

RTA STAFF CREDIT UNION LIMITED

Serving City & Country Members

39TH **ANNUAL** **FINANCIAL** **REPORT** **2003**

R.T.A. Staff Credit Union Limited ABN 78 087 650 600
Registered Office
Suites 24, 25, & 26, Level 2, KMS Building
8-24 Kippax Street, Surry Hills NSW

"Your Road To Financial Success"

NOTICE OF 39TH ANNUAL GENERAL MEETING

The 39th Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600) will be held in the Taylor Room located on Level One of the Citigate Sebel Sydney (formally Furama Hotel Central), 22-44 Albion Street, Surry Hills (opposite RTA Head Office, Centennial Plaza) on Thursday 27th November, 2003 commencing at 1.00 pm.

MEMBERS OF THE BOARD OF DIRECTORS

Noel Hancock (Chairman)
Vince Taranto (Deputy Chairman)
Glen Morgan
Bruce McNamara
Sue Kemp
Michael Sear
Warwick Fairweather

ADMINISTRATION

Steve Warren (General Manager)
John Kavalieros (Finance & Administration Manager)
Viena Yee (Senior Member Services Officer)
Joanne Pilkington (Member Services Officer)
Aaron Terry (Member Services Officer)
Cherie Cager (Member Services Officer-Trainee)
Joanne Badenoch (Senior Loans Officer)
Michael Blackmore (Loans Officer)

AUDITORS (External)

Kendalls LMJ, Chartered Accountants
5th Floor, 460 Church Street
North Parramatta

AUDITOR (Internal)

Geoffrey Bannister

BANKERS

Credit Union Services Corporation (Australia) Ltd.
Centralised banking scheme with National Australia Bank

SOLICITORS

Daniels Bengtsson Lawyers
Level 4, 171 Clarence Street, Sydney

R.T.A. STAFF CREDIT UNION LIMITED

YEAR ENDED 30 JUNE 2003

KEY TO ABBREVIATIONS

APRA Australian Prudential Regulation Authority

Regulatory body responsible for the prudential supervision of banks, life insurers, general insurers, superannuation, building societies, credit unions and friendly societies. APRA is fully funded by the industries that it supervises.

ASIC Australian Securities & Investments Commission

Federal Government regulatory body that regulates financial services and national regulator of all Australian companies. Regulation includes: advising, selling and disclosure of financial products and services, protection of markets and consumers from manipulation, deception and unfair practices, and promotion of honesty and fairness in securities and futures markets and in company affairs.

CUFSS Credit Union Financial Support System

Industry-based liquidity support system with the objective of protecting the interests of credit union members as depositors and to promote financial sector stability, in relation to credit unions.

SSP Special Services Provider

These organisations are registered under the Corporations Act, and are subject to direct Supervision by APRA. These organisations promote Credit Unions and provide assistance with banking, Electronic Fund Transfer, EDP Systems and other services. Your Credit Union is associated with Credit Union Services Corporation Australia Limited (CUSCAL).

Refer also to Note 26 for further explanations on CUSCAL services.

Note: Any reference to the "company" is a reference to R.T.A. Staff Credit Union Limited (the "Credit Union") and vice versa. R.T.A. Staff Credit Union Limited (ABN 78 087 650 600) is a public company limited by shares, under the Corporations Act 2001.

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KEY STATISTICS OF THE CREDIT UNION (LAST 5 YEARS)

	1999	2000	2001	2002	2003
Members (No.)	4,844	4,768	4671	4,714	4,652
Deposits \$	29,586,034	26,684,297	30,330,842	29,893,019	32,362,863
Average Member Deposit \$	6,108	5,596	6,493	6,341	6,957
Loans \$	25,645,956	26,962,383	28,111,885	28,737,892	27,768,010
Average loan balance \$	5,294	5,654	6,018	6,096	5,969
Loans funded in the year- \$m	7.2	11.3	11.5	10.6	8.9
Bad debts written-off against profit \$	16,541	561	0	0	0
Capital adequacy ratio %	24.96	26.15	24.87	27.44	28.18
Total Reserves \$	4,586,448	4,856,201	5,181,624	5,462,523	5,762,157
Total Assets \$	34,726,120	32,433,992	36,005,449	35,706,177	38,573,514
Reserves to Assets %	13.21	14.97	14.39	15.30	14.94
Return/Average Assets %	0.88	0.76	0.87	0.85	0.86
Staff/Member ratio	1:807	1:692	1:667	1:589	1:582
Staff/Asset ratio \$m	1:\$5.97m	1:\$4.63m	1:\$5.14m	1:\$4.46m	1:\$4.82m

PRINCIPAL PRODUCTS

At-Call Deposits

Fixed Term deposits

Bill Paying Services (Direct Debits)

Telephone Banking Service (PhoneTeller)

Internet Banking Service (NetTeller)

Payroll Deposits and Direct Credits

Visa Card (debit card)

Personal Chequing facility

ATM Access via Automated Teller Machines & EFTPOS terminals
(via Redicard & Visacard)

General Insurance Products

BPay® (accessed from PhoneTeller & NetTeller)

Travellers Cheques

Financial Planning Service and Stockbroking Advice

Loans - Personal
 - Housing
 - Line of Credit
 - Overdraft

CHAIRMAN'S REPORT

I am pleased, on behalf of the Board of Directors of the RTA Staff Credit Union, to present to you our 39th Annual Report for the financial year ended 30 June 2003.

The Year in Review

Increased competition and regulation in the financial services industry has been the focus over this last year. Despite this competition and ever-increasing regulatory requirements, the Credit Union has continued to perform admirably throughout the year by providing the high level of services that members have come to expect whilst still achieving a return on assets well above the industry average.

I continue to believe the Credit Union continues to meet most members' needs and is committed to providing the highest level of friendly efficient service to all members.

2002/2003 Highlights

- Loan fundings averaging \$741,257 per month, totalling just over \$8.89m for the year.
- NetTeller (Internet banking) registrations now up to 720 members or almost 16% of total membership.
- Total increase in members' equity (reserves) of \$299,630 (2002 \$280,899).
- No loans were written-off against profit during the year. (2002 Nil)
- The Credit Union has recorded, at year end, one of the lowest levels of bad and doubtful debts, in its history.

Operating profit for the year before income tax was \$456,526 (2002 \$443,327). The after-tax operating profit of \$319,897 (2002 \$312,292) represents a return of 0.86% on average assets (2002 0.85%), a result well above the industry average in a year of very low interest margins. In this difficult environment operating costs were contained and we still remain well below the industry average in the area of costs.

In achieving the good result for the year there are a number of people I wish to thank. Firstly, all members, who, together, are the Credit Union, secondly, the staff and management of the Credit Union who produced the outstanding result and whose commitment to the highest level of friendly customer service is appreciated by the Board and I believe, the Members. Lastly I would like to express my gratitude to my fellow Directors, who put in many voluntary hours to ensure that the Credit Union achieves its goals whilst complying with all of the laws and regulations within which it must operate.

The Year Ahead

The financial services industry in Australia, of which this Credit Union plays a small part, faces on-going challenges with increased regulation, particularly with the awaited commencement of the Financial Sector Reforms Act during March 2004, in which members will receive information about over the coming months. However, with the co-operation of all concerned, I believe the Credit Union will continue to prosper in even more challenging and difficult times. I can assure you that the Directors and Staff are committed to ensuring that the Credit Union will always provide members with appropriate products and services in a fast, friendly and efficient manner.

Finally, I commend this report to you, on behalf of the Board of Directors, thanking them for their continuing commitment, and to all members for your loyalty and patronage. We look forward to your continued support.

Noel J. Hancock
Chairman

RTA STAFF CREDIT UNION LIMITED

A.B.N. 78 087 650 600

2003 Annual Financial Report

DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2003.

INFORMATION ON DIRECTORS

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

Name	Special Responsibilities	Experience
Noel J Hancock	Chairman 3 years & Audit Committee member	Director 7 years
Bruce H. McNamara	Audit Committee member	Director 1 year 4 months
Robert G. Morgan		Director 14 years
Vincent E. Taranto		Director 5 years
Susan A. Kemp		Director 6 years
Michael Sear	Chairman – Audit Committee	Director 8 months
Warwick Fairweather		Director (appointed in June 2003)

The details of the meetings attended by Directors of the Board are as follows:

Director	Board		Audit Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J Hancock	12	10	3	3
Bruce H. McNamara	12	10	3	2
Robert G. Morgan	12	10		
Vincent E. Taranto	12	11		
Susan A. Kemp	12	11		
Michael F.J. Sear*	9	9	3	3
Warwick H. Randell **	12	7		
Warwick A. Fairweather***	1	1		

* Mr M.F.J. Sear was appointed to the Board on 23 October 2002, replaced the previous position held by Mr P.M. Murphy, who retired from the Board on the 20 February 2002.

** Mr W.H. Randell retired from the Board on the 25 June 2003.

*** Mr W.A. Fairweather was appointed to the Board on the 25 June 2003, to replace retiring Director, Mr W.H. Randell.

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DIRECTORS' BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 26 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the Directors and officers of the Credit Union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Credit Union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax and extraordinary items was \$319,897 (2002 - \$312,292).

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Credit Union.

REVIEW OF OPERATIONS

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the Credit Union during the year.

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EVENTS OCCURRING AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

No matter, circumstance or likely development in the operations has arisen since the end of the financial year which 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.

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:



Michael F.J. Sear
Director

Signed and dated this 24th day of September, 2003

INDEPENDENT AUDIT REPORT

To the members of RTA Staff Credit Union Limited

Scope

We have audited the financial report of RTA Staff Credit Union Limited for the financial year ended 30 June 2003, as set out in the accompanying Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements, on pages 10 to 40. The Credit Union's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Credit Union.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Credit Union's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

- (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the credit Union's financial position as at 30 June 2003, and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements.

Kendalls LMJ

Chartered Accountants



Neville Sinclair

Partner

Dated this 25th day of September, 2003

DIRECTORS' DECLARATION

The Directors of RTA Staff Credit Union Limited declare that:-

The financial statements and notes related thereto:-

- (a) Comply with Accounting Standards and the Corporations Act 2001; and
- (b) Give a true and fair view of the financial position of the Credit Union as at 30 June 2003 and performance for the year ended on that date.

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

This Declaration is made in accordance with a resolution of the Board of Directors.



Michael F.J. Sear
Director

Dated this 24th day of September, 2003.

RTA STAFF CREDIT UNION LIMITED

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2003 Annual Financial Report

**STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30 JUNE 2003**

	Notes	2003 \$	2002 \$
Revenue			
Interest revenue	2.a	2,502,150	2,424,895
Non interest revenue	2.b	202,186	188,924
Total income		<u>2,704,336</u>	<u>2,613,819</u>
Expenses from ordinary activities			
Borrowing expenses (Interest expense)	2.c	875,071	872,856
Non interest expenses			
Bad and doubtful debt expense	2.d	19,000	24,287
Fees and commission		<u>67,135</u>	<u>84,169</u>
		<u>86,135</u>	<u>108,456</u>
General administration			
- Employee costs		474,843	443,418
- Depreciation and amortisation		137,270	92,445
- Information technology		256,669	229,588
- Office occupancy		69,785	64,653
- Other administration		136,733	153,955
Total general administration expenses		<u>1,075,300</u>	<u>984,059</u>
Other operating expenses		<u>211,304</u>	<u>205,121</u>
Total non interest expenses		<u>1,372,739</u>	<u>1,297,636</u>
Total expenses		<u>2,247,810</u>	<u>2,170,492</u>
OPERATING PROFIT before income tax		456,526	443,327
Income tax expense	3.a	136,629	131,035
OPERATING PROFIT after income tax	18	<u>319,897</u>	<u>312,292</u>
Other increases/decreases in members equity			
Increase (decrease) in asset revaluation reserve	17	(20,263)	(31,393)
Total increase in members equity		<u>299,634</u>	<u>280,899</u>

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003**

	Note	2003 \$	2002 \$
ASSETS			
Cash	4	1,602,918	829,207
Receivables due from other financial institutions	5	8,900,000	5,800,000
Receivables	6	130,939	140,821
Loans and advances	7.a & 8	27,231,688	28,210,892
Other investments	9.a	290,646	315,463
Plant and equipment	10	186,542	196,023
Taxation assets	11	230,781	213,771
TOTAL ASSETS		<u>38,573,514</u>	<u>35,706,177</u>
LIABILITIES			
Deposits and borrowings	12	32,409,383	29,940,159
Payables	13	223,790	165,118
Taxation liabilities	14	87,442	64,485
Provisions	15	90,742	73,892
TOTAL LIABILITIES		<u>32,811,357</u>	<u>30,243,654</u>
NET ASSETS		<u>5,762,157</u>	<u>5,462,523</u>
MEMBERS EQUITY			
Capital	16	5,160	2,840
Reserves	17	13,508	33,771
Retained profits	18	5,743,489	5,425,912
TOTAL MEMBERS EQUITY		<u>5,762,157</u>	<u>5,462,523</u>

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
OPERATING ACTIVITIES			
Inflows			
Interest received		2,504,714	2,441,727
Fees and commissions		164,702	177,104
Dividends		-	6,893
Other income		41,955	4,927
		<u>2,711,371</u>	<u>2,630,651</u>
Outflows			
Interest paid		(854,496)	(893,563)
Suppliers and employees		(1,240,726)	(1,230,832)
Income taxes paid		(130,986)	(106,921)
		<u>(2,226,208)</u>	<u>(2,231,316)</u>
Net cash from operating activities	30.b	<u>485,163</u>	<u>399,335</u>
INVESTING ACTIVITIES			
Inflows/(Outflows)			
Receivables from other financial institutions (net movement)		-	350,000
Proceeds on sale of investment in shares		4,554	-
Proceeds on sale of property, plant and equipment		21,871	-
Receivables from other financial institutions (net movement)		(3,100,000)	-
Purchase of fixed assets		(128,502)	(51,101)
Member loans (net movement)		969,882	(626,007)
		<u>(2,232,195)</u>	<u>(327,108)</u>
Net cash from investing activities		<u>(2,232,195)</u>	<u>(327,108)</u>
FINANCING ACTIVITIES			
Inflows (Outflows)			
Member deposits and shares (net movement)		2,520,743	(586,144)
		<u>2,520,743</u>	<u>(586,144)</u>
Net cash from financing activities		<u>2,520,743</u>	<u>(586,144)</u>
Total net cash increase/(decrease)		773,711	(513,917)
Cash at beginning of year		829,207	1,343,124
Cash at end of year	30.a	<u>1,602,918</u>	<u>829,207</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements of the Credit Union are general purpose financial reports drawn up in accordance with the Accounting Standards, other Authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views, and Corporations Act 2001.

a. Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non-current assets, with the exception of buildings which are revalued every three years. The accounting policies are consistent with the prior year unless otherwise stated.

b. Loan to Members

(i) Basis of inclusion

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful.

(ii) Interest Earned

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 initially 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.

Loan Interest Stopped - While still legally recoverable, interest is not brought to account as income when the Credit Union is informed that the member has deceased, or on impaired loans where recovery of the debt is considered unlikely as determined by the Board of Directors. Generally interest is not brought to account as revenue after the irregularity exceeds 90 days.

(iii) Loan Fees

Loan establishment fees, which do not exceed the amount of costs recouped, are brought to account as income in the year of receipt. Fees for the recovery of costs incurred are allocated against the relevant expense incurred. Loan fees in excess of cost are deferred and brought to account over the term of the loan or 5 years whichever is the shorter.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

c. Provision for Doubtful Debts (Impairment)

(i) Specific Provision

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 APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

In addition the Board makes a further provision against loans in arrears in excess of the prescribed levels where the collectibility of the debts is considered doubtful.

(ii) General Provision

In addition to the above specific provision, the Board has recognised the need to make a general provision against loans to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The provision is based on estimation of potential risk in the loan portfolio based upon:

- The level of security taken as collateral; and,
- The concentration of loans taken by employment type.

d. Bad Debts Written-Off

Bad debts are written-off from time to time, as determined by Management and the Board of Directors, when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written-off against the provision for doubtful debts if a provision for impairment had previously been recognised. If no provision had been recognised, the write-offs are recognised as expenses in the Statement of Financial Performance.

e. Property, Plant and Equipment

Property, plant and equipment with the exception of freehold land, are depreciated on a straight-line basis so as to write-off the net cost of each asset over its expected useful life to the Credit Union. Estimated useful lives are as follows:

- Buildings - 40 years.
- Leasehold improvements - 5 to 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than \$1,000 are not capitalised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

f. Deposits with Other Financial Institutions

Term deposits are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Statement of Financial Position.

g. Investments and Securities

Investments and securities to be held to maturity are recorded at the lower of cost or recoverable amount. All investments are in Australian currency.

h. Member Savings

(i) Basis for Determination

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest Payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, on maturity or upfront from the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each saving and term deposit account as varied from time to time. The amount of the accrual is shown as part of payables in the Statement of Financial Position.

i. Provision for Employee Entitlements

Provision is made for the Credit Union's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount.

Other employee entitlements payable later than one year have been measured at the present value of the estimates future cash outflows to be made for those entitlements.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows. Annual leave is accrued in respect of all employees on pro-rata entitlement for part year of service and leave entitlement due but not taken at balance date. Contributions are made by the Credit Union to an employee's superannuation fund and are charged as expenses when incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

j. Income Tax

The Credit Union adopts the liability method of tax-effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences between accounting profit and taxable income.

Timing differences which arise due to the different periods in which items of revenue and expense are recognised for tax purposes are brought to account as either provision for deferred income tax or an asset described as future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. Timing differences are presently assessed at 30% (2002 - 30%).

Future income tax benefits are not brought to statement unless realisation of the asset is assured beyond any reasonable doubt. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

k. Goods and Services Tax (GST)

As a financial institution, the Credit Union is Input Taxed on all income except income from commissions and some fees. An input taxed supply is not subject to goods and services tax (GST) collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables are stated with the amount of GST included (where it is collectable) or with the residual amount of GST that is not recoverable in the case of Payables.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position.

Cashflows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

2. STATEMENT OF FINANCIAL PERFORMANCE**a. Analysis of interest revenue**

	2003		
Category of interest bearing assets	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Deposits with other financial institutions	371,634	7,968,096	4.66%
Loans and advances	2,130,516	28,536,700	7.47%
Total interest revenue	<u>2,502,150</u>	<u>36,504,796</u>	<u>6.85%</u>

	2002		
Category of interest bearing assets	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Deposits with other financial institutions	312,161	7,183,913	4.35%
Loans and advances	2,112,734	28,584,780	7.39%
Total interest revenue	<u>2,424,895</u>	<u>35,768,693</u>	<u>6.78%</u>

Note	2003	2002
	\$	\$

b. Non-interest revenue

Fee and commission revenue		
- Loan fee income	29,003	34,375
- Other fee income	87,197	93,894
- Insurance commissions	13,507	16,326
- Other commissions	<u>34,590</u>	<u>32,509</u>
	164,297	177,104
Bad debts recovered	7,385	4,737
Dividend revenue	-	6,893
Other revenue		
- Proceeds on plant and equipment	30,000	-
- Miscellaneous revenue	504	190
Total non-interest revenue	<u>202,186</u>	<u>188,924</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

c. Borrowing Expenses (Interest Expense)

Analysis of interest expense

	2003		
Category of interest bearing liabilities	Interest Expense \$	Average Balance \$	Average Interest Rate %
Member deposits	874,733	30,833,605	2.84%
Overdraft	338	4,733	7.14%
Total borrowing expenses	875,071	30,838,338	2.84%

	2002		
Category of interest bearing liabilities	Interest Expense \$	Average Balance \$	Average Interest Rate %
Member deposits	871,539	33,944,525	2.57%
Overdraft	1,317	22,945	5.74%
Total borrowing expenses	872,856	33,967,470	2.57%

Note	2003 \$	2002 \$
------	------------	------------

d. Bad and doubtful debts expense

Increase in provision	19,000	24,287
Bad debts written-off directly against profit	-	-
	19,000	24,287

e. Other prescribed expense disclosures

Auditor's remuneration		
- Audit fees	23,695	28,165
- Other services	3,200	3,200
	26,895	31,365
Bad and doubtful debts expense, net of recoveries and movement of provisions	11,615	19,550
Property lease	69,785	64,653
Written down value of assets disposed	25,934	-
Depreciation of:		
- Plant and equipment	55,307	55,075
- Leasehold improvements	56,743	37,370
	112,050	92,445
Net movement in provisions for employee entitlements	1,850	(12,181)
Net movement in provision for other liabilities	15,000	-
Supervision levy	3,738	4,318

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
3. INCOME TAX EXPENSE			
a. The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Prima facie tax payable on operating profit before income tax at 30%		136,958	133,163
Less:			
- Franking rebate		162	2,068
- Overprovision of tax in prior year		159	-
- Adjustment to opening future income tax benefits		-	60
Income tax expense attributable to operating profit		136,629	131,035
b. The income tax expense comprises amounts set aside as:			
Provision for income tax attributable to current year taxable income.		153,534	132,957
Add (Deduct):			
Movement in the future income tax benefit account		(16,905)	(1,922)
Income tax expense attributable to operating profit		136,629	131,035
c. Franking Credits			
The amount of franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:		2,409,995	1,912,916
Restated balances based on taxes paid		1,178,075	819,821

In the 2003 financial year, the Taxation regulations were amended to require the franking account to reflect the amounts of taxes paid rather than the previously reported distributable profits which were subject to Imputation credits. To reconcile the amount to the tax return we have amended the values reported to be consistent with the Tax return information.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
4. CASH			
Cash on hand		39,510	51,663
Deposits at call		<u>1,563,408</u>	<u>777,544</u>
		<u>1,602,918</u>	<u>829,207</u>
5. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS			
Deposits with CUSCAL - term		<u>8,900,000</u>	<u>5,800,000</u>
6. ACCRUED RECEIVABLES			
Interest receivable on deposits with other financial institutions		79,622	82,186
Prepayments		27,412	21,074
Sundry debtors		<u>23,905</u>	<u>37,561</u>
		<u>130,939</u>	<u>140,821</u>
7. LOANS AND ADVANCES			
a. Amount due comprises:			
Overdrafts and revolving credit facilities		565,968	525,191
Term loans		<u>27,202,042</u>	<u>28,212,701</u>
		<u>27,768,010</u>	<u>28,737,892</u>
Less:			
Specific provision		<u>8,088</u>	<u>13,258</u>
		<u>27,759,922</u>	<u>28,724,634</u>
Less:			
General provision		<u>528,234</u>	<u>513,742</u>
		<u>27,231,688</u>	<u>28,210,892</u>
b. Security dissection:			
Secured by mortgage		23,020,059	23,589,628
Secured other		-	20,888
Partly secured by goods mortgage		2,964,869	3,187,674
Wholly unsecured		<u>1,783,082</u>	<u>1,939,702</u>
		<u>27,768,010</u>	<u>28,737,892</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
c. Concentration of Loans			
(i) Individual loans which exceed 10% of member funds in aggregate		-	-
(ii) Loans to members are concentrated solely in Australia, and in the following significant employment industry classification:			
Roads and Traffic Authority of NSW		17,283,482	19,797,067
(iii) Purpose dissection:			
Residential loans		18,253,978	18,119,596
Personal loans		9,393,209	9,999,634
Commercial loans		120,823	618,662
		<u>27,768,010</u>	<u>28,737,892</u>
8. PROVISION ON IMPAIRED LOANS			
a. Total provision comprises:			
Specific provision		8,088	13,258
General provision		528,234	513,742
		<u>536,322</u>	<u>527,000</u>
b. Movement in the Specific Provision			
Balance at the beginning of year		13,258	42,571
Add:			
Transfers from profit and loss account		19,000	24,287
		<u>19,000</u>	<u>24,287</u>
Less:			
Transfers to the general provision		14,492	6,313
Bad debts written-off provision		9,678	47,287
		<u>24,170</u>	<u>53,600</u>
Balance at end of year		<u>8,088</u>	<u>13,258</u>
c. Movement in General Provision			
Balance at beginning of year		513,742	507,429
Add: Transfers from the specific provision		14,492	6,313
Less: Transfers to the specific provision		-	-
Balance at end of year		<u>528,234</u>	<u>513,742</u>

RTA STAFF CREDIT UNION LIMITED

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2003 Annual Financial Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
d. The specific loans provision consists of:			
(i) provision required under the APRA Prudential Standards		8,088	13,258
(ii) Additional specific provision		-	-
		<u>8,088</u>	<u>13,258</u>

e. Impaired Loan Classifications

Accounting Standards have classified loans where repayments are in arrears in the following terms:

- (i) Loans where recovery of all principal and interest is doubtful, or where the interest recovery is less than the average cost of funds are classified as "Non-Accrual" loans.
- (ii) Loans where the interest recovery is less than the normal terms applicable, but higher than the average cost of funds are classified as "Restructured Loans" (where provision is required the loan is classified as "Non-Accrual").
- (iii) The above categories are together referred to as impaired loans.
- (iv) Other loans which are in arrears more than 90 days but, due to mortgage security or other reasons recovery is not considered doubtful (and no provision necessary), are classified as "Past Due Loans".

	Note	2003 \$	2002 \$
Impaired Loans and Other Disclosures			
Non-accrual loans – Balances			
- with no provision		-	-
- with a provision		<u>11,281</u>	<u>17,697</u>
		11,281	17,697
Less: Specific provision		<u>8,088</u>	<u>13,258</u>
		<u>3,193</u>	<u>4,439</u>
Restructured loans		<u>9,139</u>	-
Past due loans		-	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
Assets acquired via enforcement of security			
- Real estate		-	-
- Other		-	-
		<u>-</u>	<u>-</u>
Other Disclosures on Impaired Loans			
Interest and other revenue earned on impaired loans		<u>1,433</u>	<u>1,221</u>
Interest and other revenue foregone on impaired loans		<u>1,453</u>	<u>1,166</u>
9. OTHER INVESTMENTS			
a. Shares			
Baycorp Advantage Limited	9.b	13,508	33,771
CUSCAL		277,138	281,692
Computer bureau		10,000	10,000
Provision – shares in computer bureau		<u>(10,000)</u>	<u>(10,000)</u>
		<u>290,646</u>	<u>315,463</u>
b. Baycorp Advantage Limited			
The Credit Union was allocated shares through the demutualisation of the Credit Reference Association of Australia Limited. These shares have been acquired at no cost and have been revalued in the accounts of the Credit Union at market value as at 30 June 2003.			
The total number of shares held at 30 June 2003		<u>9,513</u>	<u>9,513</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
10. PLANT AND EQUIPMENT			
Plant and equipment - at cost		376,392	347,008
Less: Provision for depreciation		<u>246,868</u>	<u>264,746</u>
		129,524	82,262
Capitalised leasehold improvements - at cost		276,079	276,079
Less: Provision for amortisation		<u>219,061</u>	<u>162,318</u>
		57,018	113,761
Total plant and equipment		<u>186,542</u>	<u>196,023</u>
Movement in the assets balances during the year were:			
Opening balance		196,023	237,367
Add: Purchases in the year		128,503	51,101
Less:			
Disposal of assets at written down value		25,934	-
Depreciation charge		<u>112,050</u>	<u>92,445</u>
		137,984	92,445
Balance at the end of the year		<u>186,542</u>	<u>196,023</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	2003 \$	2002 \$
11. TAXATION ASSETS			
Future Income Tax Benefit		226,170	209,265
GST Recoverable		4,611	4,506
		<u>230,781</u>	<u>213,771</u>

The future income tax benefit represents the tax effect of:

- Provisions for doubtful debts, staff leave entitlements and accruals which are not deductible for tax purposes until paid or the loss is incurred, and which have been charged against accounting profit in the current year or previous years.

- Excess depreciation charge for accounting purposes over that amount allowed for tax purposes.

12. DEPOSITS

Member Deposits:			
- at call		13,890,189	14,121,298
- term		18,472,674	15,771,721
Total deposits		<u>32,362,863</u>	<u>29,893,019</u>
Withdrawable Shares		46,520	47,140
Total		<u>32,409,383</u>	<u>29,940,159</u>

Concentration of Member Deposits

Significant individual member deposits which in aggregate represent more than 10 % of the total liabilities:

- -

A significant proportion of member deposits at balance date were received from individuals employed in the Roads and Traffic Authority of New South Wales.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	2003 #	2002 #
Members' Withdrawable Shares			
Since all shares issued are withdrawable at the discretion of the member, or on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Movement in Share Capital			
Shares issued in the year		170	230
Shares redeemed in the year		232	187
		2003 \$	2002 \$
13. PAYABLES			
Creditors and accruals		31,532	31,298
Sundry creditors		67,047	29,184
Interest payable		125,211	104,636
		<u>223,790</u>	<u>165,118</u>
14. TAXATION LIABILITIES			
Provision for income tax		86,193	63,641
GST payable		1,249	844
		<u>87,442</u>	<u>64,485</u>
15. PROVISIONS			
Provision for employee annual leave		30,059	30,699
Provision for employee long service leave		45,683	43,193
Other Provisions		15,000	-
		<u>90,742</u>	<u>73,892</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
16. CAPITAL ACCOUNT			
Capital Account		<u>5,160</u>	<u>2,840</u>
Balance at the beginning of the year		2,840	970
Add: Transfer from retained profits on share redemptions	16.a	2,320	1,870
Balance at the end of year		<u>5,160</u>	<u>2,840</u>
a. Share Redemption			
The account represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Law requires that the redemption of the shares to be made out of profits. Since the value of the shares have been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.			
17. RESERVES			
Asset revaluation reserve		<u>13,508</u>	<u>33,771</u>
Movement in asset revaluation reserve			
Balance at beginning of the financial year		33,771	65,164
Less: Revaluation of Baycorp Advantage Limited shares		20,263	31,393
Balance at end of the financial year		<u>13,508</u>	<u>33,771</u>
18. RETAINED PROFITS			
Retained profits at the beginning of the financial year		5,425,912	5,115,490
Add: Operating profit for the year		319,897	312,292
Less: Transfer of reserves to capital account on redemption of Members' shares		(2,320)	(1,870)
Retained profits at the end of the financial year		<u>5,743,489</u>	<u>5,425,912</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

19. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have different 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 amount will be repaid.

Maturity	2003				
	Cash	ASSETS	Loans & advances (net of specific provision)	LIABILITIES	Member deposits
		Receivables from other financial institutions		Payables to other financial institutions	
	\$	\$	\$	\$	\$
At call	1,602,918	-	-	-	13,936,710
Overdrafts	-	-	-	-	-
Up to 3 months	-	8,900,000	800,908	-	8,202,232
3 to 12 months	-	-	1,980,929	-	8,862,180
1 to 5 years	-	-	8,594,277	-	1,408,261
Over 5 years	-	-	16,383,808	-	-
Unspecified	-	-	-	-	-
TOTAL	1,602,918	8,900,000	27,759,922	-	32,409,383

Maturity	2002				
	Cash	ASSETS	Loans & advances (net of specific provision)	LIABILITIES	Member deposits
		Receivables from other financial institutions		Payables to other financial institutions	
	\$	\$	\$	\$	\$
At call	829,207	-	-	-	14,168,438
Overdrafts	-	-	-	-	-
Up to 3 months	-	5,800,000	833,463	-	6,408,306
3 to 12 months	-	-	2,078,054	-	7,648,459
1 to 5 years	-	-	9,450,918	-	1,714,956
Over 5 years	-	-	16,362,199	-	-
Unspecified	-	-	-	-	-
TOTAL	829,207	5,800,000	28,724,634	-	29,940,159

For term loans the above dissection is based upon the contractual conditions of each loan being strictly complied with, and is subject to change in the event that current repayment conditions are varied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

20. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds, where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

Time band for changing interest rates	2003				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans and advances (before provision)	Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Floating rate	1,602,918	-	-	-	13,936,710
Within 1 month	-	4,600,000	-	-	3,060,917
1 to 3 months	-	4,300,000	24,984,724	-	5,141,315
3 to 12 months	-	-	2,783,286	-	8,862,180
1 to 5 years	-	-	-	-	1,408,261
Over 5 years	-	-	-	-	-
TOTAL	1,602,918	8,900,000	27,768,010	-	32,409,383
Weighted Average Interest Rate	3.67%	4.75%	7.42%	-	2.87%

Time band for changing interest rates	2002				
	Cash	ASSETS		LIABILITIES	
		Receivables from other financial institutions	Loans and advances (before provision)	Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Floating rate	829,207	-	-	-	14,168,438
Within 1 month	-	1,900,000	26,031,902	-	2,509,625
1 to 3 months	-	3,900,000	2,705,990	-	3,898,681
3 to 12 months	-	-	-	-	7,648,459
1 to 5 years	-	-	-	-	1,714,956
Over 5 years	-	-	-	-	-
TOTAL	829,207	5,800,000	28,737,892	-	29,940,159
Weighted Average Interest Rate	4.15%	4.78%	7.43%	-	2.58%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

21. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Net fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union.

2003					
	Cash	ASSETS Receivables from other financial institutions	Loans and advances (after all provisions)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Net fair value	1,602,918	8,900,000	27,221,240	-	32,436,407
Book value	1,602,918	8,900,000	27,231,688	-	32,409,383
Variance	-	-	(10,448)	-	27,024

2002					
	Cash	ASSETS Receivables from other financial institutions	Loans and advances (after all provisions)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Net fair value	829,207	5,799,530	28,198,409	-	29,935,943
Book value	829,207	5,800,000	28,210,892	-	29,940,159
Variance	-	(470)	(12,483)	-	(4,216)

Assets, where the net fair value is lower than the book value, have not been written down in the accounts of the Credit Union on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid Assets and Receivables from other Financial Institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 3 months approximate their net fair value as they are short term in nature or are receivable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

21. NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Loans, Advances

The carrying value of loans and advances is net of general and specific provisions for doubtful debts.

For variable rate loans, excluding impaired loans, the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of net fair value. The net fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits From Members

The net fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the amount shown in the Statement of Financial Position as at 30 June 2003. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the net fair value of other term deposits.

Short Term Borrowings

The carrying value of payables due to other financial institutions approximate their net fair value as they are short term in nature and reprice frequently.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	2003 \$	2002 \$
22. EXPENDITURE COMMITMENTS		
a. Future Capital Commitments		
The Credit Union has no future capital commitments at balance date.	<u>-</u>	<u>-</u>
b. Future Lease and Rental Commitments		
Operating lease payments under existing lease arrangements for building accommodation, payable over the following periods:		
Within 1 year	18,142	65,871
1 to 2 years	1,647	18,142
2 to 5 years	-	1,647
Over 5 years	<u>-</u>	<u>-</u>
	<u>19,789</u>	<u>85,660</u>
<p>The operating leases are in respect of property and equipment used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The term of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 5 years.</p> <p>There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases, borrow funds or issue dividends (although these are subject to restrictions in the Constitution).</p>		
c. Computer Bureau Charges		
Within 1 year	10,200	10,200
1 to 2 years	-	-
2 to 5 years	-	-
Over 5 years	<u>-</u>	<u>-</u>
	<u>10,200</u>	<u>10,200</u>
23. FINANCIAL COMMITMENTS		
a. Outstanding Loan Commitments		
The loans approved but not funded as at 30 June 2003.	<u>348,435</u>	<u>771,217</u>
b. Undrawn Loan Facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	1,231,325	1,172,027
Less: Amounts advanced	565,968	525,191
Net undrawn value	<u>665,357</u>	<u>646,836</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

24. STANDBY BORROWING FACILITIES

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

	2003		
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan facility	500,000	-	500,000
Overdraft facility	700,000	-	700,000
Total standby borrowing facilities	1,200,000	-	1,200,000

	2002		
	Gross	Current Borrowing	Net Available
	\$	\$	\$
Loan facility	500,000	-	500,000
Overdraft facility	700,000	-	700,000
Total standby borrowing facilities	1,200,000	-	1,200,000

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.

25. CONTINGENT LIABILITIES

Liquidity Support Scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a company established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 9% of the total liabilities as deposits with Credit Union Services Corporation (Australia) Limited (CUSCAL).

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the Credit Union's total assets (3% under loans facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating Credit Union's irrevocable commitment under the ISC. At balance date there were no loans issued.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
	\$	\$

26. DISCLOSURES ON DIRECTORS

a. Names of Directors

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

- | | |
|--------------------|-----------------|
| • N.J. Hancock | • R.G. Morgan |
| • W.H. Randell | • V. Taranto |
| • M.F.J. Sear | • S.A. Kemp |
| • W.A. Fairweather | • B.H. McNamara |

b. Remuneration

The aggregate remuneration of Directors during the year was:

	-	-
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The remuneration means salaries, allowances and commissions and other benefits to Directors, but excludes out of pocket expense reimbursements. The Members at the previous Annual General Meeting of the Credit Union have approved all remuneration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	2003 \$	2002 \$
c. Loans to Directors		
(i) The aggregate value of loans and credit facilities to Directors amounted to:	<u>394,872</u>	<u>297,848</u>
(ii) During the year the aggregate value of loans disbursed to Directors amounted to:		
Term loans	-	316,813
Revolving credit facilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>316,813</u>

All loans disbursed to Directors are approved on the same terms and conditions, which apply to members generally, for each class of loan.

- (iii) The aggregate value of repayments against loans and credit facilities to Directors amounted to:

Term loans	19,610	163,262
Revolving credit facilities	<u>-</u>	<u>9,191</u>
	<u>19,610</u>	<u>172,453</u>

Directors concerned with the above repayments were:

- W.H. Randell
- W.A. Fairweather

d. Other Director Related Transactions

Other transactions between related parties include deposits from Directors and their Director related entities, which are received on the same terms and conditions as applicable to members generally. There are no service contracts to which Directors are an interested party.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

e. **ASIC Class Order 98/110**

Authorised Deposit-taking Institutions (ADI) have been exempted (subject to certain conditions), under an ASIC Class Order 98/110 from making disclosure of:

- loans made, guaranteed or secured by the ADI to related parties (other than directors); and
- financial instrument transactions between related parties (other than in respect of shares and share options), where a director of the ADI is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business on either:
 - An arms-length basis; or
 - With approval of a general meeting of the ADI

The exemption does not cover transactions, which relate to the supply of goods and services to an ADI.

The Class Order does not apply to a loan or financial instrument transaction which any Director of the ADI should be reasonably aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the Financial Statements about the allocation of scarce resources.

This exemption is subject to the ADI's lodging with ASIC, a statutory declaration made by two (2) Directors, confirming compliance with the provisions of the Class Order. The Credit Union will be lodging such a declaration with ASIC in its Annual Return in respect of the year ended 30 June 2003.

27. ECONOMIC DEPENDENCY

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

a. **Credit Union Services Corporation (Australia) Limited (CUSCAL)**

CUSCAL is an Approved Deposit-taking Institution registered under the Corporations Act 2001 and the Banking Act 1959. This entity:

- (i) Provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa card and cheque transactions, as well as the production of Visa and Redicards for use by members;
- (ii) Provides and maintains the application software utilised by the Credit Union;
- (iii) Provides treasury and money market facilities to the Credit Union. The Credit Union has invested all of its liquid assets with the entity to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

b. **First Data Resources Australia Limited (FDRA)**

This entity operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM suppliers to the Credit Union's EDP Systems.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003****c. Co-Processing Pty Limited**

This Company operates the computer bureau facility on behalf of the Credit Union in conjunction with other Credit Unions. The Credit Union has a management contract with the Company to supply computer support staff and services to meet the day-to-day needs of the Credit Union and compliance with the relevant Prudential Standards.

28. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

29. SUPERANNUATION LIABILITIES

The Credit Union contributes to various complying superannuation funds for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of employees. Independent Corporate Trustees administer each plan.

The Credit Union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

30. NOTES TO STATEMENT OF CASH FLOWS**a. Reconciliation of Cash**

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

	2003 \$	2002 \$
Cash on hand	39,510	51,663
Deposits at call	1,563,408	777,544
Total Cash	<u>1,602,918</u>	<u>829,207</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 \$	2002 \$
b. Reconciliation of Cash from Operations to Accounting Profit		
The net cash increase/(decrease) from operating activities is reconciled to the operating profit after tax.		
Operating profit after income tax	319,897	312,292
Add:		
Increase in Provision for Loans	9,322	-
Gain on disposal of fixed assets	4,066	-
Depreciation	112,050	92,445
Provisions for staff leave	1,850	-
Provision for income tax	22,548	26,585
Accrued Taxes	405	-
Other provisions	15,000	-
Accrued expenses	234	476
Decreases in prepayments	-	9,116
Increase in interest payable	20,575	-
Decrease in interest receivable	2,564	16,832
Less:		
Provision for staff leave	-	12,181
Accrued taxes	-	521
Increase in future income tax benefits	16,905	1,922
Increase in deferred expenditure	105	-
Increase in prepayments	6,338	-
Increase in GST receivable	-	80
Decrease in loan provisions	-	23,000
Decrease in interest payable	-	20,707
Net cash from operating activities	<u>485,163</u>	<u>399,335</u>

CREDIT UNION PRODUCTS & SERVICES

SAVINGS & INVESTMENT ACCOUNTS

Multi-Access Savings Account

A multi-purpose account with an emphasis on easy access by cheque book, Redicard or Visa Card.

Basic Savings Account

A day-to-day savings account for over-the-counter transactions, bill paying or budget account.

Redifund Cash Management Account

An account which pays an attractive on-call interest rate based on daily balances for shorter term investors.

Premium Savers Account

A higher interest for a higher balance cash management account for the serious investor.

Fixed Term Deposits

A range of fixed term deposits from 3 months to 2 years offering competitive interest rates. Interest is set and based on term and amount of deposit and can be paid either upfront, on maturity, or at regular intervals.

ACCESS

Access to members' accounts is better than ever

- Automated Teller Machines – Credit Union Rediteller, National Australia Bank Flexiteller, ANZ Night & Day, CashCard Teller, State Bank Greenmachine, St. George Multicard, Westpac ATM's, Commonwealth Autobanks, Visa Card access worldwide
- Point of Sale (EFTPOS) outlets located in supermarkets, service stations and stores across Australia
- Personal Cheque Book – interest earning, with no limit to number of transactions. Members also can make deposits at any branch of the National Australia Bank
- PhoneTeller – provides access to account details, transfer of funds and statement requests. PhoneTeller Hotline number is (02) 9218 6604 or by country members on 1300 652 274
 - NetTeller Internet Banking @ www.rtascu.com.au
- BPAY® – pay your bills automatically direct from your account by phoning PhoneTeller on (02) 9218 6604 or by country members on 1300 652 274

LOANS

Members can choose from a range of loans to suit their individual needs

- Personal loans for any worthwhile purpose
- Home loans for owner-occupiers with a choice of interest rate options – fixed or variable
 - Investment property loans, at home loan rates
- Home Equity loans for any worthwhile purpose (mortgage secured)
 - Lines of Credit (secured or unsecured)
 - Visa Overdraft Account

Loan interest is calculated daily and posted monthly and members can make repayment by easy payroll deductions.

WHOLE OF PAY & PAYROLL DEDUCTIONS – Wherever members work, they can arrange for all or part of their pay to be deposited direct to their Credit Union account. Deposits can be split into any number of different savings and/or loan accounts. Fees and Charges apply. Refer to terms & conditions of accounts.

RTA STAFF CREDIT UNION LIMITED

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SERVING CITY & COUNTRY MEMBERS