED OR AMENDED BUT NOT YET EFFECTIVE

Certain Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted by the Credit Union for the annual reporting period ending 30 June 2006. The assessment of the impact of these new standards and interpretations (to the extent relevant by the Credit Union) is set out below:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Entity
2005-1	AASB 139 Financial Instruments: Recognition and Measurement.	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-4	AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 1 *First-time adoption of AIFRS,* AASB 1023 *General Insurance Contracts and* AASB 1038 *Life Insurance Contracts.*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting,* AASB 117 *Leases,* AASB 133 *Earnings per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time adoption of AIFRS,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts and* AASB 1038 *Life Insurance Contracts.*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures.*	No change to accounting policy required. May impact disclosures for next financial period ending 30 June 2007.	1 January 2007	30 June 2007

*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the financial report in accordance with AIFRS requires certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the Credit Union's financial report such as:

- Impairment losses on loans and advances (notes 1(h) and 19 (credit risk))
- Ability to realise deferred tax (notes 1(i) and 4)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Earned - Interest earned on bank deposits and similar investments is calculated and recognised on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of trade and other receivables in the balance sheet.

Term Loans - The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Non Accrual Loan Interest - while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors.

Fees and Commissions - Control of a right to be compensated for services is evidenced by approval of contract by member.

(e) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(f) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits readily convertible to cash.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined in note 18 (a), net of outstanding bank overdrafts.

(g) Securitisation

The Credit Union conducts a loan securitisation program whereby mortgage loans are sold as securities to an unrelated entity, thus removing the asset from the Credit Union's Balance Sheet. In accordance with contractual arrangements the Credit Union receives income from securitised loans which is included in Non Interest Revenue.

The Trustee of the securitisation program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by this entity do not represent deposits or liabilities of the Credit Union. The Credit Union does not guarantee the capital value or performance of the securities, or the assets of that entity. The Credit Union does not guarantee the payment of the interest or the repayment of principal due on the securities. The Credit Union is not obliged to support any losses incurred by investors in that entity and does not intend to provide such support. The risks and rewards of each security do not rest with the Credit Union.

(h) Loan impairment

Specific Provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for doubtful debts is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions in the calculation are as set out in Note 10.

Reserve for Credit Losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from Retained Earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The reserve in equity is based on estimation of potential risk of losses in the loan portfolio.

As a result of changes to Accounting Standards prescribed by AIFRS, the General Provision is no longer eligible for recognition as a provision to be offset against the gross balance of loans. The provision for general credit risk in the loan portfolio is now recognised as the Reserve for Credit Losses.

(i) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Trade and other receivables

Trade and other receivables include amounts owed to the Credit Union for services provided, accrued interest on investments, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables include interest accrued on investments which is received on maturity. Amounts due for services provided are normally settled on 30 day terms.

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006:

Trade and other receivables are initially recorded at cost including transaction costs. At reporting date, trade and other receivables are measured at amortised cost, less any allowance for impairment or uncollectability.

Accounting policies for the year ending 30 June 2005:

Trade and other receivables are initially recorded at cost, less any allowance for impairment or uncollectability.

(l) Loans to members

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006:

Loans and advances are initially recognised at fair value including establishment transaction costs. At reporting date, loans are measured at amortised cost under the effective interest rate method, less any allowance for impairment.

All loan assets are subject to recurring review and assessed for possible impairment. All bad debts are written off in the period in which they are identified.

Specific provisions are recognised where specific impairment is identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses not yet identified.

Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in assumptions used could result in a change in provisions for loan losses and have a direct impact on the impairment charge.

Accounting policies for the year ending 30 June 2005:

Loans and advances are initially recorded at cost. At reporting date, loans are measured at cost, less any allowance for impairment.

(m) Investments held to maturity

Investment securities consist of bills of exchange, bonds, negotiable certificates of deposit, rolling negotiable certificates of deposits and other deposits that the Credit Union has a positive intention and ability to hold to maturity.

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006:

All purchases and sales of investments are recognised on the trade date i.e. the date that the Credit Union commits to purchase or sell the asset. The investments are initially recorded at cost plus any attributable transaction costs.

Investment securities are classified as held-to-maturity financial assets and, at reporting date, are measured at amortised cost less any allowance for impairment or uncollectability.

Accounting policies for the year ending 30 June 2005:

Investment securities are stated at cost.

(n) Other financial investments

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006:

Investments in shares where a market value is readily available are revalued to market value, with the gains and losses reflected in Equity through the Asset Revaluation reserve. Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

Accounting policies for the year ending 30 June 2005:

Investments in shares are carried in the Credit Union's accounts at the lower of cost and recoverable amount.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment - 3 to 5 years
Leasehold improvements - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash generating units exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

Plant and equipment impairment losses are recognised in the income statement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate equivalent to the national government bonds rate.

(p) Member deposits

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for member deposits applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006:

All member deposits are initially recognised at the fair value of the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis. The amount of the accrual is shown as a part of trade and other payables.

Accounting policies applicable for the year ending 30 June 2005:

All member deposits are measured at the principal amount. Interest is calculated on a daily basis on the account balance. Interest is charged as an expense as it is accrued.

(q) Trade and other payables

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006:

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year that are unpaid and arise when the Credit Union becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled on 30 day terms.

Accounting policies applicable for the year ending 30 June 2005:

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.

(r) Provisions

Provisions are recognised when the Credit Union has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(s) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities which are beyond 12 months are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of the future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are recognised against profits on a net basis in their respective categories.

In respect of the Credit Union's defined benefits superannuation plans, any contributions made to the superannuation plans by the Credit Union are recognised against profits when due.

(t) Merger with RACV Credit Union

RACV Credit Union transferred its engagements to Big Sky Credit Union Ltd on the 1st May 2006. AASB 3 "Business Combinations" scopes out the requirements in relation to business combinations involving two or more entities. Big Sky Credit Union has not adopted the purchase method as recommended by AASB 3, as the merger with RACV Credit Union was a transfer of engagements from RACV Credit Union to Big Sky, and other than the deemed issue of Big Sky Credit Union shares to the value of $2.00 to transferring RACV Credit Union members, no other financial benefit was offered to RACV members in relation to the transfer of engagements.

Details of net assets at cost transferred from RACV Credit Union are as follows:

Merger with RACV Credit Union	**$'000**
Net Assets of RACV Credit Union Limited as at 30th April 2006	
- Cash	**5**
- Investments	**4,700**
- Loans	**7,259**
- Plant and equipment	**27**
- Other financial assets	**109**
- Other receivables	**73**
	12,173
- Deposits	**(10,405)**
- Sundry Creditors	**(132)**
- Other	**(24)**
	1,612
Cash consideration	**Nil**
Cash included in net assets from merger	**5**
Cash obtained from merger	**5**

(u) Derecognition of financial assets and financial liabilities

The Credit Union has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006:

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Credit Union retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Credit Union has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Credit Union's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Credit Union could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Credit Union's continuing involvement is the amount of the transferred asset that the Credit Union may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Credit Union's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Accounting policies applicable for the year ending 30 June 2005:

(i) Financial assets

A financial asset is derecognised when the contractual right to receive or exchange cash no longer existed.

(ii) Financial liabilities

A financial liability is derecognised when the contractual obligation to deliver or exchange cash no longer existed.

(v) Impairment of other assets

The Credit Union assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Credit Union makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. INCOME STATEMENT

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 month end averages. They are representative of the Credit Union's operations during the period.

	Average Balance $'000	Interest $'000	Average Interest Rate %
Interest Revenue 2006			
Deposits with other financial institutions	**26,756**	**1,565**	**5.85**
Investment securities	**30,510**	**1,672**	**5.48**
Loans and advances (other than commercial loans)	**227,697**	**15,576**	**6.84**
Commercial loans	**649**	**42**	**6.47**
	285,612	**18,855**	**6.60**
Interest Expense 2006			
Member deposits	**(263,182)**	**(8,265)**	**(3.14)**
Net Interest Income 2006	**22,430**	**10,590**	**3.46**
Interest Revenue 2005			
Deposits with other financial institutions	17,648	1,030	5.84
Investment securities	17,746	947	5.34
Loans and advances (other than commercial loans)	208,649	13,994	6.71
Commercial loans	377	26	6.90
	244,420	15,997	6.54
Interest Expense 2005			
Member deposits	(224,207)	(6,154)	(2.74)
Net Interest Income 2005	20,213	9,843	3.80

	Notes	2006 $'000	2005 $'000
3. PROFIT BEFORE INCOME TAX			
The profit before income tax is arrived at after charging/(crediting) the following items:			
Bad and doubtful debts			
- Other persons/bodies corporate	10(c)	**149**	166
Borrowing costs			
- Overdraft with CUSCAL		**-**	13
Merger costs			
- RACV Credit Union		**144**	-
Other Operating Expenses			
Depreciation - plant and equipment		**250**	267
General administration expenses		**3,250**	3,401
Salaries and employee benefits expense		**3,231**	2,885
Information technology expense		**736**	713
Office occupancy expense		**320**	304
Other expenses		**518**	403
Other provisions			
- Provision for employee entitlements		**236**	209
Superannuation contributions			
- Defined benefit fund		**36**	51
- Other superannuation funds		**262**	263
Total Other Operating Expenses		**8,839**	8,496
Total Expenses		**9,132**	8,675
Included in the operating profit are the following items of operating revenue:			
Interest revenue	2	**18,855**	15,997
Non interest revenue			
Dividends - other corporations		**112**	106
Fees and commissions			
- Other fee income		**690**	298
- Insurance commissions		**656**	531
- Integris securitisation		**159**	145
- Other commissions		**805**	688
Bad debts recovered		**10**	5
Other revenue		**121**	67
Non Interest Revenue		**2,553**	1,840
Operating Revenue		**21,408**	17,837

	Notes	2006 $'000	2005 $'000
4. INCOME TAX			
The prima facie tax on profits differs from the income tax provided in the financial statements as follows:			
Profit before Income Tax		**4,011**	3,008
Prima facie tax calculated at 30% (2005: 30%) on the profit		**1,203**	902
Dividends not assessable for income tax		**(32)**	(32)
Other		**38**	(1)
Adjustments in respect of current income tax of previous years		**4**	-
Income tax expense attributable to operating profit		**1,213**	869
Total income tax expense is made up of amounts set aside for:			
- Provision for income tax		**1,039**	934
- Changes in deferred tax		**170**	(65)
- Under provision of tax previous year		**4**	-
Total income tax expense attributable to operating profit		**1,213**	869
Deferred Tax Asset			
Opening Balance		**421**	-
Movement:			
- Application of AASB 132 and AASB 139		**(201)**	215
- Accelerated depreciation for tax purposes		**13**	46
- Accrued expenses		**4**	50
- Provisions		**24**	110
Fair value adjustment on business combination		**37**	-
Closing Balance		**298**	421
Deferred Tax Liability			
Opening Balance		**11**	-
AIFRS adjustments (net)			
- Accrued income		**25**	9
- Prepayments		**(2)**	2
Fair value adjustment on business combination		**(7)**	-
Closing Balance		**27**	11
Provision for income tax		**579**	440
Total taxation liabilities		**579**	440

	Notes	2006 $'000	2005 $'000
5. CASH AND LIQUID ASSETS			
Cash on hand and at banks	18(c)	**1,233**	987
		1,233	987
6. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits with CUSCAL		**24,913**	16,435
		24,913	16,435
Maturity analysis - CUSCAL			
Not longer than 3 months		**22,913**	15,935
Longer than 3 and not longer than 12 months		**2,000**	500
		24,913	16,435
7. TRADE AND OTHER RECEIVABLES			
Interest receivable on deposits with other financial institutions		**378**	150
Prepayments		**44**	62
Sundry debtors		**785**	1,455
Other		**63**	130
		1,270	1,797
8. INVESTMENTS HELD TO MATURITY			
Interest earning bills of exchange and promissory notes		**14,003**	10,024
Term deposits		**22,595**	7,069
		36,598	17,093
Maturity analysis			
Not longer than 3 months		**15,143**	17,093
Longer than 3 and not longer than 12 months		**21,456**	-
		36,598	17,093

	Notes	2006 $'000	2005 $'000
9. LOANS AND ADVANCES			
Overdrafts		**9,164**	10,059
Credit cards		**2,136**	-
Term loans		**233,012**	214,697
Related parties			
Directors and director-related entities			
- loans to and revolving credit facilities drawn down against by Directors and KMP	22	**786**	861
Total Loans		**245,098**	225,617
General provision		**-**	(646)
Statutory provision	10(a)	**(50)**	(69)
Net loans and advances		**245,048**	224,902

(a) Maturity Analysis

	2006 $'000	2005 $'000
At call	**-**	-
Overdrafts & credit cards: Not longer than 3 months	**11,315**	10,059
Loans: Not longer than 3 months	**48**	41
Loans: Longer than 3 and not longer than 12 months	**721**	814
Loans: Longer than 1 and not longer than 5 years	**25,870**	24,167
Loans: Longer than 5 years	**207,094**	189,821
Total Loans	**245,048**	224,902

(b) Concentration of Loans

(i) There were no loans to individual or related groups of members which exceed 10% of member funds in aggregate

(ii) Loans to members are concentrated to individuals employed in the Resource industry

(iii) Loans to members are concentrated solely in Australia, and principally in the following regions:

Geographic Concentration

	2006 $'000	2005 $'000
- Victorian residents	**107,017**	95,343
- Queensland residents	**36,475**	31,575
- NSW residents	**14,328**	13,824
- Western Australian residents	**73,184**	72,571
- Other	**14,044**	11,589
	245,048	224,902

	Notes	2006 $'000	2005 $'000
10. IMPAIRMENT OF LOANS AND ADVANCES			
(a) Total provision comprises:			
Specific provisions		**50**	69
Total Provision		**50**	69
(b) Movement in the Specific Provision			
Balance at the beginning of the year		**69**	46
Add (deduct)			
Transfers from (to) Income Statement		**-**	(1)
Bad and doubtful debts provided for during the year		**(7)**	24
AIFRS adjustments to Reserve for Credit Losses		**(12)**	-
Specific Provision balance at end of year		**50**	69
(c) Charge to profit and loss for bad and doubtful debts comprises:			
Specific provision		**5**	23
General provision		**46**	76
Bad debts recognised directly		**98**	67
		149	166
Non accrual loans			
Balances with specific provisions for impairment		**56**	69
Specific provision for impairment		**(50)**	(52)
Net non accrual loans		**6**	17
Past-due loans			
Balance with specific provision for impairment		**-**	80
Specific provision for impairment		**-**	(80)
		-	-
(a) Interest revenue on non-accrual and restructured loans		**3**	17
(b) Interest foregone on non-accrual loans and restructured loans		**5**	3

Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. Where a known loss event occurs a specific provision for impairment is applied to the specific loan. Where a loan is in arrears for a period greater than 12 months, a provision for impairment is applied against the loan.

	Notes	2006 $'000	2005 $'000

11. OTHER INVESTMENTS

	Notes	2006 $'000	2005 $'000
Shares in unlisted companies - at cost			
CUSCAL		**927**	1,083
Total value of investments		**927**	1,083

Disclosure on shares held at cost

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services - refer to Note 24. The shares are not able to be traded and are not redeemable.

The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

12. PLANT AND EQUIPMENT

	Notes	2006 $'000	2005 $'000
(a) Fixed Assets			
Plant and equipment:			
At cost		**2,184**	1,544
Provision for depreciation		**(1,755)**	(1,317)
Total Plant and Equipment		**429**	227
(b) Leasehold Improvements			
At cost including make good provisions		**617**	522
Provision for amortisation		**(364)**	(253)
Total Leasehold Improvements		**253**	269
Movements in the assets balances during the year were:			
Opening balances		**496**	668
Purchases		**436**	96
Less Depreciation expense		**(250)**	(268)
Balance at the end of the year		**682**	496

	Notes	2006 $'000	2005 $'000

13. DEPOSITS

Call deposits		**199,038**	163,816
Term deposits		**64,271**	56,452
Mortgage offset savings accounts		**17,097**	17,700
Total Deposits		**280,406**	237,968

Maturity Analysis

At call		**199,038**	181,516
Not longer than 3 months		**37,461**	31,160
Longer than 3 and not longer than 12 months		**25,831**	23,877
Longer than 1 and not longer than 5 years		**979**	1,415
Total Deposits		**280,406**	237,968

Concentration of Deposits

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:

- Victorian residents		**140,819**	113,828
- Queensland residents		**41,650**	38,514
- NSW residents		**14,392**	13,174
- Western Australian residents		**58,885**	49,754
- Other		**24,660**	22,698
Total Deposits		**280,406**	237,968

Member deposits at balance date were received from individuals employed in Australia and principally in the Resources industry.

The Credit Union's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

14. TRADE AND OTHER PAYABLES

Creditors and accruals		**475**	419
Interest payable on deposits		**795**	786
Sundry creditors		**480**	337
		1,750	1,542

	Notes	2006 $'000	2005 $'000
15. PROVISIONS			
Provision for employee annual leave			
Balance at beginning of year		**173**	163
Payments made		**(186)**	(164)
Additional provision		**228**	174
Balance at end of year		**215**	173
Provision for employee long service leave			
Balance at beginning of year		**180**	150
Payments made		**(11)**	-
Additional provision		**44**	30
Balance at end of year		**213**	180
Total Provisions		**428**	353
16. RESERVES			
General reserve		**10,661**	10,661
Reserve for credit losses		**682**	-
Total Reserves		**11,343**	10,661
Movements in Reserves			
General Reserve			
Balance at the beginning of the year		**10,661**	10,661
Additions		**-**	-
Balance at the end of year		**10,661**	10,661
Reserve for Credit Losses This reserve records amounts previously set aside as a General Provision to comply with the Prudential Standards set down by APRA, but now transferred to Reserves on 1 July 2005 due to AIFRS.			
Balance at the beginning of the year		**-**	-
Add: Adjusted from General Provision to Retained Earnings at 1 July 2005		**682**	-
Balance at end of year		**682**	-

	Notes	2006 $'000	2005 $'000

17. RETAINED EARNINGS

	Notes	2006 $'000	2005 $'000
Retained Profits			
At the beginning of the financial year		**12,239**	10,100
General provision transferred to retained profit on 1 July 2005 under AIFRS, net of tax		**469**	-
Add: Operating Profit for the year		**2,798**	2,139
Transfer to reserve for credit losses 1 July 2005		**(670)**	-
Additional transfer to reserve for credit losses 30 June 2006		**(12)**	-
Add: Reserves due to merger with RACV Credit Union		**1,612**	-
Retained profits at the end of the financial year		**16,436**	12,239

18. STATEMENT OF CASH FLOWS

(a) Reconciliation of the operating profit after tax to the net cash flows from operations

	Notes	2006 $'000	2005 $'000
Profit from ordinary activities			
Operating profit after income tax		**3,267**	2,139
Bad debts & provision for impairment		**(521)**	166
Depreciation		**250**	267
Changes in assets and liabilities			
Increase / (Decrease) in provision for employee entitlements		**75**	40
Increase / (Decrease) in interest payable		**9**	114
Increase / (Decrease) in creditors		**252**	315
(Increase) / Decrease in future income tax benefit		**160**	(65)
(Increase) / Decrease in tax provision		**94**	484
(Increase) / Decrease in bills of exchange discount receivable		**(77)**	129
(Increase) / Decrease in sundry debtors		**586**	(577)
(Increase) / Decrease in prepayments		**19**	(23)
Net cash flow from operating activities		**4,114**	2,989

(b) Merger with RACV Credit Union Limited

Cash obtained from merger		**5**	-

(c) Reconciliation of cash

Cash balance comprises:			
- Cash on hand and at banks		**1,233**	987
Closing cash balance		**1,233**	987

18. STATEMENT OF CASH FLOWS (Cont.)

(d) The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Limited (CUSCAL) of:

2006	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan facility	**6,000**	**-**	**6,000**
Overdraft facility	**1,250**	**-**	**1,250**
Total standby borrowing facilities	**7,250**	**-**	**7,250**
2005			
Loan facility	6,000	-	6,000
Overdraft facility	1,250	-	1,250
Total standby borrowing facilities	7,250	-	7,250

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

CUSCAL holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn.

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

Market Risk and Hedging Policy

The Credit Union is not exposed to currency risk, and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates. The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive.

The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. Details of the interest rate risk profile are set out in Note 26.

Credit Risk - Loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The board policy is that mortgage loans are to have a Loan to Valuation Ratio (LVR) not exceeding 80%. For loans with an LVR in excess of 80%, mortgage insurance is applicable.

The Credit Union has a concentration in retail lending for members who comprise employees and their families in the resources industry. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 9.

Significant Accounting Judgements

The significant accounting judgements related to the determination of the provision for impairment of loans are set out in Note 10.

Credit Risk - Liquid Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits of concentration with one entity. All investments must be with financial institutions with a rating in excess of BBB+.

Credit Risk - Equity Investments

All investments in equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in entities set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in Note 11.

Liquidity Risk

The Credit Union has set out in Note 26 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms. The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union's policy is to maintain a minimum of 12% of adjusted liabilities as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that liquid funds are obtained from various sources including, but not limited to, new deposits, borrowing facilities available and loan securitisation. Note 18 describes the borrowing facilities as at the balance date.

	Notes	**2006 $'000**	2005 $'000

20. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet assets.

(a) Contingent liabilities

	Notes	**2006 $'000**	2005 $'000
Non-cancellable operating lease commitments not provided for and payable			
- not later than one year		**165**	159
- later than one year but not later than five years		**70**	235
Operating lease relates to the rental of premises			
Customer service commitments not provided for and payable			
- not later than one year		**156**	183
- later than one year but not later than five years		**-**	156

Customer service relates to the provision of IT services by Data Action Pty Ltd

With effect from 1 July 1999, Big Sky Credit Union Ltd is a party to the Credit Union Financial Support Scheme (CUFSS). CUFSS is a voluntary scheme in which all Credit Unions who are affiliated with Credit Union Services Corporation (Australia) Limited (CUSCAL) have agreed to participate.

CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100.

As a member of CUFSS, the Credit Union:

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

20. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS (Continued)

(b) Credit related commitments

Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

	Notes	2006 $'000	2005 $'000
Outstanding Loan commitments			
Approved but undrawn loans		**7,900**	8,143
Total Credit Commitments		**7,900**	8,143
Loan Redraw facilities			
The loan redraw facilities available		**4,699**	3,203
Undrawn Loan facilities			
Loan facilities available to members for overdrafts, credit cards and line of credit loans are as follows:			
Total value of facilities approved		**32,776**	25,132
Less: Amount advanced		**11,315**	10,059
Net undrawn value		**21,461**	15,073

(c) Future capital commitments

The Credit Union will be converting to the Ultracs core banking system in May 2007. The Credit Union has entered into a contract to purchase computer software for which the amount is to be paid over the following periods:

	2006 $'000	2005 $'000
Within 1 year	**138**	-

(d) Computer bureau expense commitments

As referred to in Note 20 (c) the Credit Union will be converting to the Ultracs core banking system in May 2007, and migrating from its existing computer services provider (Data Action) to a new computer services provider.

The costs of conversion and migration are yet to be determined.

21. EMPLOYEE SUPERANNUATION COMMITMENTS

Superannuation Commitments

Big Sky Credit Union Ltd contributes to various superannuation funds on behalf of its employees. The funds exist to provide varying benefits for employees and their dependants on retirement, resignation, disability or death. The Credit Union and employee members make contributions as specified in the rules of the respective funds. Of the contributions made by the Credit Union, 9% of employees' wages and salaries are legally enforceable in Australia.

Big Sky Credit Union has just five employees remaining in the BHP Billiton Defined Benefit Division superannuation fund. An actuarial assessment of the BHP Billiton Defined Benefit Division (DBD) was last made in October 2003. Based on the assessment, it was determined that the DBD is currently under funded. The agreed time frame to reach 100% funding of the DBD is by 30 June 2010. Based on recommendations from the actuarial report, the Trustees and participating employers to the fund have agreed to maintain the current DBD contribution rate of 17.7% with occasional "top-up" contributions as recommended by the actuaries in order to achieve 100% funding by this date.

This time frame for full funding is considered more than adequate by the Fund's actuaries due to the strong credit rating of BHP Billiton.

Further details of the Credit Union's proportionate share of the DBD's assets and benefits have not been disclosed, as these are not material.

22. DISCLOSURES ON DIRECTORS and KEY MANAGEMENT PERSONNEL

The Names of Directors of Big Sky Credit Union Ltd as at the date of this report are:

C W Wirth
P A MacCuspie
L E Coburn
N A Duncan
B F Excell
H L Thornton
G J Willcock

Names of other Key Management Persons:

A P Ryan
M R McCall

During the course of the financial year the following directors held office:

L E Coburn
N A Duncan
B F Excell
P A MacCuspie
T M Parker
H L Thornton
G J Willcock
C W Wirth

Renumeration to Directors and other Key Management Persons	**2006 $'000**	2005 $'000
(a) short-term employee benefits	**412**	371
(b) post-employment benefits - superannuation contributions	**45**	41
(c) other long-term benefits - net increases in long service leave provision	**6**	3
(d) termination benefits	**-**	-
(e) share-based payment	**-**	-
Total	**463**	415

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to directors was approved by the members at the previous Annual General Meeting of the Credit Union.

22. DISCLOSURES ON DIRECTORS and KEY MANAGEMENT PERSONNEL (Cont.)

Loans to Directors and other Key Management Persons (KMP)

	2006 $'000	2005 $'000
(i) The aggregate value of loans to Directors and other KMP as at balance date amounted to:	**786**	861
(ii) The total value of revolving credit facilities to Directors and other KMP as at balance date amounted to:	**71**	-
Less: Amounts drawn down and included in (i)	**15**	-
Net balance available	**56**	-
(iii) During the year the aggregate value of loans disbursed to Directors and other KMP amounted to:		
Revolving credit facilities	**85**	-
Personal loans	**-**	40
Mortgage loans	**191**	250
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other KMP amounted to:	**51**	-
(v) Interest and other revenue earned on loans and revolving credit facilities to Directors and other KMP amounted to:	**48**	37

The Credit Union's policy for lending to Directors and KMP is that all loans are approved on the same terms and conditions which applied to members for each class of loan. There are no loans which are impaired in relation to the loan balances with Directors or other KMP.

22. DISCLOSURES ON DIRECTORS and KEY MANAGEMENT PERSONNEL (Cont.)

Other Transactions with Related Parties

Other transactions between related parties include deposits from Directors, other KMP and their director related entities or close family members.

The Credit Union's policy for receiving deposits from Directors and KMP and related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

There are no benefits paid or payable to the close family members of Directors and KMP.

There are no service contracts to which Directors and KMP or their close family members are an interested party.

	2006 $'000	2005 $'000
Total value term and savings deposits from Directors and KMP	**607**	610
Total interest paid on deposits to Directors and KMP	**22**	12

23. AUDITORS' REMUNERATION

	2006 $	2005 $
Amounts received or due and receivable by the auditors of the Credit Union for:		
Audit of the financial statements of the Credit Union	**65,736**	58,520
Other Services - Tax compliance services	**10,403**	17,947
	76,139	76,467

24. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following organisations:

(a) BHP Billiton Limited / BlueScope Steel Limited / BP Australia Pty. Ltd.

The Credit Union's business is largely based on the provision of financial services to the employees and their families of BHP Billiton Limited, BlueScope Steel Limited and BP Australia Pty. Ltd. and their related entities.

(b) Credit Union Services Corporation (Australia) Limited

This entity provides the Credit Union with services in the form of settlement with bankers for Members' cheques, access to the direct entry system, ATM, EFTPOS and VISA transactions, and the production of Redicards and Visa cards for use by Members. In addition, CUSCAL provides standby line facilities to the Credit Union and access to the Emergency Liquidity Support Facility.

(c) First Data Resources Australia Limited

This company operates the switching computer used to link Redicards and VISA cards operated through Reditellers, and other approved ATM suppliers to the Credit Union's host computer.

(d) Data Action Pty Ltd.

This company provides the Credit Union with computer and related services.

(e) Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Credit Union. This product known as Corvis was sold by CUSCAL to Ultradata in February 2004.

25. SEGMENT INFORMATION

The Credit Union operates solely within one industry segment being the financial services industry.

The Credit Union operates predominately from one geographical segment being Australia where financial services revenue is generated.

26. FINANCIAL INSTRUMENTS

26 (a) Interest rate risk

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:								Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
			0-3 Months		4-12 Months		Over 1 to 5 years		More than 5 years							
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000	**2006 %**	2005 %
(i) Financial assets																
Cash and liquid assets	**691**	711	**-**	-	**-**	-	**-**	-	**-**	-	**542**	276	**1,233**	987	**1.06**	0.89
Due from other financial institutions	**-**	-	**22,913**	15,935	**2,000**	500	**-**	-	**-**	-	**-**	-	**24,913**	16,435	**5.80**	5.64
Unlisted shares	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**927**	1,083	**927**	1,083	**0.04**	0.03
Bills of exchange and promissory notes	**-**	-	**14,003**	10,024	**-**	-	**-**	-	**-**	-	**-**	-	**14,003**	10,024	**5.85**	5.61
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,226**	1,735	**1,226**	1,735	**N/A**	N/A
Term deposits	**-**	-	**18,415**	7,069	**4,180**	-	**-**	-	**-**	-	**-**	-	**22,595**	7,069	**5.92**	5.61
Loans and advances	**245,048**	225,617	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**245,048**	225,617	**6.89**	6.81
Total financial assets	**245,739**	226,328	**57,331**	33,028	**4,180**	500	**-**	-	**-**	-	**2,695**	3,094	**309,945**	262,950	**6.95**	6.88
(ii) Financial liabilities																
Bank overdrafts	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Deposits	**199,038**	163,816	**37,461**	31,160	**25,831**	23,877	**979**	1,415	**-**	-	**17,097**	17,700	**280,406**	237,968	**3.28**	3.00
Trade and other liabilities and accruals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,348**	1,993	**2,348**	1,993	**N/A**	N/A
Total financial liabilities	**199,038**	163,816	**37,461**	31,160	**25,831**	23,877	**979**	1,415	**-**	-	**19,445**	19,693	**282,754**	239,961	**3.28**	3.00

26. FINANCIAL INSTRUMENTS (continued)

26 (b) Net fair values

Net fair values of financial assets and liabilities were determined by the Credit Union on the following methodologies and assumptions:

Investment securities are expected to be held to maturity. Interest is accrued to balance date and grouped with receivables. The carrying amount and the accrued interest approximate fair value.

Loans and advances are net of a provision for impairment and it is considered this approximates their fair value.

Deposits from members are expected to be held to maturity. Interest accrued to the member at balance date is either credited to the member's account on balance date or grouped with trade and other payables. The carrying amount and the accrued interest approximate their fair value.

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Financial assets				
Cash and liquid assets	**1,233**	987	**1,223**	987
Due from other financial institutions	**24,913**	16,435	**24,913**	16,435
Other investments	**927**	1,083	**927**	1,083
Bills of exchange and promissory notes	**14,003**	10,024	**14,003**	10,024
Trade and other receivables	**1,226**	1,735	**1,226**	1,735
Term deposits	**22,595**	7,069	**22,595**	7,069
Loans and advances	**245,048**	225,617	**245,048**	225,617
Total financial assets	**309,945**	262,950	**309,945**	262,950
Financial liabilities				
Bank overdrafts	**-**	-	**-**	-
Deposits	**280,406**	237,968	**280,406**	237,968
Trade and other liabilities	**2,348**	1,993	**2,348**	1,993
Total financial liabilities	**282,754**	239,961	**282,754**	239,961

26. FINANCIAL INSTRUMENTS (continued)

26 (c) Credit risk exposures

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

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified category. However, the majority of customers are concentrated in Australia.

Concentrations of credit risk on loans receivable arise in the following categories:

	Maximum credit risk exposure* for each concentration			
	Percentage of total loans receivable (%)		$'000	
	2006	2005	**2006**	2005
Victorian residents	**43.66**	42.39	**107,017**	95,343
Queensland residents	**14.88**	14.04	**36,475**	31,575
Western Australian residents	**29.86**	32.27	**73,184**	72,571
NSW residents	**5.85**	6.15	**14,328**	13,824
Other	**5.75**	5.15	**14,094**	11,589
	100.00	100.00	**245,098**	224,902

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all customers; and
- credit insurance is obtained for high risk customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

27. TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS (AIFRS)

As stated in Note 1, this is the first financial year that the financial statements of the Credit Union have been prepared using Australian equivalents to IFRS. The following information summarises the impact of the transition. As a result of adopting the new Standards, there have been some areas where the balances reported have been changed:

Taxation Assets and Liabilities - this standard requires the recognition of the deferred tax liabilities and tax assets to be related to the reported balance sheet assets and liabilities. The previous standards assessed the deferred tax liabilities and tax assets according to the impact on the taxable income of the Credit Union. The impact is related to revaluations of the property and investments which do not impact on the Profit & Loss reported.

Revenue - the revisions to the definition of revenue under AASB 118 *Revenue* require the net profit on sale of fixed assets to be reflected as revenue and a loss on sale to be reflected as expenses. Previously these gross proceeds on sale were reflected as revenue and the net book value of assets disposed reflected as expenses. The 2005 comparative figures have been amended only from a disclosure viewpoint. There is no net profit or equity impacts.

AASB 1 Transitional Exemptions

The Credit Union has elected to apply the exemption available under AASB 1 to not restate comparatives for financial instruments until 1 July 2005. This means that the transitional date for financial instruments becomes 1 July 2005 instead of 1 July 2004.

Exemption from requirements to restate financial instrument comparatives under AASB 132 and AASB 139

The Credit Union has elected to apply the exemption available in AASB 1 to restate comparatives for financial instruments. This means that the transition date for financial instruments becomes 1 July 2005 instead of 1 July 2004.

AIFRS IMPACT ON BALANCE SHEET COMPARATIVE NUMBERS AS AT 1 JULY 2005

	Notes	Balance reported in previous year 2005 $'000	Current year's reported comparative 2005 $'000	Changes $'000
ASSETS				
Cash		987	987	-
Receivables due from other financial institutions		16,435	16,435	-
Other receivables		1,797	1,797	-
Investment securities		17,093	17,093	-
Loans and advances		225,617	225,617	-
Loans and advances - Provision	(i)	(715)	(45)	670
Other financial assets		1,083	1,083	-
Plant and equipment		496	496	-
Taxation assets	(ii)	421	220	(201)
TOTAL ASSETS		263,214	263,683	469
LIABILITIES				
Deposits and borrowings		237,968	237,968	-
Creditor accrual and settlement accounts	(iii)	1,553	1,542	(11)
Provision for income tax		440	440	-
Provisions		353	353	-
Deferred tax liability	(iii)	-	11	11
TOTAL LIABILITIES		240,314	240,314	-
NET ASSETS		22,900	23,369	469
EQUITY				
Reserves		10,661	10,661	-
Reserve for credit losses	(i)	-	670	670
Retained profits		12,239	12,038	(201)
TOTAL EQUITY		22,900	23,369	469

Changes to Comparative Retained Profit

(i) General provision is reallocated to the Reserve for Credit Losses in accordance with AASB 139 and AASB 130.

(ii) A deferred tax asset has arisen due to the general provision reallocation per the note above.

(ii) A deferred tax liability has been provided for interest on bills discounted and prepayments adjusted for tax.

Reconciliation of profit for the year ended 30 June 2005 under AGAAP to that under AIFRS

There are no material differences in the net profit as reported under AGAAP to that under AIFRS.

Explanation of material adjustments to the Statement of Cash Flows

There are no material differences between the Statement of Cash Flows presented under AIFRS and that presented under AGAAP.

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Independent audit report to members of Big Sky Credit Union Limited

Scope

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Big Sky Credit Union Limited (the company), for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company'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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

ERNST & YOUNG

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Big Sky Credit Union Limited is in accordance with:

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

- (i) giving a true and fair view of the financial position of Big Sky Credit Union Limited at 30 June 2006 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.

Ernst & Young

D. J. Thorn
Partner
Melbourne

Date: 21 September 2006

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