ANNUAL REPORT 2006

„ДНІСТЕР"
UKR CREDIT

CONTENTS

47TH ANNUAL REPORT

DNISTER UKRAINIAN CREDIT CO-OPERATIVE

1991 Ukrainian Declaration of Independence

Dnister congratulates winner of the Ukrainian Schools Art Competition Sophie Lubczenko for her artwork titled: Vinok Ukraine.

An active member of Dnister and the Ukrainian Community in Geelong : including studying Ukrainian at Ukrainian Community School Geelong, Plast Ukrainians Scouts, USC Lions Volleyball, Ukrainian Catholic Choir, Ukrainian Youth for Christ and dancing with Taisa Ukrainian Dance Ensemble.

Sophie concludes that her passion and exposure to the cultural side of Ukrainian dance was her key influence. *"I love Ukrainian dancing and was inspired to create my artwork using the vinok, an important Ukrainian icon. There are 15 ribbons, each representing a significant event since Ukraine's declaration of independence in 1991".*

Dnister is pleased to have instigated such an incentive and congratulate all winners, participants, judges, parents and school leaders who worked collaboratively to make this a successful community celebration.

1992 Non Proliferation Treaty accepted

DEAR MEMBERS

chairmans report

On behalf of the Board of Directors and Staff at Dnister Ukrainian Credit Co-Operative, I am pleased to report a profit before tax of $685,000 to our members.

This year I want to focus specifically on two areas; one, our bond of being Ukrainian and two what Dnister's role is in the future of the Ukrainian community here in Australia. The greatest advantage that we have as a Co-operative and as a community is our bond! It is the reason why we belong. Let's reflect on the mission statement relevant to Dnister;

Financial advantage, prosperity & wealth . . . for members and for the Ukrainian Community in Australia

Our Mission statement reads;

Financial advantage, prosperity & wealth . . . for members and for the Ukrainian Community in Australia,

It is the mission statement that typically sets the direction on what is the purpose and role of an organisation. And as you can see, our charter, clearly is to ensure that the long term viability and sustainability of Dnister is secured. Undoubtedly, the legacy of this Board and future boards to come is to securely underpin the Ukrainian community and its members into the future.

With this clear strategic direction in mind, your Board has formally developed and adopted a strategic plan for Dnister that will allow us to navigate well into 2010 and beyond.

Some of our major goals and their respective objectives for the Cooperative include;

Member value proposition
Maintaining profitability
Building our Non interest income
Business scale
Growing to $100M in asset size
Growing our membership base
Providing a national focus for all Ukrainians
Business efficiency
Managing our cost to income ratio
Increasing the business value per member
Shareholder and prudential value
Return on equity
Maintaining a healthy capital adequacy
Value allocation and release
Maintaining reserves
Releasing value back to the member
The Dnister Foundation

This year you have seen the change to how we do our banking business, with the implementation of the new Banking system. Whilst there were some teething difficulties, overall the transformation has been a success. I specifically want to thank all the staff that took part in this process. Many hours were spent well into the night ensuring that systems were up and running when required.

These changes will not stop here. As per our strategic direction, all facets of our business will be reviewed to ensure that you, our stakeholder, is receiving added value on being a Dnister member.

Small insights into some of the other areas include;

Financial control
- Implementing international accounting standards, as reflected in the end of year results 2005, 2006.
- Business continuity plans

Core business review
- Product review and rationalisation
- Financial services retailing
- Loans
- Deposits

Dnister Foundation
- The evolution of the Community Sponsorship program

As part of our on going commitment, $95,000 (25% of our Net Profit) was returned back through the CSAC (Community Sponsorship Advisory Committee) to the Ukrainian community. The board is delighted with the continued progress of this program and strongly applaud all those involved in assisting this process. The Board is continually monitoring the evolution of this program and envisages that the Dnister Foundation is the next step in its evolution.

As part of our obligation to one of our stakeholders APRA, the constitution of Dnister will need to be formally amended to reflect the new requirements of corporate governance. I want to thank all the members of the constitutional committee, in particular our community members Mr Bulka, Mr Tomyn, Mr Lysenko, Mr Rudewych and Dr Pavlyshyn who gave up their time to assist in the work along with Board members to make the necessary changes.

In conclusion, I would like to thank Mark Edwards who retires this year after 5 years at the helm of Dnister as General Manager. On behalf of the Board and staff we wish to thank him for his contribution and wish him all the very best for the future.

Finally, to you members, thank you for your continued support and loyalties to Dnister Ukrainian Credit Co-Operative.

I wish you well for the future and urge you to continue your support of Dnister Ukrainian Credit Co-Operative!

M. Kornitschuk.

Michael Kornitschuk
Chairman

OUR MISSION

Financial advantage, prosperity & wealth . . . for members and for the Ukrainian Community in Australia

OUR VISION

Dnister is a member owned Co-operative specialising in serving the financial service needs of Australians of Ukrainian descent, heritage and/or cultural affinity.

It is an asset of immense and enduring value to members and the Australian Ukrainian community because it delivers distinctive value and personal advantage.

We will achieve this Vision by:

- Attracting people of Ukrainian descent, and those with an affinity to the Ukrainian community, to be members of Dnister.
- Gaining the confidence and trust of our members.
- Understanding members' particular financial needs and assisting them to achieve their goals.
- Ensuring we are a profitable & viable organisation.
- Offering exceptional underlying security and protection of member deposits and assets.
- Providing timely and high quality customer service.
- Continually striving to enhance our members' financial security and welfare by providing competitive products and services.
- Sharing profits among members and the Australian Ukrainian community.
- Promoting democracy, equity and fairness among members, for the benefit of members.

DIRECTORS report

your directors submit their report for the year ended 30 June 2006

DIRECTORS

The names and details of the Co-operative's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAME, QUALIFICATIONS, EXPERIENCE AND SPECIAL

Michael Kornitschuk,
B.Sci., Dip.App.Bio
(Non-Executive Chairman)

Mr Kornitschuk combines his work as a General Manager of a leading Australian supplier of medical goods and services with his role as non-executive Chairman of Dnister Ukrainian Credit Co-operative Ltd. Mr Kornitschuk has been a Director of the Co-operative for twelve years, including the last six as Chairman; and was also a member of the Strategy and Remuneration committees this year. During the past three years he has also served as a director of the following organisations: - Chairman of the Ukrainian Orthodox Church - Essendon*

Peter Berketa,
B.Bus (Acc), B.I.T., CPA, AIM
(Non-executive Director)

Mr Berketa combines his work as a Group Purchasing Manager for a large multi-national corporation, with his role as a non-executive Director of the Co-operative. Mr Berketa has been a Director of the Co-operative for the last five years, was chair of the Constitution Committee and also a member of the Strategy committee in 2006.

Richard Horban,
AICM (Non-executive Director and Audit Committee Chairman)

Mr Horban combines his work as a Credit Manager with a law firm, with his role as a non-executive Director. Mr Horban has been on the Board for four years and was a member of the Strategy, Remuneration and Constitution Committees and was Audit Committee Chairman of the Co-operative.

1993 Ukrainian Space Programme set up

Michael Karaszkewycz,
Dip.QS (Non-executive Director)

Mr Karaszkewycz combines his work as a Director of a Quantity Surveying and other Property Services company with his role as non-executive Director of the Co-operative. Mr Karaszkewycz has been a director for three years and was a member of the Audit and Strategy committees last year. During the past three years he has also served as a director of the following organisations: - Kalyna Ski Club Co-operative*

Greg Anolak,
B. Sci, Dip.Ed (Non-executive Director)

Mr Anolak is a retired Teacher and became a non-executive Director of the Co-operative in November 2005. During the past three years he has also served as a Director of the following organisation:- Ukrainian Orthodox Church - Essendon*

Andrew Matiszak,
Life. F.A.I.B.S., M.I.E(Aust). C.P.E., Dip.C.E., B.S.C., B.I.C., S.I.C., Grad Cert Fire Safety / BCA Performance, RBP-BS/BI/AD (Non-executive Director)

Mr Matiszak combines his work as Managing Director of a building consulting company with his role as non-executive Director of the Co-operative. Mr Matiszak has been a Director of the Co-operative for seven years and was a member of the Remuneration, Strategy and Audit Committees last year. During the past three years he has also served as a Director of the following organisations: - State Treasurer Australian Institute of Building Surveyors (Vic Chapter)* - Building Practitioners Board* - Chairman of Ukr. Elderly Peoples Home* - Overnewton Anglican Community College*

George Jaworsky,
Dip.App.Phy., Dip.Teach., Post Grad Dip.Ed.Admin. (Non-executive Director)

Mr Jaworsky is a retired Teacher, Assistant Principal of state secondary schools and was a non-executive Director of the Co-operative. Mr Jaworsky joined the Board in 1993 and retired from the Board in November 05.

Walentyn Mykytenko,
B.E.,Post Grad Dip. Eng.Mgt, Dip. Elec.Eng (Non-executive Director)

Mr Mykytenko is a retired General Manager with a multi-national aviation company and is a non-executive Director of the Co-operative. Mr Mykytenko has been a Director of the Co-operative for two years and was a member of the Audit, Constitution and Strategy committees last year. During the past three years he has also served as a Director of the following organisations:- Ukrainian Orthodox Church - Essendon*

* denotes current directorship.

COMPANY SECRETARY

Mark Edwards, (General Manager)

Mr. Edwards has been the Company Secretary of the Co-operative for five years. Prior to holding the position as General Manager of the Co-operative he was the Co-operative's Manager of Lending & Business Development. As a banker for over thirty years, he has also held various senior management positions with the ANZ Bank

1994 First Ukrainian Presidential Elections

DIRECTORS report

your directors submit their report for the year ended 30 June 2006

RESULTS

The Co-operative's return to members for the year ending 30 June 2006 was $740,000 (2005:$693,000). This includes a net profit of $510,000 (2005: $518,000) and an additional increase in reserves as the result of property value adjustments of $230,000 (2005: $175,000).

This good result was achieved largely on the back of strong loan and deposit growth, high occupancy of our tenanted properties and despite incurring additional costs of converting to a new banking system.

Both 2006 and 2005 financial results have been prepared and presented in accordance with the new International Financial Reporting Standards.

DIVIDENDS

In accordance with the constitution, no dividend is paid in respect of any shares.

BOARD MONITORING OF PERFORMANCE

Management and the Board monitor the Co-operative's overall performance from the implementation of the mission statement and strategic plan through to the performance of the company against budget.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs and reviews performance against them monthly. Directors receive KPIs for review prior to each board meeting allowing all Directors to actively monitor the Co-operative's performance.

PRINCIPAL ACTIVITIES

The principal activities of the entity during the financial year were receiving funds on deposits, advancing loans, insurance services and the leasing of Dnister property.

LIQUIDITY AND FUNDING

The Co-operative has a short-term overdraft facility with Creditlink Services Ltd of $0.3 million and for longer funding requirements access to Trinity Securities Program. The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co-operative to take advantage of favorable credit union financing opportunities.

RISK MANAGEMENT

The Co-operative takes a pro-active approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Co-operative's objectives are aligned with the risks and opportunities identified by the Board.

The Co-operative believes that it is crucial for all Board members to be part of this process, and as such the board has not established a separate risk management committee. Instead, the Audit Committee and other sub-committees (convened as appropriate) in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issues and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of the strategic plan, which encompasses the Co-operative's mission, vision and goals, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budget, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

INDEMNITY AND INSURANCE

To the extent permitted by law and that the officer or auditor is not indemnified by directors' and officers' liability insurance (2006:$3,000 in premiums) maintained by the co-operative, the co-operative indemnifies every person which has been an officer or auditor of the Co-operative against any liability.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2006.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The 2006-2007 year will be Dnister's first full year on its new banking system. This is another strong foundation now in place to enable the Co-operative to grow. The Board have put into place a strategic plan as a road-map for the Co-operatives future. The three year plan is likely to include costs that may impact Dnister's immediate financial performance but will result in stronger growth and returns in the future.

DIRECTORS report

your directors submit their report for the year ended 30 June 2006

DIRECTORS' MEETINGS

The number of Directors meetings attended by each Director and the number of committee meetings Directors were eligible to attend for the financial year were:

	Directors' Meetings	Audit	Remuneration	Strategy
Total meetings held	13	7	7	7
Number attended				
M Kornitschuk	13	-	7	7
P Berketa	11	-	-	6
R Horban	12	7	7	-
G Jaworsky	4	-	-	-
M Karaszkewycz	11	3	-	3
A Matiszak	8	-	6	-
W Mykytenko	12	7	-	7
G Anolak	8	4	-	1

COMMITTEE MEMBERSHIP

As at the date of this report, the co-operative had an Audit Committee, a Strategy Committee and a Remuneration Committee.

Members of the board acting on the committees of the board during the year were :

Audit	Remuneration	Strategy
R Horban (c)	M Kornitschuk (c)	M Kornitschuk (c)
M Karaszkewycz	A Matiszak	P Berketa
W Mykytenko	R Horban	W Mykytenko
G Anolak		M Karaszkewycz
		G Anolak

(c) Designates the chairman of the committee

AUDITOR
independence and non-audit services

The directors received the following declaration from the auditor of Dnister Ukrainian Credit Co-operative Ltd.

In relation to our audit of the financial report of Dnister Ukrainian Credit Co-Operative 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

Denis Thorn

Denis Thorn
Partner
Melbourne
26th September 2006

ERNST & YOUNG

Liability limited by the Accountants Scheme,
approved under the Professional Standards Act 1994 (NSW).

NON - AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amounts for the provision of non-audit services :

Tax compliance services	$5,720

The report is signed in accordance with a resolution of the directors of Dnister Ukrainian Credit Co-operative.

M. Kornitschuk.

Michael Kornitschuk
Director & Chairman
Melbourne, 26th September 2006

Richard Horban
Director

CORPORATE governance statement

The Board of Directors of Dnister Ukrainian Credit Co-operative Ltd are responsible for the corporate governance of the Co-operative.

The Board guides and monitors the business and affairs of the Co-operative on behalf of the members by whom they are elected and to whom they are accountable.

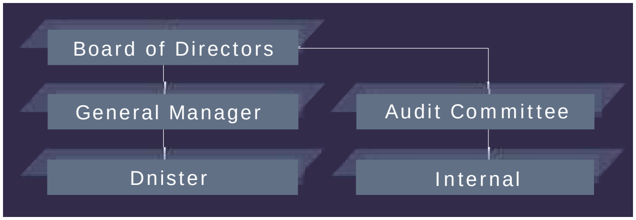
An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investment Commission (ASIC).

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives for the group and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Co-operative.
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring the Co-operative meets it's legal and statutory obligations.

STRUCTURE OF THE BOARD

Directors of the Co-operative are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with the exercise of their unfettered and independent judgement.



The term in office held by each Director at the end of the report is as follows:

Name	Term in office
M Kornitschuk	12 years
P Berketa	5 years
R Horban	4 years
G Anolak	1 year
M Karaszkewycz	3 years
A Matiszak	7 years
W Mykytenko	2 years

AUDIT COMMITTEE

The Board has an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists in the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control to the Audit Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:

R Horban
M Karaszkewycz
W Mykytenko
G Anolak

REMUNERATION

It is the Co-operative's objective to provide maximum stakeholder benefit through the retention of an executive team by remunerating key executives fairly and appropriately with reference to employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of the executive's emoluments to the company's financial and operational performance.

No Director since the end of the previous financial year, has received or become entitled to receive a benefit (other than a benefit in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the accounts) by reason of a contract made by the company with a Director or with a firm of which he is member or with a company in which he has a substantial financial interest.

The members of the Remuneration Committee during the year were:

M Kornitschuk
R Horban
A Matiszak

1995 Ukraine joins
Partnership for Peace (PFP)

FINANCIAL statements

1996 New Ukrainian Constitution

Notes to the Financial Statements

DIRECTORS declaration

for the year ended 30 June 2006

In accordance with a resolution of the directors of Dnister Ukrainian Credit Co-operative Limited, I state that:

1. In the opinion of the directors:

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

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

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

M. Kornitschuk.

Michael Kornitschuk
Director & Chairman

Richard Horban
Director

Dated : 26th September 2006

1997 Sergei Bubka wins 6th IAAP World Championship

INDEPENDENT audit report

to members of Dnister Ukrainian Credit Co-operative Limited

ERNST & YOUNG

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approved under the Professional Standards Act 1994 (NSW).

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of recognised income and expenses, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Dnister Ukrainian Credit Co-Operative Limited ("the co-operative"), for the year ended 30 June 2006.

The directors of the co-operative are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the co-operative, 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 co-operative. 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 co-operative'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.

1998 The European Union's Partnership and Co-operation Agreement signed

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 co-operative.

Independence

We are independent of the co-operative, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the co-operative a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Audit opinion

In our opinion:

The financial report of Dnister Ukrainian Credit Co-Operative Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Dnister Ukrainian Credit Co-Operative 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

Ernst & Young

Denis Thorn

Denis Thorn
Partner
Melbourne
26 September 2006

Income Statement

for the year ended 30 June 2006

	Note	2006	2005
		$'000	$'000
Operating revenue			
Interest revenue	2	4,428	4,039
Interest expense	2	(2,344)	(2,089)
Net interest revenue		2,084	1,950
Non-interest revenue	3	995	935
Total operating revenue		**3,079**	**2,885**
Operating expenses			
Bad and doubtful debts expense	4	32	(14)
Other expenses	4	(2,426)	(2,142)
Total operating expense		**(2,394)**	**(2,156)**
Profit from ordinary activities before related income tax expense		685	729
Income tax expense related to ordinary activities	5	(175)	(211)
Net profit attributable to members	6	**510**	**518**
Net increase in asset revaluation reserve as a result of fair value adjustment	6	230	175
Total changes in equity attributable to members	6	740	693

1999 Ukraine signs Charter with NATO

Balance Sheet

for the year ended 30 June 2006

	Note	2006	2005
		$'000	$'000
Assets			
Cash and liquid assets		1,255	853
Other deposits with financial institutions	7	14,105	13,240
Net loans and advances	8	49,748	45,739
Other investments	9	88	98
Receivables	10	468	289
Property, plant and equipment	11	6,652	6,260
Investment property	12	1,775	1,600
Other assets	13	327	287
Total assets		**74,418**	**68,366**
Liabilities			
Deposits and borrowings	14	60,516	55,306
Creditors and other liabilities	15	2,116	2,019
Total liabilities		62,632	57,325
Net assets		11,785	11,041
Members' funds			
Retained profits	6	7,614	7,089
Credit loss reserve	6	138	134
Asset revaluation reserve	6	4,033	3,818
Total members' funds		**11,785**	**11,041**

2000 Yana Klochkova wins gold at Olympics

Statement of recognised income and expense

for the year ended 30 June 2006

	Note	2006	2005
		$'000	$'000
Fair value revaluation of land and buildings	6	230	175
Net income recognised directly in equity		**230**	**175**
Profit for the period	6	510	518
Total recognised income & expense for the period		**740**	**693**
Attributable to			
Co-operative Members		740	693

Cash Flow Statement

for the year ended 30 June 2006

	Note	2006	2005
		$'000	$'000
Cash flows from operating activities			
Inflows			
Interest received		4,235	3,874
Other receipts		1,008	793
Total inflows		**5,243**	**4,667**
Outflows			
Interest & other costs of finance		(2,378)	(2,001)
Payments to suppliers and employees		(2,089)	(2,038)
Income tax paid		(396)	(194)
Payments for members' births, deaths and wills		(42)	(47)
Total outflows		**(4,905)**	**(4,280)**
Net cash provided by operating activities	16	338	387
Cash flow from investing activities			
Inflows			
Net realisation of funds from securitisation		-	4,235
Total inflows		**-**	**4,235**
Outflows			
Net increase in number of loans and advances		(4,009)	(2,053)
Net increase in investments		(823)	(7,280)
Payments for property, plant and equipment		(315)	(101)
Total outflows		**(5,147)**	**(9,434)**
Net cash provided by investing activities		(5,147)	(5,199)
Cash flows from financing activities			
Inflows			
Net increase in member deposits		5,210	4,348
Total inflows		**5,210**	**4,348**
Net cash provided by financing activities		5,210	4,348
Net (decrease)/increase in cash held		402	(465)
Cash at the beginning of the year		853	1,318
Cash at the end of the year		**1,255**	**853**

notes to the

FINANCIAL STATEMENTS

for the year ended 30 June 2006

2001 Pope John Paul II Visits Ukraine

CORPORATE INFORMATION

The financial report of Dnister Ukrainian Credit Co-Operative Ltd for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 26th September 2006.

STATEMENT OF ACCOUNTING POLICIES

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

The financial report has been prepared on a historical cost basis, except for investment properties and land & buildings which have been measured at fair value.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000).

The Co-operative has elected to apply the option under AASB1 of adopting AASB132 and AASB139 from 1 July 2005.

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.

Except for the revised AASB 119 *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006.

AASB Amendment	Affected Standard(s)	Nature of changes to accounting policy	Application date of standard*	Application date for Co-operative
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time adoption of *AIFRS* AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: *Business Combinations*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

AASB Amendment	Affected Standard(s)	Nature of changes to accounting policy	Application of standard*	Application date for Co-op.
2005-10	AASB 132: *Financial Instruments: Disclosures and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 113: *Earning per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adopting of AIFRS*, AASB 4: *Insurance Contacts*, 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
2004-3	AABS 1 First time adoption of AIFRS. AASB 101 Presentations of financial statements AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

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

The following amendments are not applicable to the Co-operative and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: *General Insurance Contracts*
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 1028: *Life Insurance Contracts*
2005-9	AASB 4*:Insurance Contracts*, AASB 1023: *General Insurance Contracts* AASB 139: *Financial Instruments: Recognition and Measurement and* AASB 132: *Financial Instruments: Disclosure and Presentation*
2005-12	AASB 1038: *Life Insurance Contract and* AASB 1023: *General Insurance Contracts*
2005-13	AAS 25: *Financial Reporting by Superannuation Plans*
2006-1	The Effects of Change in Foreign Currency Rates
UIG	UIG 4 Determining whether an Arrangement contains a lease. UIG 5 Rights to Interest in Decommissioning, restoration and environmental rehabilitation Funds UIG 6 Liabilities Arising from participating in a Specific market - Waste Electrical and Electronic Equipment UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies UIG 8 Scope of AASB 2 UIG 9 Reassessment of Embedded Derivatives

2002 The right to peaceful protest - 15,000 defy Kuchma

a) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Dnister as a lessor

Leases in which Dnister retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(b) Derecognition of financial assets and liabilities

The Co-operative 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 derecognition of financial assets and liabilities applicable for the year ending 30 June 2006.

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;
- Dnister 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 Dnister 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.

Financial Liabilities

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

For the year ended 30 June 2005 a financial asset or liability was derecognised when the contractual right to receive or exchange cash no longer existed.

(c) Significant accounting judgements

In the process of applying the Co-operatives accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Some of the co-operatives property is leased out on a commercial basis. Those building that are fully leased are now classified as investment properties. The main 'banking building' is still classified as owner-occupied because not an insignificant position of the property is used by the co-operative for its banking activities. These judgments are consistent with *AASB140 Investment Property* classification.

(d) Impairment of financial assets

The Co-operative 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 impairment of financial assets applicable for the year ending 30 June 2006.

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Co-operative first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant, if it is determined that no objective evidence of impairment exists for and individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available for sale investments

If there is objective evidence that an available-for-sale investment is impaired, and amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement.

For the year ended 30th June 2005 a provision for Impairment of a loan or advance is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the loan agreement.

(e) Cash and cash equivalents

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

Cash on hand and in banks and short-term deposits are stated at nominal value.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and 12 months, depending on the immediate cash requirements of Dnister, and earn interest at the respective deposit rates.

(f) Financial Risk Management

Cash flow interest rate risk

Dnister's exposure to the risk of changes in market interest rates relates primarily to long term debt obligations with a floating interest rate.

Dnister's policy is to measure, monitor and manage Interest Rate Risk by utilising Maturity Repricing and Portfolio Analysis.

Liquidity risk

Dnister's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, securitisation, and balancing the maturity of loans against that of deposits. The Board has operational guidelines for the acceptable mix of liquid assets.

(g) Loans and Advances

The Co-operative 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 loans and advances applicable for the year ending 30 June 2006.

Loans and Advances are measured at amortised cost after assessing required provisions for impairment.

Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

Loans are considered bad and written off when all avenues of legal and other action to recover the debt have been exhausted.

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

- Non-Accrual Loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured Loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past Due Loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

For the year ended 30 June 2005 all loans were measured at the recoverable amount. Interest was recognised as an expense as it accrued.

(h) Investments and other financial assets

The Co-operative 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 investments and other financial assets applicable for the year ending 30 June 2006.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Co-operative has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

Available for sale investments

After initial recognition available -for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined.

(i) Receivables

The Co-operative 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 receivables applicable for the year ending 30 June 2006.

Trade receivables are non-interest bearing and are generally on 30-90 day terms, are recognised and carried at original invoice amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Receivables from related parties are recognised at amortised cost. Interest is taken up as income on an amortised cost basis.

For the year 30 June 2005 trade receivables were recognised and carried at original invoice amount less any provision for any uncollectible debts. Bad debts are written off as accrued.

(j) Taxes

Income taxes

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 the 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 except when the deferred income tax liability arises from an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 (& 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.

Goods and Services Tax (GST)

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

- Where 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 acquisition of the asset or part of the expense item as applicable.
- Receivables and payables 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 Statement of Financial Position.

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.

(k) Property, Plant & Equipment

Cost

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

Land & buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Impairment

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

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance sheet date.

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 or disposal.

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.

Depreciation

Depreciation is calculated on a straight-line basis on all property, plant & equipment, other than freehold land over the estimated useful life of the assets. Major depreciation rates are as follows:

- Freehold buildings — 40 years
- Plant and equipment — 6 2/3 years
- Computer software — 3 years

(l) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(m) Deposits & short-term borrowings

Member Deposits

Member deposits are classified under the categories of: at call; notice of withdrawal; and fixed term. The rate of interest offered on member deposits is dependent on the amount, the period invested/availability of funds & the nature of the deposit facility used. Member deposits are available for withdrawal subject to the advertised constraints of the facility.

For example, all call accounts can be accessed at any time, whereas no withdrawals can be made from fixed term deposits without penalties.

The company pays interest on member deposits as follows: -

Savings other than Christmas Club	on last day of each month
Notice of Withdrawal & Children's Bond	on last day of each month
Christmas Club Account	on last day of each month
i-Saver Internet Cash Management Account	on last day of each month
Fixed Term Deposits	maturity of investment

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

Shareholding

Members must purchase shares to the value of $10 in the Co-operative to open their account. Once a member has purchased shares they may open multiple accounts. When a member cancels or resigns their membership they are entitled to have refunded their initial $10 investment. No interest or dividends are payable on the shares issued and because they are withdrawable on these terms they are recorded as a liability in the financial accounts rather than as equity.

(n) Payables

The Co-operative 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 payables applicable for the year ending 30 June 2006.

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services proved to the Co-operative prior to the end of the financial year that are unpaid and arise when the co-operative becomes obliged to make future payments in respect of the purchase of these goods and services.

For 30 June 2005 Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised on an accrual basis.

(o) Provisions

Provisions are recognised when Dnister has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(p) Employee Entitlements

Wages, salaries, annual leave and sick leave

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Revenue

The Co-operative 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 revenue applicable for the year ending 30 June 2006.

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Investment property fair value increments and decrements are taken directly to the profit and loss account.

Rental Income from investment properties is accounted for on a straight-line basis over the lease term.

For the year ending 30 June 2005 revenue is recognised when the group's right to receive payment is established. Interest revenue is recognised as it accrues. Fees and commissions are recognised upon the rendering of services to customers.

(r) Comparative Figures

Where necessary, comparative figures have been reclassified and repositioned for consistency with current financial year amounts.

2003 Commemoration of 70th Anniversary of the Holodomor

	2006 $'000	2005 $'000
2. Net Interest		
Interest revenue		
Deposits with other financial institutions	795	600
Loans & advances	3,564	3,387
Regulatory deposits	69	52
	4,428	**4,039**
Interest expense		
Customer deposits	2,342	2,087
Short term borrowings	2	2
	2,344	**2,089**
3. Non-interest revenue		
Fair value revaluation on investment property	175	155
Fees & commissions	89	70
Tenant income	621	600
Other income	110	110
	995	**935**
4. Operating expenses		
Bad & doubtful debts		
Bad & doubtful debts	(32)	14
	(32)	**14**
Other expenses		
Financial assistance for member birth, deaths & wills	42	47
Sponsorship programme	72	65
Salaries & associatied costs	1,051	970
Depreciation	100	115
Other tenancy expenses	230	205
Marketing, printing and postage	148	118
Corporate Governance, Audit & Compliance	136	93
Subsidies member transaction expenses	138	130
Data & communications	325	217
Other operating expenses	184	182
	2,426	**2,142**

	2006	2005
	$'000	$'000
5. Income tax expense		
The prima facie tax on operating profit before income		
Tax is reconciled to income tax provided as follows:		
Profit from ordinary activities	685	729
Prima facie tax 30%	205	219
Increase in income tax expense due to:		
Under provision of tax in prior year	7	10
Decrease in income tax due to:		
Non-assessable fair value increase	(37)	-
Non-assessable refunds from ATO	-	(18)
Income tax expense attributable to operating profit	**175**	**211**
The income tax expense comprises amounts set aside as:		
Provision for income tax attributable to the current year		
- Income tax payable	130	141
- Deferred tax assets	16	59
- Deferred tax liabilities	29	11
Income tax expense attributable to operating profit	**175**	**211**
6. Retained profits and reserves		
Retained profits		
Balance at the beginning of the financial year	6,919	6,401
Net profit	463	518
Balance at the end of the financial year	**7,382**	**6,919**
Credit loss reserve		
Balance at the beginning of the financial year	134	128
Increase in statutory amount set aside for potential		
losses on loans & advances	4	6
Balance at the end of the financial year	**138**	**134**
Asset revaluation reserve		
Balance at the beginning of the final year	3,803	3,628
Revaluation increment of fair value of the building	230	175
Balance at the end of the financial year	**4,033**	**3,803**

	2006	2005
	$'000	$'000
7. Other deposits with financial institutions		
Term and negotiable certificates of deposits		
with banks (fully redeemable)	14,105	13,240
Balance at the end of the financial year	**14,105**	**13,240**
8. Net loans and advances		
(a) Amount due comprises:		
Overdraft and revolving credit	3,105	2,810
Term Loans	46,267	42,782
Directors and related parties	467	277
Total loans and advances	**49,839**	**45,869**
Less specific provision for impairment	(91)	(131)
Net loans and advances	**49,748**	**45,739**
(b) Maturity analysis		
Overdrafts	3,105	2,810
Not longer than 3 months	776	12
Longer than 3 months and less than 12 months	2,451	88
Longer than 12 months and less than 5 years	1,391	2,351
Longer than 5 years	42,116	40,608
Total loans and advances	**49,839**	**45,869**
(c) Concentration of loans		
As of 30 June 2006, the loans portfolio does not include any loan which represents 10% or more of capital		
Exposure to particular segments are as follows:		
Geographic areas		
- Victoria	49,110	44,835
- Other states	729	1,034
Total loans and advances	**49,839**	**45,869**
Purpose		
- Residential	30,673	29,292
- Personal	13,947	12,630
- Commercial	5,219	3,947
Total loans and advances	**49,839**	**45,869**

	2006	2005
Security	$'000	$'000
- Secured by mortgage	44,638	42,199
- Secured by other	3,936	2,101
- Unsecured	1,265	1,569
Total loans and advances	**49,839**	45,869
9. Other investments		
Unlisted Shares and units at cost:		
Creditlink class 'a' shares	57	57
Co-processing Pty Ltd	-	10
Creditlink Ltd SDD	31	31
Total other investments	**88**	**98**
10. Receivables		
Interest receivable	394	266
Other receivables	74	23
	468	**289**
11. Property, plant and equipment		
Land		
Opening value of land at independent valuation	2,900	2,725
Revaluation increment	230	175
Closing balance	**3,130**	2,900
Buildings		
Opening value of buildings at independent valuation	3,150	3,150
Revaluation increment	-	-
Closing balance	**3,150**	3,150
Plant and equipment		
Plant and equipment at cost	2,008	1,755
Less accumulated depreciation	(1,636)	(1,545)
Closing balance	**372**	210
Total property, plant and equipment	**6,652**	**6,260**
Movement in Plant and equipment during the year		
Carrying amount at the start of the year	210	224
Additions	262	101
Disposals	-	-
Depreciation	(100)	(115)
Carrying amount at the end of the year	**372**	**210**

	2006	2005
Land, Building & Investment property were valued in accordance with an independent valuation. The valuation was by a Certified Practicing Valuer with experience of corporate based on an arms length transaction on an open market basis, property valuations in Melbourne.	$'000	$'000
12. Investment property		
Opening value of investment property at independent valuation	1,600	1,445
Revaluation increment	175	155
Closing balance	**1,775**	**1,600**
13. Other assets		
Deferred tax asset	169	197
Prepayments	158	90
	327	**287**
Deferred Tax Assets relates to the following:		
Provision for doubtful debts	27	39
Depreciable Assets	26	40
Provisions and Accruals	116	118
	169	**197**
14. Deposits and borrowings		
Call deposits	23,591	16,284
Term deposits	36,925	39,022
	60,516	**55,306**
15. Creditors and other liabilities		
Interest on member deposits	570	604
Trade creditors and accruals	507	364
Provision for employee entitlements	140	117
Provision for employee entitlements (non-current)	53	45
Deferred Tax Liability	891	862
Other Tax provisions	(44)	19
Sundry creditors	-	9
Total creditors and other liabilities	2,116	2,019
Deferred Tax Liabilities relates to the following:		
Revaluation of investment properties to fair value	(167)	(152)
Revaluation of land and building to fair value	(698)	(684)
Other provisions and accruals	(26)	(26)
	(891)	(862)

	2006	2005
16. Notes to the statements of cash flows	$'000	$'000
(a) Reconciliation of net cash provided by operating operating activities to profit after income tax		
Operating profit after income tax	511	518
Depreciation	100	115
Bad and doubtful debts	(32)	14
Revaluation of investment property	(175)	(155)
Accumulated depreciation - writeback	54	-
Less decrease (increase) in interest receivable	(129)	(156)
Less decrease (increase) in debtors	(51)	8
Less decrease (increase) in prepayments	(68)	(68)
Less decrease (increase) in future income tax benefit	28	(18)
Add increase (decrease) in interest payable	(34)	88
Add increase (decrease) in creditors & accruals	134	(26)
Add increase (decrease) in provision for deferred income tax	(63)	7
Add increase (decrease) in employee entitlements	31	30
Add increase (decrease) in other provisions	33	30
Net cash provided by operating activities	**339**	**387**
(b) Reconciliation of cash : Cash balance comprises		
Cash floats	281	223
Deposits on Call	74	80
11am deposits	900	550
Closing cash balance	**1,255**	**853**
17. Director disclosures		
Aggregate remuneration of Directors during the year (2006: $19,800, 2005: $16,156)	20	16
	20	**16**
The number of Directors whose income falls	Number	Number
with the following band is $0-$9,999	8	8
18. Remuneration of External Auditors		
During the year the auditors of the Co-operative earned the following remuneration		
- Audit of Credit Co-operative (2006: $34,110, 2005: $29,000)	34	29
- Taxation Services (2006: $5,720, 2005: $8,750)	6	9
	40	**38**

	2006 $'000	2005 $'000
19. Contingent liabilities and forward commitments		
Outstanding loan commitments		
- Loans approved but not yet advanced at year end	1,529	2,576
- Continuing credit arrangements		
- Unused overdraft facilities of members	1,116	1,061
	2,645	3,637

20. Related party transactions

(a) Directors

During the year the Directors of the Co-operative were:

M Kornitschuk	M Karaszkewycz
P Berketa	A Matiszak
R Horban	W Mykytenko
G Jaworsky	G Anolak

(b) Loans

	2006	2005
The aggregate value of loans to Directors & spouses & Director related entities at balance date amounted to: (2006: $467,029, 2005: $258,250)	467	258

All loans disbursed are approved on the same terms and conditions that applied to members generally for each class of their loan.

All other transactions between the Directors and the Co-operative were conducted on normal commercial terms & there has been no breach of these terms.

21. Director and Executive Renumeration

(a) compensation by category : Key Management Personal

	2006	2005
Short term	139,132	135,087
Post employment	10,238	10,128
Other Long - Term	-	-
Termination Benefits	-	-
Share-based payment	-	-
Total	149,370	145,215

(b) contract for services

The Board entered into a three year employment contract with the General Manager that commenced on 21st April 2005. Under the terms of the contract:

-Mr Edwards may resign from his position and terminated the position by giving 3 months written notice.

-The co-operative may terminate the contract at any time without notice if serious misconduct has occured.

22. Economic dependency

The Co-operative has service contracts with, and is economically dependent upon the following suppliers:

(a) Creditlink

This entity supplies the Co-operative with services in the form of settlement with bankers for ATM card transactions, member cheques and the provision for direct entry services and the production of debit cards for use by members.

(b) First Data International

This company operates the computer switch used to process transactions from the use of the Company's debit cards through approved ATM and EFTPOS networks.

(c) Data Action Pty Ltd

This company provides and maintains application software currently utilised by the Co-operative. Data Action Pty Ltd is a major supplier of software to credit unions throughout

(d) The Systems Works Pty Ltd

This company provides the Co-operative's internet banking platform. They complete backups and control monitoring procedures.

23. Superannuation commitments

The Co-operative contributes to a number of superannuation plans chosen individually by its employees. Members' benefits are fully vested with that member and will be paid out upon termination of employment as preserved or non-preserved benefits depending on the contribution basis. The obligation for the Co-operative is limited to that under the Superannuation Guarantee legislation which for the 05-06 year was 9% of employee's gross income, total amounted to $72,000 for 2006.(2005: $68,000)

24. Segmental reporting

The Co-operative operates predominantly in the finance industry in Victoria and Western Australia. The main operations comprise the acceptance of deposits and making of loans to members.

25. Securitisation

The Co-operative has an arrangement with Trinity Securites Program whereby it acts as an agent to complete loans on their behalf for on-sale to an investment trust. The Co-operative also manages the securitised loans portfolio on behalf of the trust. The Co-operative is only liable for loan repayments default to the extent of interest foregone by the trust, and for which the Co-operative has mortgage insurance to recoup all such payments. The Co-operative receives a spread fee for servicing and administering the loans.

The balance of securitised loans as at 30 June 2006 was $3.75m (2005: $4.35m).

26. Subsequent events

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2006.

27. Financial Instruments

(a) Net fair value of financial assets and liabilities

2006	Assets			Liabilities
	Cash and liquid assets	Deposits with financial institutions	Loans and advances (net of provision)	Member deposits
Net fair value $'000	355	15,005	49,748	60,516
Book value $'000	355	15,005	49,748	60,516

2005	Assets			Liabilities
	Cash and liquid assets	Deposits with financial institutions	Loans and advances (net of provision)	Member deposits
Net fair value $'000	303	13,790	45,739	55,306
Book value $'000	303	13,790	45,739	55,306

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

Cash and liquid assets
The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

Deposits with financial institutions
The carrying values of cash and liquid assets approximate their net fair value as the are short term in nature or are receivable on demand.

Loans and advances
The carrying value of loans and advances is net of the total provision for doubtful debts. Interest rates on loans both fixed and variable) equate to comparable products in the market place. The carrying amount is therefore considered to be a reasonable estimate of fair value.

Member Deposits
The net fair value of at call and fixed rate deposits represents the carrying amount plus the total of interest accrued on effective interest rates at balance date.

(b) Interest rate risk

	Floating interest rate $'000	Fixed interest maturing in 1yr or less $'000	Fixed interest maturing in Over 1 to 5 years $'000	Non-interest bearing $'000	Total carrying amount as per balance sheet $'000	Weighted average effective interest rate %
2006						
Financial Assets						
Cash & liquid assets	75	-	-	281	356	3.95
Deposits - financial inst.	900	14,105	-	-	15,005	5.89
Loans & advances	49,748	-	-	-	49,748	7.45
Accrued receivables	-	-	-	468	468	
Total Financial Assets	**50,723**	**14,105**	**-**	**749**	**65,577**	
Financial Liabilities						
Deposits	23,591	34,234	2,691	-	60,516	4.15
Trade creditors & accruals	-	-	-	2,233	2,233	-
Total Financial Liabilities	**23,591**	**34,234**	**2,691**	**2,233**	**62,749**	
2005						
Financial Assets						
Cash & liquid assets	80	-	-	223	303	3.79
Deposits - financial inst.	550	13,240	-	-	13,790	5.82
Loans & advances	45,739	-	-	-	45,739	7.52
Accrued receivables	-	-	-	289	289	
Total Financial Assets	**46,235**	**13,240**	**-**	**512**	**60,121**	
Financial Liabilities						
Deposits	17,277	36,873	1,156	-	55,306	4.04
Trade creditors & accruals	-	-	-	2,086	2,086	-
Total Financial Liabilities	**17,277**	**36,873**	**1,156**	**2,086**	**57,392**	

CREDIT RISK

Credit risk is the risk of financial loss and/or increased costs due to the failure of a counterpart to meet its financial obligations. The Co-operative aims to ensure its exposure to counter parties are within acceptable levels; and to minimise the likelihood that a counterpart will fail to execute its financial obligations.

The Co-operative's dealing in physical securities are transacted only with counter parties possessing strong credit rating criteria.

LIQUIDITY RISK

As per regulatory requirements, the Co-operative maintains adequate stock of high quality liquid assets to cater for unexpected liquidity pressures or fluctuations under both normal and adverse operating conditions. This also covers the likelihood of the Co-operative need to undertake an urgent sale of illiquid assets, or purchasing liabilities at a higher cost than is sustainable over the medium term.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the Co-operative that have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

There were 6 loan accounts (2005: 7) that were between 5% and 10% of the Co-operative's capital at year end. The credit risk exposure without taking into account any collateral or security held in the event borrowers in this category fail to perform their obligations is $3,740,000 (2005: $4,839,000)

There was one loan account (2005: -) that was in excess of 10% of the Co-operative's capital at year end.

The credit risk exposure without taking into account any collateral or security held in the event borrowers in this category fail to perform their obligations is nil.

Off-balance sheet financial instruments

Credit risk for off-balance sheet contracts is minimised as counter parties are recognised as financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Net fair values of financial assets and liabilities are determined by the Company on the following basis:

(i) The net fair value of term deposits, cash and other liquid assets is determined at cost and including interest accrued based on effective interest rates at balance date.

(ii) The carrying amount of receivables, equity investments, contingency fund, bank overdraft, creditor and accruals approximate value.

(iii) The net fair value of members' deposits represents the carrying amount plus the total of interest accrued based on effective interest rates at balance date.

The Co-operative's financial assets and liabilities are carried in the balance sheet at cost.

28. Interest margin

	Assets			Liabilities	
	Deposits with other financial institutions	Regulatory deposits / securities	Loans and advances	Members Deposits	Short term borrowings
2006					
Interest revenue $'000	795	69	3,564	-	-
Interest expense $'000	-	-	-	2,342	2
Avg balance $'000	13,659	1,187	47,709	57,817	29
Avg interest rate %	5.82%	5.67%	7.47%	4.05%	8.41%
2005					
Interest revenue $'000	600	52	3,387	-	-
Interest expense $'000	-	-	-	2,087	2
Avg balance $'000	10,362	1,056	46,377	53,187	34
Avg interest rate %	5.79%	5.02%	7.30%	3.92%	8.29%

29. Transition to Australian International Financial Reporting Standards

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Co-operative is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Co-operative has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Co-operative has started from an opening balance sheet as at 1 July 2004, the Co-operative's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS.

2004 Ukraine wins Eurovision - Ruslana

BALANCE SHEET
reflecting reconciliation of adjustments to AIFRS

Balance Sheet

reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

	Note	AGAAP 1 July 2004	Adjustments	AIFRS 1 July 2004
Assets		$'000		$'000
Cash and liquid assets		1,318	-	1,318
Other deposits with financial institutions		5,990	-	5,990
Net loans and advances	a	47,787	128	47,915
Other investments		82	-	82
Receivables		141	-	141
Property, plant and equipment	b,c,e,	7,544	(1,445)	6,099
Investment property		-	1,445	1,445
Other assets		155	-	155
Total assets		**63,017**	**128**	**63,145**
Liabilities				
Deposits and borrowings		50,963	-	50,963
Creditors and other liabilities	d	1,109	851	1,960
Total liabilities		**52,072**	**851**	**52,923**
Net assets		10,945	(723)	10,222
Members' funds				
Retained profits	b,c,d,e	5,188	1,129	6,451
Credit loss reserve	a	-	128	128
Asset revaluation reserve		5,757	(2,114)	3,643
Total members' funds		**10,945**	**(723)**	**10,222**

Balance Sheet

reflecting reconciliation of adjustments to
AIFRS as at 30 June 2005

	Note	AGAAP 2005	Adjustments	AIFRS 2005
Assets		$'000		$'000
Cash and liquid assets		853	-	853
Other deposits with financial institutions		13,240	-	13,240
Net loans and advances	a	45,605	134	45,739
Other investments		98	-	98
Receivables		289	-	289
Property, plant and equipment	b,c,e,	7,476	(1,216)	6,260
Investment property		-	1,600	1,600
Other assets		241	46	287
Total assets		**67,802**	**564**	**68,366**
Liabilities				
Deposits and borrowings		55,306	-	55,306
Creditors and other liabilities	d	1,169	851	2,020
Total liabilities		**56,475**	**851**	**57,326**
Net assets		11,327	(287)	11,040
Members' funds				
Retained profits	b,c,d,e	5,570	1,519	7,039
Credit loss reserve	a	-	134	134
Asset revaluation reserve		5,757	(1,939)	3,818
Total members' funds		**11,327**	**(287)**	**11,040**

impact of

ADOPTING AIFRS

Outlined below are the areas impacted upon adoption of AIFRS, including the financial impact on equity and profit

Item	Ref	AGAAP	AIFRS
Net loans and advances	a	General provision for doubtful debts netted off the total loans and advances	Any amounts set aside in respect of losses on loans and advances in addition to impairment losses recognised under AGAAP on loans and advances shall be accounted for as appropriation in a credit loss reserve under AASB130
Property, plant & equipment	b	No independent property revaluation brought to account for the period ended 30 June 2005	Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Independent valuations are performed with sufficient regularity to ensure that carrying amounts do not differ materially from the assets' fair value at the balance sheet date.
Property, plant & equipment	c	All Dnister properties were accounted for as property, plant & equipment with revaluation reserve on a fair value basis	AABS 140 Investment Property requires fair value increments and decrements to be taken directly to the profit and loss account. Partially leased or occupied by owner (where not an insignificant portion of the property is used by the primary business) premises remain as property, plant and equipment.
Property, plant & equipment	d	Fair value movements were taken to the asset revaluation reserve on a fair value basis	Under AASB 112 Income Taxes the tax consequences of recovering the revalued amount of the asset are to be considered in the calculations
Accumulated depreciation on buildings	e	Depreciation on Buildings for period recognised and added to Building Accumulated Depreciation in Balance Sheet	When an item of property, plant & equipment is revalued, any accumulated depreciation at the date of valuation can be eliminated against the gross carrying amount and the net amount is restated to the revalued amount of the asset. AASB 116

No effect on result of AASB132 & AASB139 on retained profits as at 1 July 2005

	IMPACT
	Equity at transition: increase $128,000 Equity 2005: increase $134,000 Profit for 2005-06: Increase in profit of $4,000
	Equity at transition: Nil Equity 2005: increase $374,000 Profit for 2005-06: decrease $374,000
	Equity at transition: Nil Equity 2005: Nil Profit for 2005-06
	Equity at transition: increase $851,000 Equity 2005: increase $851,000 Profit for 2005-06 : Nil
	Equity at transition: Nil Equity 2005: Nil Profit for 2005-06: Nil

2006 Soccer World Cup – Ukraine 8th

CORPORATE
directory

ESTABLISHED

REGISTERED OFFICE

BRANCHES

EXTERNAL AUDITORS

INTERNAL AUDITORS

LEGAL ADVISOR

LEGAL CORPORATE ADVISOR

SOLICITOR

BANKERS

INSURERS

Dnister was incoporated in Victoria under the Co-operative Act on the 21st September 1959

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WHK Day Neilson 200 Malop Street, Geelong VIC 3220

Mr Oleh R Bulka, O.R. Bulka & Co. 103 Buckley Street, Essendon VIC 3040

Mahonys Lawyers, 400 Collins Street, Melbourne VIC 3000

S Tomyn & Co. 5th Floor 414 Lonsdale Street, Melbourne VIC 3000

Credit Union Settlement Services Limited, 6 Moorak Street, Taringa QLD 4068

Westpac Banking Corporation, 260 Queen Street, Brisbane QLD 4000

CUNA Mutual Group, Level 9, 345 George Street, Sydney NSW 2000

Artwork Featured Designed by - Sophie Lubczenko
Artwork Title - Vinok Ukraine
1st prize - DNISTER - Ukrainian Schools Art Competition

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