

**RTA** STAFF CREDIT UNION LIMITED

*Serving City & Country Members*

# **40TH ANNUAL FINANCIAL REPORT 2004**

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 40<sup>TH</sup> ANNUAL GENERAL MEETING**

The 40<sup>th</sup> Annual General Meeting of R.T.A. Staff Credit Union Limited (ABN 78 087 650 600 – AFSL 240718) will be held in the Taylor Room located on Level One of the Citigate Sebel Sydney, 22-44 Albion Street, Surry Hills (opposite RTA Head Office, Centennial Plaza) on Monday 29<sup>th</sup> November, 2004 commencing at 1.00 pm.

### **MEMBERS OF THE BOARD OF DIRECTORS**

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

### **ADMINISTRATION**

John Kavalieros (General Manager)  
Ashley Overton (Finance & Administration Manager)  
Viena Yee (Branch Supervisor)  
Joanne Badenoch (Loans Supervisor)  
Michael Blackmore (Loans Officer)  
Joanne Pilkington (Loans Member Services Officer)  
Aaron Terry (Member Services Officer)  
Cherie Cager (Member Services Officer)

### **AUDITORS (External)**

BDO Kendalls, Chartered Accountants  
5<sup>th</sup> 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 2004**

**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 27 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)**

	2000	2001	2002	2003	2004
Members (No.)	4,768	4671	4,714	4,652	<b>4,633</b>
Deposits \$	26,684,297	30,330,842	29,893,019	32,362,863	<b>31,925,879</b>
Average Member Deposit \$	5,596	6,493	6,341	6,957	<b>6,891</b>
Loans \$	26,962,383	28,111,885	28,737,892	27,768,010	<b>28,663,629</b>
Average loan balance \$	5,654	6,018	6,096	5,969	<b>6,187</b>
Loans funded in the year- \$m	11.3	11.5	10.6	8.9	<b>9.1</b>
Bad debts written-off against profit \$	561	0	0	0	<b>0</b>
Capital adequacy ratio %	26.15	24.87	27.44	28.18	<b>29.90</b>
Total Reserves \$	4,856,201	5,181,624	5,462,523	5,762,157	<b>6,141,607</b>
Total Assets \$	32,433,992	36,005,449	35,706,177	38,573,514	<b>38,532,462</b>
Reserves to Assets %	14.97	14.39	15.30	14.94	<b>15.94</b>
Return/Average Assets %	0.76	0.87	0.85	0.86	<b>0.95</b>
Staff/Member ratio	1:692	1:667	1:589	1:582	<b>1:579</b>
Staff/Asset ratio \$m	1:\$4.63m	1:\$5.14m	1:\$4.46m	1:\$4.82m	<b>1:\$4.82m</b>

**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 40<sup>th</sup> Annual Report for the financial year ended 30 June 2004.

### **The Year in Review**

The year saw the introduction of the Financial Services Reform Act into law. This act attempts to set a new benchmark for how licensed financial institutions deal with their members or customers, in terms of product disclosure and advice given. Many hours of effort have been undertaken by your Credit Union Staff, Management and Directors to ensure that your Credit Union complies with the conditions of its Australian Financial Services License, which was granted on March 1<sup>st</sup> 2004.

The year also saw the resignation of your Credit Union's General Manager, Steve Warren, after seven years of loyal service and high achievement. Steve's successor is John Kavalieros. John formerly held the position of Finance & Administration Manager, and has broad Credit Union experience going back to 1996. While the financial services market has become increasingly competitive, your Credit Union has once again performed very well. The key performance indicators compare favourably to industry average.

I am confident that your Credit Union will continue to meet your financial needs, without ever losing sight of the fact that service is what makes your Credit Union 'a different kind of banking'.

### **2003/2004 Highlights**

- Loan fundings of \$9.14m for the year, compared to \$8.89m in 2002/2003.
- NetTeller registrations have grown to over 20% of the total membership, with 970 Members now registered for Internet Banking.
- Total increase in members' equity (reserves) of \$379,450 (2003 \$299,630).
- No loans were written-off against profit during the year. (2003 Nil)
- Your Credit Union has again 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 \$521,565 (2003 \$456,526). The after-tax operating profit of \$365,180 (2003 \$319,897) represents a return of 0.95% on average assets (2003 0.86%), 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.

Healthy results don't just happen – they are the result of the dedication and hard work of your Credit Union Staff, Management, and Directors, and I wish to thank them all for their efforts throughout another challenging year. I wish to thank you, as a Member of your Credit Union, because it is the support you give that allows your Credit Union to continue to meet its many challenges, and will ensure that it thrives into the future.

### **The Year Ahead**

The introduction of International Accounting Standards will take place in January 2005, and your Credit Union is already making preparations for the changes. Whilst the detail of a number of the standards is still pending, I believe that the changes will affect the way that some items are presented in future annual reports, rather than the underlying solid performance of your Credit Union.

Despite the uncertainty in the housing market, and increasing compliance costs, your Credit Union is well placed, and committed to strengthening our performance during the year ahead. I urge you to take an active interest in the performance of your Credit Union.

On behalf of the Board of Directors, I commend this report to you. I thank the Directors for their ongoing commitment, and thank you the members of the Credit Union, for your loyalty and patronage. We look forward to your continued support over another good year.

Noel J. Hancock  
Chairman

## **DIRECTORS' REPORT**

Your Directors present their report on the Credit Union for the financial year ended 30 June 2004.

### **INFORMATION ON DIRECTORS**

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

<b>Name</b>	<b><i>Special Responsibilities</i></b>	<b><i>Experience</i></b>
Noel J. Hancock	Chairman 4 years & Audit Committee member	Director 8 years
Bruce H. McNamara	Audit Committee member	Director 2 years 4 months
Robert G. Morgan		Director 15 years
Vincent E. Taranto	Deputy Chairman	Director 6 years
Susan A. Kemp		Director 7 years
Michael F.J. Sear	Chairman – Audit Committee	Director 1 year 8 months
Warwick A. Fairweather		Director 1 year

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

<b>Director</b>	<b><i>Board</i></b>		<b><i>Audit Committee</i></b>	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Noel J Hancock	12	11	2	1
Bruce H. McNamara	12	11	2	2
Robert G. Morgan	12	9		
Vincent E. Taranto	12	12		
Susan A. Kemp	12	11		
Michael F.J. Sear	12	10	2	2
Warwick A. Fairweather	12	6		

#### 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 \$365,180 (2003 - \$319,897).

#### 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

During the year, the Credit Union applied for a Financial Services Licence. This licence was issued by ASIC and took effect from 1<sup>st</sup> March 2004

Apart from this, there were no significant changes in the state of the affairs of the Credit Union during the year.



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:



Noel J Hancock  
Chairman

Signed and dated this eighth day of October, 2004

## **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 2004, 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 2004, 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.

**BDO Kendalls**  
Chartered Accountants



**Neville Sinclair**  
Partner

Dated this ninth day of October, 2004.

## **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 2004 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.



Noel J Hancock  
Chairman

Dated this eighth day of October, 2004.



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

	Notes	2004 \$	2003 \$
<b>Revenue</b>			
Interest revenue	2.a	2,644,824	2,502,150
Non interest revenue	2.b	198,712	202,186
Total income		<u>2,843,536</u>	<u>2,704,336</u>
<b>Expenses from ordinary activities</b>			
<b>Borrowing expenses (Interest expense)</b>	2.c	889,488	875,071
<b>Non interest expenses</b>			
Bad and doubtful debt expense	2.d	12,000	19,000
Fees and commission		<u>80,663</u>	<u>67,135</u>
		<u>92,663</u>	<u>86,135</u>
General administration			
- Employee costs		493,935	474,843
- Depreciation and amortisation		116,541	137,270
- Information technology		278,608	256,669
- Office occupancy		80,287	69,785
- Other administration		<u>136,389</u>	<u>136,733</u>
Total general administration expenses		<u>1,105,760</u>	<u>1,075,300</u>
Other operating expenses		<u>234,060</u>	<u>211,304</u>
Total non interest expenses		<u>1,432,483</u>	<u>1,372,739</u>
Total expenses		<u>2,321,971</u>	<u>2,247,810</u>
<b>OPERATING PROFIT before income tax</b>		521,565	456,526
Income tax expense	3.a	156,385	136,629
<b>OPERATING PROFIT after income tax</b>	18	<u>365,180</u>	<u>319,897</u>
<b>Other increases/decreases in members equity</b>			
Increase (decrease) in asset revaluation reserve	17	14,270	(20,263)
<b>Total increase in members equity</b>		<u>379,450</u>	<u>299,634</u>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>ASSETS</b>			
Cash	4	1,101,611	1,602,918
Receivables due from other financial institutions	5	8,500,000	8,900,000
Receivables	6	179,629	130,939
Loans and advances	7.a & 8	28,121,591	27,231,688
Other investments	9.a	304,916	290,646
Plant and equipment	10	87,101	186,542
Taxation assets	11	237,614	230,781
<b>TOTAL ASSETS</b>		<b>38,532,462</b>	<b>38,573,514</b>
<b>LIABILITIES</b>			
Deposits and borrowings	12	31,972,209	32,409,383
Payables	13	306,336	223,790
Taxation liabilities	14	45,493	87,442
Provisions	15	66,817	90,742
<b>TOTAL LIABILITIES</b>		<b>32,390,855</b>	<b>32,811,357</b>
<b>NET ASSETS</b>		<b>6,141,607</b>	<b>5,762,157</b>
<b>MEMBERS EQUITY</b>			
Capital	16	7,210	5,160
Reserves	17	27,778	13,508
Retained profits	18	6,106,619	5,743,489
<b>TOTAL MEMBERS EQUITY</b>		<b>6,141,607</b>	<b>5,762,157</b>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>OPERATING ACTIVITIES</b>			
<b>Inflows</b>			
Interest received		2,609,048	2,504,714
Fees and commissions		183,782	164,702
Dividends		5,543	-
Other income		9,387	41,955
		<u>2,807,760</u>	<u>2,711,371</u>
<b>Outflows</b>			
Interest paid		(891,254)	(854,496)
Suppliers and employees		(1,329,602)	(1,240,726)
Income taxes paid		(208,015)	(130,986)
		<u>(2,428,871)</u>	<u>(2,226,208)</u>
Net cash from operating activities	30.b	<u>378,889</u>	<u>485,163</u>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows/(Outflows)</b>			
Proceeds on sale of investment in shares		-	4,554
Proceeds on sale of property, plant and equipment		5,491	21,871
Receivables from other financial institutions (net movement)		400,000	(3,100,000)
Purchase of fixed assets		(22,591)	(128,502)
Member loans (net movement)		(895,903)	969,882
		<u>(513,003)</u>	<u>(2,232,195)</u>
Net cash from investing activities			
<b>FINANCING ACTIVITIES</b>			
<b>Inflows (Outflows)</b>			
Member deposits and shares (net movement)		(367,193)	2,520,743
		<u>(367,193)</u>	<u>2,520,743</u>
Net cash from financing activities			
Total net cash increase/(decrease)		(501,307)	773,711
Cash at beginning of year		1,602,918	829,207
Cash at end of year	30.a	<u>1,101,611</u>	<u>1,602,918</u>



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

**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. APRA has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 15 days for an overlimit overdraft facility.

**(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.

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

**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 2004**

**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 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 2004**

**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%.

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 2004**

**I. Transition To International Accounting Standards**

For the year ended 30 June 2006 the Credit Union will be required to report its financial results in accordance with a new set of Australian Accounting Standards. These new Standards will be the Australian equivalents to International Financial Reporting Standards (IFRS) which are more commonly known as International Accounting Standards.

The Credit Union is presently reviewing the scope of the new Standards, (most of which have already been issued as Pending Standards) to determine whether there will be any changes to the way that the Credit Union calculates and reports its financial results.

Areas where potential changes have been identified are as follows:

- i.) **Provision for Doubtful Loans** – The portion of the provision identified as a General Provision will need to be written back as it will not comply with the new Standards. The portion of the provision identified as Specific Provision will need to be re-evaluated. At present this is calculated in accordance with a formula mandated by APRA for use by all Credit Unions. Because this formula is a very conservative calculation, it is likely that both the level of doubtful provisioning and doubtful debt expenditure will decrease.
- ii.) **Fees on Loans** – At present the Credit Union recognises all fees on loans as revenue at the time the fee is charged to the member. The Credit Union will be reviewing its processes to confirm that the relevant fees do not exceed the costs of establishing the loan. If fees are found to be in excess of costs to the extent that they result in a change to the effective interest rate being earned, they will be deferred and amortised over the expected life of the loan. This would reduce the level of income being reported in the year in which the loan is granted and deferred and recognised in future periods. At this point the Credit Union does not have any loan fees that qualify for deferral.
- iii.) **Investments** – Under the new Standards all investments will be required to be measured at fair value with all changes in value being recognised in the profit and loss account. For investments in instruments which do not have any trading market, such as the shareholdings in CUSCAL, information will need to be obtained to determine the appropriate details to be reported.
- iv.) **Taxation Assets and Liabilities** – The Credit Union will be reviewing its calculation of Future Income Tax Benefits and Deferred Tax Liabilities to determine whether the changes in criteria for recognition will lead to any changes in the amounts to be reported.

**m. Management of the Transition Process**

In order to facilitate this transition process, management reports to the Audit Committee on a regular basis. Management have established a time table for the transition process to ensure that each phase of the transition process is completed on schedule and to ensure a smooth implementation.

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

**2. STATEMENT OF FINANCIAL PERFORMANCE**

**a. Analysis of interest revenue**

	2004		
Category of interest bearing assets	Interest Revenue \$	Average Balance \$	Average Interest Rate %
Deposits with other financial institutions	530,744	8,775,000	5.28%
Loans and advances	2,114,080	27,973,477	7.56%
Total interest revenue	2,644,824	36,748,477	7.20%

	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	2,502,150	36,504,796	6.85%

	Note	2004 \$	2003 \$
<b>b. Non-interest revenue</b>			
<b>Fee and commission revenue</b>			
- Loan fee income		30,644	29,003
- Other fee income		92,910	87,197
- Insurance commissions		12,926	13,507
- Other commissions		47,302	34,590
		183,782	164,297
Bad debts recovered		9,355	7,385
Dividend revenue		5,543	-
Other revenue			
- Proceeds on plant and equipment		-	30,000
- Miscellaneous revenue		32	504
Total non-interest revenue		198,712	202,186



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

**c. Borrowing Expenses (Interest Expense)**

**Analysis of interest expense**

	2004		
Category of interest bearing liabilities	Interest Expense \$	Average Balance \$	Average Interest Rate %
Member deposits	888,747	32,280,183	2.75%
Overdraft	741	9,712	7.63%
Total borrowing expenses	889,488	32,289,895	2.75%

	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%

	Note	2004 \$	2003 \$
<b>d. Bad and doubtful debts expense</b>			
Increase in provision for Doubtful debts	8	12,000	13,000
(Decrease) in provision for Overdrawn Savings		(6,000)	6,000
Bad debts written-off directly against profit		-	-
		6,000	19,000

**e. Other prescribed expense disclosures**

Auditor's remuneration (GST exclusive)		
- Audit fees	25,733	23,695
- Other services	5,700	3,200
	31,433	26,895
Bad and doubtful debts expense, net of recoveries and movement of provisions	2,645	11,615
Property lease	78,819	69,785
Written down value of assets disposed	-	25,934
Depreciation of:		
- Plant and equipment	59,523	55,307
- Leasehold improvements	57,018	56,743
	116,541	112,050
Net movement in provisions for employee entitlements	24,750	1,850
Net movement in provision for other liabilities	12,000	15,000
Supervision levy	4,122	3,738

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

	Note	2004 \$	2003 \$
<b>3. INCOME TAX EXPENSE</b>			
<b>a.</b> 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%		<u>156,470</u>	<u>136,958</u>
Add tax effect of			
- Non Deductible expenses		<u>731</u>	<u>-</u>
Subtotal		<u>157,201</u>	<u>-</u>
Add			
- Underprovision of tax in prior year		54	-
- Adjustment to opening future income tax benefits		1,505	
Less:			
- Rebateable fully franked dividends		2,375	162
- Overprovision of tax in prior year		-	159
- Adjustment to opening future income tax benefits		-	-
Income tax expense attributable to operating profit		<u>156,385</u>	<u>136,629</u>
<b>b.</b> The income tax expense comprises amounts set aside as:			
Provision for income tax attributable to current year taxable income.		167,315	153,534
Add (Deduct):			
Movement in the future income tax benefit account		(10,930)	(16,905)
Income tax expense attributable to operating profit		<u>156,385</u>	<u>136,629</u>
<b>c.</b> 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:		<u>1,346,777</u>	<u>1,178,075</u>

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

	Note	2004 \$	2003 \$
<b>4. CASH</b>			
Cash on hand		33,567	39,510
Deposits at call		1,068,044	1,563,408
		<u>1,101,611</u>	<u>1,602,918</u>
<b>5. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS</b>			
Deposits with CUSCAL - term		8,000,000	8,900,000
Deposits with other societies		500,000	-
		<u>8,500,000</u>	<u>8,900,000</u>
<b>6. ACCRUED RECEIVABLES</b>			
Interest receivable on deposits with other financial institutions		115,398	79,622
Prepayments		31,542	27,412
Sundry debtors		32,689	23,905
		<u>179,629</u>	<u>130,939</u>
<b>7. LOANS AND ADVANCES</b>			
<b>a. Amount due comprises:</b>			
Overdrafts and revolving credit facilities		454,641	565,968
Term loans		28,208,988	27,202,042
		<u>28,663,629</u>	<u>27,768,010</u>
Less:			
Specific provision		16,779	8,088
		<u>28,646,850</u>	<u>27,759,922</u>
Less:			
General provision		525,259	528,234
		<u>28,121,591</u>	<u>27,231,688</u>
<b>b. Security dissection:</b>			
Secured by mortgage		23,806,873	23,020,059
Partly secured by goods mortgage		3,198,549	2,964,869
Wholly unsecured		1,658,207	1,783,082
		<u>28,663,629</u>	<u>27,768,010</u>

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

	Note	2004 \$	2003 \$
<b>c. Concentration of Loans</b>			
(i) Individual loans which exceed 10% of member funds in aggregate		683,466	-
(ii) Loans to members are concentrated solely in Australia, and in the following significant employment industry classification:			
Roads and Traffic Authority of NSW		18,901,324	17,283,482
(iii) Purpose dissection:			
Residential loans		16,704,137	18,253,978
Personal loans		11,837,535	9,393,209
Commercial loans		121,957	120,823
		<u>28,663,629</u>	<u>27,768,010</u>

**8. PROVISION ON IMPAIRED LOANS**

<b>a. Total provision comprises:</b>			
Specific provision		16,779	8,088
General provision		525,259	528,234
		<u>542,038</u>	<u>536,322</u>
<b>b. Movement in the Specific Provision</b>			
Balance at the beginning of year		8,088	13,258
Add:			
Transfers from profit and loss account		-	19,000
Transfers from the general provision		8,691	-
		<u>16,779</u>	<u>32,258</u>
Less:			
Transfers to the general provision		-	14,492
Bad debts written-off provision		-	9,678
		<u>-</u>	<u>30,170</u>
Balance at end of year		<u>16,779</u>	<u>8,088</u>
<b>c. Movement in General Provision</b>			
Balance at beginning of year		528,234	513,742
Add: Transfers from the specific provision		-	14,492
Transfers from profit and loss account		12,000	-
Transfers to profit and loss account		(6,000)	-
Less: Transfers to the specific provision		(8,691)	-
Bad debts written off		(284)	-
Balance at end of year		<u>525,259</u>	<u>528,234</u>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>d. The specific loans provision consists of:</b>			
(i) provision required under the APRA Prudential Standards		16,779	8,088
(ii) Additional specific provision		-	-
		<u>16,779</u>	<u>8,088</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".

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>Impaired Loans and Other Disclosures</b>			
<b>Non-accrual loans – Balances</b>			
- with no provision		9,756	-
- with a provision		<u>31,235</u>	<u>11,281</u>
		40,991	11,281
Less: Specific provision		<u>16,779</u>	<u>8,088</u>
		<u>24,212</u>	<u>3,193</u>
Restructured loans		<u>919</u>	<u>9,139</u>
Past due loans		<u>-</u>	<u>-</u>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>Assets acquired via enforcement of security</b>			
- Real estate		-	-
- Other		-	-
		<u>-</u>	<u>-</u>
<b>Other Disclosures on Impaired Loans</b>			
Interest and other revenue earned on impaired loans		<u>2,881</u>	<u>1,433</u>
Interest and other revenue foregone on impaired loans		<u>4,185</u>	<u>1,453</u>
<b>9. OTHER INVESTMENTS</b>			
<b>a. Shares</b>			
Baycorp Advantage Limited	9.b	27,778	13,508
CUSCAL		277,138	277,138
Computer bureau		10,000	10,000
Provision – shares in computer bureau		<u>(10,000)</u>	<u>(10,000)</u>
		<u>304,916</u>	<u>290,646</u>
<b>b. Baycorp Advantage Limited</b>			
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 2004.			
The total number of shares held at 30 June 2004		<u>9,513</u>	<u>9,513</u>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>10. PLANT AND EQUIPMENT</b>			
Plant and equipment - at cost		393,493	376,392
Less: Provision for depreciation		<u>306,392</u>	<u>246,868</u>
		87,101	129,524
Capitalised leasehold improvements – at cost		276,079	276,079
Less: Provision for amortisation		<u>276,079</u>	<u>219,061</u>
		-	57,018
Total plant and equipment		<u>87,101</u>	<u>186,542</u>
<b>Movement in the assets balances during the year were:</b>			
Opening balance		186,542	196,023
Add: Purchases in the year		22,591	128,503
Less:			
Write-back of incorrect allocation		5,491	-
Disposal of assets at written down value		-	25,934
Depreciation charge		<u>116,541</u>	<u>112,050</u>
		122,032	137,984
Balance at the end of the year		<u>87,101</u>	<u>186,542</u>

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

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>\$</b>	<b>\$</b>
<b>11. TAXATION ASSETS</b>			
Future Income Tax Benefit		237,100	226,170
GST Recoverable		514	4,611
		<u>237,614</u>	<u>230,781</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		13,996,537	13,890,189
- term		17,929,342	18,472,674
Total deposits		<u>31,925,879</u>	<u>32,362,863</u>
Withdrawable Shares		46,330	46,520
Total		<u>31,972,209</u>	<u>32,409,383</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 2004**

	<b>Notes</b>	<b>2004 #</b>	<b>2003 #</b>
<b>Members' Withdrawable Shares</b>			
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.			
<b>Movement in Share Capital</b>			
Shares issued in the year		192	170
Shares redeemed in the year		205	232
		<b>2004 \$</b>	<b>2003 \$</b>
<b>13. PAYABLES</b>			
Creditors and accruals		37,080	31,532
Sundry creditors		145,811	67,047
Interest payable		123,445	125,211
		<u>306,336</u>	<u>223,790</u>
<b>14. TAXATION LIABILITIES</b>			
Provision for income tax		45,493	86,193
GST payable		-	1,249
		<u>45,493</u>	<u>87,442</u>
<b>15. PROVISIONS</b>			
Provision for employee annual leave		23,390	30,059
Provision for employee long service leave		35,552	45,683
Provisions for Marketing		-	15,000
Provisions for Visa		7,875	0
		<u>66,817</u>	<u>90,742</u>

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

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>16. CAPITAL ACCOUNT</b>			
Capital Account		<u>7,210</u>	<u>5,160</u>
Balance at the beginning of the year		5,160	2,840
Add: Transfer from retained profits on share redemptions	16.a	2,050	2,320
Balance at the end of year		<u>7,210</u>	<u>5,160</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>27,778</u>	<u>13,508</u>
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**Movement in asset revaluation reserve**

Balance at beginning of the financial year	13,508	33,771
Less: Revaluation of Baycorp Advantage Limited shares	14,270	(20,263)
Balance at end of the financial year	<u>27,778</u>	<u>13,508</u>

**18. RETAINED PROFITS**

Retained profits at the beginning of the financial year	5,743,489	5,425,912
Add: Operating profit for the year	365,180	319,897
Less: Transfer of reserves to capital account on redemption of Members' shares	(2,050)	(2,320)
Retained profits at the end of the financial year	<u>6,106,619</u>	<u>5,743,489</u>

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

**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	2004				
	Cash	ASSETS	Loans & advances (net of specific provision)	LIABILITIES	Member deposits
		Receivables from other financial institutions		Payables to other financial institutions	
	\$	\$	\$	\$	\$
At call	1,101,611	-	-	-	14,042,867
Overdrafts	-	-	-	-	-
Up to 3 months	-	8,500,000	747,644	-	7,281,997
3 to 12 months	-	-	1,906,524	-	9,207,295
1 to 5 years	-	-	7,956,970	-	1,440,050
Over 5 years	-	-	18,035,712	-	-
Unspecified	-	-	-	-	-
<b>TOTAL</b>	<b>1,101,611</b>	<b>8,500,000</b>	<b>28,646,850</b>	<b>-</b>	<b>31,972,209</b>

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	-	-	-	-	-
<b>TOTAL</b>	<b>1,602,918</b>	<b>8,900,000</b>	<b>27,759,922</b>	<b>-</b>	<b>32,409,383</b>

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 2004**

**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	2004				
	Cash	ASSETS Receivables from other financial institutions	Loans and advances (before provision)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Floating rate	1,101,611	-	-	-	14,042,867
Within 1 month	-	4,700,000	-	-	2,643,010
1 to 3 months	-	3,800,000	22,830,806	-	4,638,987
3 to 12 months	-	-	4,816,390	-	9,207,295
1 to 5 years	-	-	1,016,433	-	1,440,050
Over 5 years	-	-	-	-	-
<b>TOTAL</b>	<b>1,101,611</b>	<b>8,500,000</b>	<b>28,663,629</b>	<b>-</b>	<b>31,972,209</b>
Weighted Average Interest Rate	3.35%	5.52%	7.38%	-	2.78%

Time band for changing interest rates	2003				
	Cash	ASSETS Receivables from other financial institutions	Loans and advances (before provision)	LIABILITIES 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	-	-	-	-	-
<b>TOTAL</b>	<b>1,602,918</b>	<b>8,900,000</b>	<b>27,768,010</b>	<b>-</b>	<b>32,409,383</b>
Weighted Average Interest Rate	3.67%	4.75%	7.42%	-	2.87%

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

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.

	2004				
	Cash	ASSETS Receivables from other financial institutions	Loans and advances (after all provisions)	LIABILITIES Payables to other financial institutions	Member deposits
	\$	\$	\$	\$	\$
Net fair value	1,101,611	8,500,000	28,097,061	-	31,947,848
Book value	1,101,611	8,500,000	28,121,591	-	31,972,209
Variance	-	-	(24,530)	-	(24,361)

	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

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 2004**

**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 2004. 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 2004**

	2004 \$	2003 \$
<b>22. EXPENDITURE COMMITMENTS</b>		
<b>a. Future Capital Commitments</b>		
The Credit Union has no future capital commitments at balance date.	-	-
<b>b. Future Lease and Rental Commitments</b>		
Operating lease payments under existing lease arrangements for building accommodation, payable over the following periods:		
Within 1 year	79,749	18,142
1 to 2 years	79,749	1,647
2 to 5 years	179,435	-
Over 5 years	0	-
	<u>338,933</u>	<u>19,789</u>
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.		
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).		
<b>c. Computer Bureau Charges</b>		
Within 1 year	10,200	10,200
1 to 2 years	-	-
2 to 5 years	-	-
Over 5 years	-	-
	<u>10,200</u>	<u>10,200</u>
<b>23. FINANCIAL COMMITMENTS</b>		
<b>a. Outstanding Loan Commitments</b>		
The loans approved but not funded as at 30 June 2004.	<u>758,900</u>	<u>348,435</u>
<b>b. Undrawn Loan Facilities</b>		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	1,250,025	1,231,325
Less: Amounts advanced	<u>454,642</u>	<u>565,968</u>
Net undrawn value	<u>795,383</u>	<u>665,357</u>

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

**24. STANDBY BORROWING FACILITIES**

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

	<b>2004</b>		
	<b>Gross</b>	<b>Current</b>	<b>Net</b>
	<b>\$</b>	<b>Borrowing</b>	<b>Available</b>
		<b>\$</b>	<b>\$</b>
Loan facility	500,000	-	500,000
Overdraft facility	700,000	-	700,000
Total standby borrowing facilities	1,200,000	-	1,200,000

  

	<b>2003</b>		
	<b>Gross</b>	<b>Current</b>	<b>Net</b>
	<b>\$</b>	<b>Borrowing</b>	<b>Available</b>
		<b>\$</b>	<b>\$</b>
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 3.2% of the total assets (2003 – 9% of 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 2004

	2004	2003
	\$	\$

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  |
| • M.F.J. Sear      | • V.E. Taranto |
| • W.A. Fairweather | • S.A. Kemp    |
| • B.H. McNamara    |                |

b. Remuneration

The aggregate remuneration of Directors during the year was:

\_\_\_\_\_ - \_\_\_\_\_ -

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 2004**

	2004 \$	2003 \$
<b>c. Loans to Directors</b>		
(i) The aggregate value of loans and credit facilities to Directors amounted to:	<u>382,227</u>	<u>394,872</u>
(ii) During the year the aggregate value of loans disbursed to Directors amounted to:		
Term loans	-	-
Revolving credit facilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</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	39,106	19,610
Revolving credit facilities	<u>-</u>	<u>-</u>
	<u>39,106</u>	<u>19,610</u>

Directors concerned with the above repayments were:

- 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 2004**

**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 2004.

**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 licence 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 the majority 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 2004**

**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.

	2004 \$	2003 \$
<b>30. NOTES TO STATEMENT OF CASH FLOWS</b>		
<b>a. Reconciliation of Cash</b>		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
Cash on hand	33,567	39,510
Deposits at call	1,068,044	1,563,408
Total Cash	<u>1,101,611</u>	<u>1,602,918</u>

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

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>b. Reconciliation of Cash from Operations to Accounting Profit</b>		
The net cash increase/(decrease) from operating activities is reconciled to the operating profit after tax.		
Operating profit after income tax	365,180	319,897
Add:		
Increase in Provision for Loans	6,000	9,322
Gain on disposal of fixed assets	-	4,066
Depreciation	116,541	112,050
Provisions for staff leave	-	1,850
Provision for income tax	-	22,548
Accrued Taxes	-	405
Other provisions	-	15,000
Accrued expenses	5,547	234
Decrease in GST receivable	4,097	-
Increase in interest payable	-	20,575
Decrease in interest receivable	-	2,564
Less:		
Provision for staff leave	16,800	-
Provision for income tax	40,700	-
Other provisions	7,125	-
Accrued taxes	1,249	-
Increase in future income tax benefits	10,930	16,905
Increase in deferred expenditure	-	105
Increase in prepayments	4,130	6,338
Increase in GST receivable	-	-
Increase in interest receivable	35,776	-
Decrease in interest payable	1,766	-
Net cash from operating activities	<u>378,889</u>	<u>485,163</u>



# RTA STAFF CREDIT UNION LIMITED

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