



Sydney Credit Union  
Annual Report 2004



## Directory

### BOARD OF DIRECTORS

Chairman	Mr B Nevin
Deputy Chairman	Mr G Brooks
Deputy Chairman	Mr A Lee
Directors	Mr J Coyne
	Mr G Mehrtens
	Mr J Clarke
	Mrs N Ellison
	Mr M Uzunovski
	Mr P Macklin (Alternate Director)

### ADMINISTRATION – HEAD OFFICE

General Manager	Mr A Jennings
Financial Controller	Mr D Callow
Financial Services Manager	Miss P Stanton
Business Development Manager	Mr K Hogan
Lending Manager	Mr I Carratt
Collections Manager	Mr K Bateman
Remote Access Manager	Ms L Gomes
Contact Centre Manager	Mr C Holland
Marketing Manager	Mr A Milbank
Retail Sales & Promotions Manager	Mr T McDermott
Compliance/Audit Manager	Mr P Tough
Human Resources Manager	Mrs T Coleman
IT Manager	Mr J Richards

### CU FINANCIAL ADVISORY SERVICES PTY LTD

Manager	Mrs S Tsipidis
Planners	Miss P Stanton

### BRANCHES

City	Ms J Sullivan
Bondi Junction	Miss I Andrzejczak
Leichhardt	Mrs A Chui
Marrickville	Mr M Bunker
Mascot	Ms J Guthrie
Rockdale	Mrs L Coombs
St George Hospital	Mrs R Newell

### BANKERS

Credit Union Services Corporation (Australia) Limited Centralised Banking Scheme with the National Australia Bank.

### SOLICITORS

Langes Lawyers

### AUDITORS

Kendalls BDO Chartered Accountants

## Administration

Level 7, 447 Kent Street, Sydney  
Telephone: 9287 1000 Fax: 9267 9139

## Offices

### SYDNEY CITY

210 Clarence St, Sydney  
Telephone: 9267 3555 Fax: 9261 3972  
Open: 9–4.30 Mon to Thurs, 9–5 Fri.

### BONDI JUNCTION

35 Spring St, Bondi Junction  
Telephone: 9387 1991 Fax: 9389 9793  
Open: 9–4.30 Mon to Fri, 9–12 Sat.

### LEICHHARDT

Ground Floor, Administration Centre  
Leichhardt Municipal Council  
7–15 Wetherill St, Leichhardt  
Telephone: 9572 6080 Fax: 9572 6090  
Open: 9–4.00 Mon to Fri, 9–12 Sat.

### MARRICKVILLE

296 Marrickville Rd, Marrickville  
Telephone: 9560 3877 Fax: 9560 4682  
Open: 9–4.30 Mon to Fri, 9–12 Sat.

### MASCOT

1197 Botany Rd, Mascot  
Telephone: 9669 2842 Fax: 9693 5659  
Open: 9–4.30 Mon to Fri, 9–12 Sat.

### ROCKDALE

438 Princes Highway, Rockdale  
Telephone: 9597 2322 Fax: 9597 6996  
Open: 9–4.30 Mon to Fri, 9–12 Sat.

### ST GEORGE HOSPITAL

Belgrave St, Kogarah  
Telephone: 9588 5849 Fax: 9588 5281  
Open: 9–4.30 Mon to Fri.

## Chairman's Report

On behalf of the Board of Directors, I am pleased to recommend the 41st Annual Report of Sydney Credit Union for the financial year 2003/2004.

As members and shareholders of Sydney Credit Union, you are also its owners, and thus entitled to know how the Directors and Management have worked on your behalf. It is therefore very much in your interest to study this Annual Report carefully.

In it you will find information on various aspects of our operation. The Director's Report includes information on Directors' backgrounds and formal meeting attendance. The Independent Audit Report includes an opinion on our Financial Report, and the Financial Report contains a great deal of information and statements on Financial Performance and Accounting Policies.

We believe this year's operating profit of \$579,015 before tax is a satisfactory result, and were pleased to note that Members' Equity has increased to \$17,200,017.

The General Manager, Ashley Jennings, the Management Team, and all our highly dedicated staff members continue to do a great job for you, and well deserve our gratitude. Thanks are also due to my fellow Directors for their commitment and ongoing input of their best efforts on your behalf.

Sydney Credit Union's Strategic Plan includes the following Mission Statement:

'To act in the best personal and financial interests of members.'

All our decisions are made with the fulfilment of this purpose foremost in our minds.

We thank you for your continued support and loyalty. We sincerely believe we can look after *all* your financial needs, and to that end we invite you to discuss with us how we might handle any business you may still have with other financial institutions. The more we work together, the stronger we grow.



**Brian Nevin**  
Chairman



## General Manager's Report

I am pleased to present our 2004 Annual Report.

The credit union is proud of the results achieved over the last 12 months. We maintained our strategic focus of relevance and differentiation and continued to focus on providing product innovation. New products were introduced and tried and true products were re-engineered to increase value and flexibility.

CU Financial Advisory Services continues to provide investment advisory services that allow members and clients to gain greater access to high quality wealth management and financial planning services.

We continue to be focused on On-line services. During the year we re-launched our Internet Banking package with increased functionality and shortly we will be releasing our new web-site with improved functionality and navigation tools.

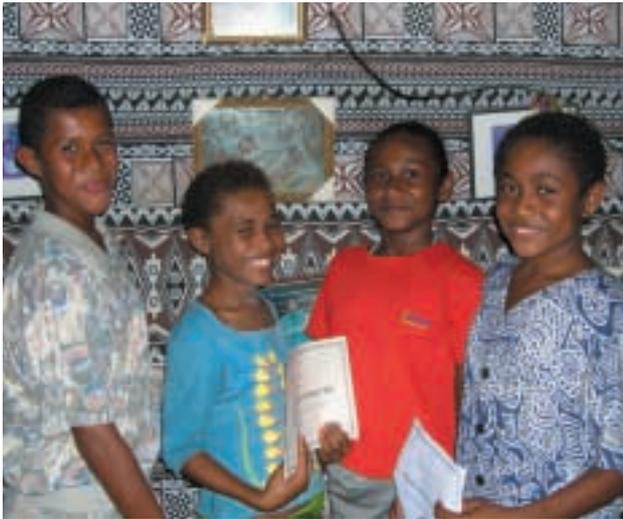
To be honest the demand for Business Banking caught us by surprise during the year. It became necessary to react swiftly to the demands of our business partners by packaging a 'better business' account that now includes commercial hire purchase, novated leasing, commercial loan agreement, insurance premium funding, EFTPOS facilities, direct credit payment services for employees' wages, electronic bill payment services.

During the last 12 months the credit union has met the increasing statutory and compliance challenges. One of these was the requirements of Financial Services Reform Act. The legislation required the credit union to obtain an AFS Licence, meet its strict guidelines and obtain staff accreditation before giving financial advice. The credit union is proud of our achievement in complying with this legislation and members can feel secure we can provide you with advice to enable you to make informed financial decisions.

This year the Credit Union has made significant strides in redefining its strategic purpose. Senior Management and the Board have undertaken a strategic review to reconfirm the credit unions core principles by endeavouring to create the most value for our stakeholders in building a sustainable and robust business.

We continued to focus on our community achievements and are proud of our association with organisations that promote ideals similar to Sydney Credit Union. We are particularly selective in our partner programs as they must demonstrate a benefit to the community hence working with the NSW Swimming Association, Surf Life Saving, Community kids bike safety, Student Scholarships, Hospital community activities, Children's sporting clubs to name a few is very satisfying.





We are also proud of our association with Credit Union Foundation Australia, an organisation that promotes social responsibility by empowering communities through access to affordable financial services both domestically and internationally. This program has successfully encouraged staff involvement in activities both overseas and at home and staff actively participates in raising funds for those less fortunate.



I must thank all the staff for their continued commitment to Sydney Credit Union. I am proud of their achievements over the year in providing a Financial Institution that I believe is superior in service and delivery of products.

I also wish to thank our Board of Directors for their continuing commitment to our leadership.

The credit unions future is exciting as there is a true belief that we are providing a quality banking solution. With a rich pool of talent from dedicated staff and your continued support we look forward to continuing the great tradition of providing real value to our members.

**Ashley Jennings**  
General Manager



## Directors' Report

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

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

### INFORMATION ON DIRECTORS

The names of the directors in office at the date of this report, or held office during the course of the financial year, are:

<b>Mr B Nevin</b> Chairman	<b>Mr J Clarke</b>
<b>Mr G Brooks</b> Deputy Chairman	<b>Mr G Mehrtens</b>
<b>Mr A Lee</b> Deputy Chairman	<b>Ms C Ryan</b> (resigned 31/07/03)
<b>Mr J Coyne</b>	<b>Mrs N Ellison</b>
<b>Mr D Lawler</b> OAM (resigned 11/11/03)	<b>Mr M Uzunovski</b>
<b>Mr P Macklin</b> Alternate Director	

**Mr B Nevin** - Chairman  
 Qualifications - Certified Practising Accountant  
 Justice of the Peace  
 Experience - Appointed Chairman 1997  
 - Deputy Chairman 1986 - 1997  
 - Board member since 1972  
 - Appointed Audit & Compliance Committee 1993  
 Interest in Shares - 1 Share in the Credit Union

**Mr G Brooks** - Deputy Chairman  
 Qualifications - Certified Practising Accountant  
 Experience - Appointed Deputy Chairman 1997  
 - Board member since 1976  
 - Appointed Audit & Compliance Committee 1993  
 Interest in Shares - 1 Share in the Credit Union

**Mr A Lee** - Deputy Chairman  
 Qualifications - None  
 Experience - Appointed Deputy Chairman 1997  
 - Board member since 1979  
 - Member of Industrial Relations Committee 1997- 2004  
 Interest in Shares - 1 Share in the Credit Union

**Mr J Coyne** - Director  
 Qualifications - None  
 Experience - Chairman 1985 - 1997  
 - Deputy Chairman 1966 - 1985  
 - Board member since 1966  
 - Appointed Audit & Compliance Committee 1993  
 Interest in Shares - 1 Share in the Credit Union

**Mr D Lawler OAM** - Director (resigned 11/11/03)  
 Qualifications - Justice of the Peace  
 Experience - Deputy Chairman 1973 - 1997  
 - Board member since 1970  
 - Member of Member Relations Committee 1997- 2003  
 Interest in Shares - 1 Share in the Credit Union

**Mr J Clarke** - Director  
 Qualifications - Justice of the Peace  
 Experience - Board member since 1980  
 - Member of Member Relations Committee 1997- 2004  
 - Appointed Corporate Governance Committee 2004  
 Interest in Shares - 1 Share in the Credit Union

**Ms C Ryan** - Director (resigned 31/07/03)  
 Qualifications - None  
 Experience - Board member since 1997  
 - Alternate Director 1995 - 1997  
 - Member of Member Relations Committee 1997 - 2003  
 Interest in Shares - 1 Share in the Credit Union

**Mr M Uzunovski** - Director  
 Qualifications - Bachelor of Commerce,  
 Certified Practising Accountant  
 Experience - Board member since October 1999  
 - Member of Member Relations Committee 1999 - 2004  
 - Appointed Executive Committee 2004  
 Interest in Shares - 1 Share in the Credit Union

**Mrs N Ellison** - Director  
 Qualifications - Justice of the Peace  
 - Member of Australian Institute of Management  
 - Management Certificate  
 Experience - Board member since October 1999  
 - Member of Audit & Compliance Committee 1999 - 2004  
 - Appointed Corporate Governance Committee 2004  
 Interest in Shares - 1 Share in the Credit Union

**Mr G Mehrtens** - Director  
 Qualifications - Certificate in Co-Operative Management  
 Experience - Board member since June 2000  
 - Alternate Director 1998 - 2000  
 - Member of Member Relations Committee 1998 - 2004  
 - Appointed Corporate Governance Committee 2004  
 Interest in Shares - 1 Share in the Credit Union

**Mr P Macklin** - Alternate Director  
 Qualifications - Associate Diploma in Human Resources Management  
 Experience - Alternate Director since 2000  
 - Member of Industrial Relations Committee 2000 - 2004  
 Interest in Shares - 1 Share in the Credit Union

## DIRECTORS' MEETING ATTENDANCE

H = Held A = Attended

Director	Board		Executive		Audit & Compliance		Member Relations		Industrial Relations		Corporate Governance		Period of Appointment
	H	A	H	A	H	A	H	A	H	A	H	A	
Mr Brian Nevin	9	9	5	5	9	8							1/7/03 to 30/6/04
Mr Garry Brooks	9	9	5	5	9	8							1/7/03 to 30/6/04
Mr Allan Lee	9	8	5	5									1/7/03 to 30/6/04
Mr John Coyne	9	9			9	9							1/7/03 to 30/6/04
Mr David Lawler OAM	4	4					2	2					1/7/03 to 11/11/03
Mr John Clarke	9	4					2	0			2	0	1/7/03 to 30/6/04
Ms Christine Ryan	1	1					1	0					1/7/03 to 31/7/03
Mr Graham Mehrtens	9	7					2	2			2	2	1/7/03 to 30/6/04
Mrs Noeline Ellison	9	9			7	7					2	2	1/7/03 to 30/6/04
Mr Michael Uzunovski	9	6	2	2			2	1					1/7/03 to 30/6/04
Mr Peter Macklin	9	7											1/7/03 to 30/6/04

Mr Peter Macklin was appointed as an Alternate Director and also appointed to the Industrial Relations Committee on the 1st July 2003.

Member Relations Committee and Industrial Relations Committee ceased on 29th January 2004.

Corporate Governance Committee commenced on 29th January 2004.

## 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 a director and 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 \$408,572 [2003 \$407,644]

### 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 as the Credit Union is limited by guarantee and cannot distribute dividends by virtue of the provision of its Constitution.

### REVIEW OF OPERATIONS

The results of the Credit Union's operations were affected by the extra costs required to obtain a Financial Services Licence. Under the Financial Services Reform Act, the Credit Union was required to obtain such a licence in order to continue to provide services to the members.

Substantial expenditure was outlaid to develop new documents such as the Financial Services Guide, Product Disclosure Statements and other ASIC requirements.

There was also significant levels of time and money spent on updating staff training and development. The Credit Union has not fully quantified the level of expenditure, but it is estimated at \$150,000 for the 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 January, 2004.

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

#### **EVENTS OCCURRING AFTER BALANCE DATE**

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

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

in the financial years subsequent to this financial year.

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:

**B Nevin**  
Chairman

**G Brooks**  
Deputy Chairman

Signed and dated this 23rd day of September 2004.

## Directors' Declaration

The directors of Sydney Credit Union Ltd 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.

**B Nevin**

Chairman

**G Brooks**

Deputy Chairman

Dated this 23rd day of September 2004.

## Independent Audit Report

To the members of Sydney Credit Union Ltd

### SCOPE

We have audited the financial report of Sydney Credit Union Ltd 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 Accounts. 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 Sydney Credit Union Ltd 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; and
- (b) other mandatory professional reporting requirements.

Dated this 24th Day of September 2004

**BDO KENDALLS**

North Parramatta

Chartered Accountants

**Neville Sinclair**

(Partner)

# Statement of Financial Performance

as at 30 June 2004

	Note	2004	2003
		\$	\$
<b>Revenue</b>			
Interest revenue	2.a	10,434,482	10,198,099
Non interest revenue	2.b	2,401,526	2,562,443
Total income		12,836,008	12,760,542
<b>Expenses from ordinary activities</b>			
<b>Borrowing expense</b>			
	2.c	3,666,226	3,443,660
<b>Non Interest Expenses</b>			
Bad and doubtful debts	2.d	291,000	603,000
Fee and Commission		1,439,429	1,406,034
		1,730,429	2,009,034
General Administration			
– Employees costs		3,457,164	3,244,957
– Depreciation and Amortisation		350,445	406,457
– Information technology		838,463	857,001
– Office Occupancy		686,881	665,775
– Other administration		1,011,970	947,093
Total General Administration		6,344,923	6,121,283
Other Operating Expenses		485,855	533,787
Total Non Interest Expenses		8,561,207	8,664,104
Share of loss in Associated Company using Equity Method of Accounting	9	29,560	36,678
Total Expenses		12,256,993	12,144,442
<b>Operating Profit before Income Tax</b>			
		579,015	616,100
Income Tax Expense	3	170,443	208,456
<b>Operating Profit after Income Tax</b>	19	408,572	407,644
<b>Other increases in Members equity</b>			
Increase in Asset Revaluation Reserve			
<b>Total increase in Members equity</b>		408,572	407,644

# Statement of Financial Position

as at 30 June 2004

	Note	2004	2003
		\$	\$
<b>Assets</b>			
Cash	4	5,586,050	10,638,263
Receivables from other financial institutions	5	37,553,636	49,265,796
Accrued Receivables	6	780,849	813,411
Loans and advances	7 & 8	108,028,916	87,445,381
Other Investments	9	1,726,550	1,706,110
Property, Plant and Equipment	10	1,607,747	1,808,914
Taxation Assets	11	1,253,072	1,288,852
<b>Total Assets</b>		<b>156,536,820</b>	<b>152,966,727</b>
<b>Liabilities</b>			
Payables to other financial institutions	12	180,018	–
Deposits and Borrowings	13	134,913,886	133,034,361
Payables	14	2,659,075	1,619,148
Taxation liabilities	15	<44,293>	30,502
Provisions	16	1,628,117	1,491,271
<b>Total Liabilities</b>		<b>139,336,803</b>	<b>136,175,282</b>
<b>Net Assets</b>		<b>17,200,017</b>	<b>16,791,445</b>
<b>Members Equity</b>			
Capital	17	81,128	64,766
Reserves	18	4,374,216	4,374,216
Retained profits	19	12,744,673	12,352,463
<b>Total Members Equity</b>		<b>17,200,017</b>	<b>16,791,445</b>

# Statement of Cash Flows

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
<b>OPERATING ACTIVITIES</b>			
<b>Inflows</b>			
Interest received		10,435,102	10,462,898
Fees and commissions		2,161,788	2,148,128
Dividends		21,291	1,627
Other income		214,442	180,930
		<u>12,832,623</u>	<u>12,793,583</u>
<b>Outflows</b>			
Interest paid		3,606,322	3,304,703
Suppliers and employees		7,682,771	7,783,755
Income taxes paid		268,918	592,748
		<u>11,558,011</u>	<u>11,681,206</u>
<b>Net Cash from Operating Activities</b>	31.c	<u>1,274,612</u>	<u>1,112,377</u>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows</b>			
Proceeds on sale of investment in shares		–	–
Proceeds on sale of property, plant and equipment		22,500	36,000
Receivables from other financial institutions (net movement)		11,712,160	3,187,465
<b>Less: Outflows</b>			
Receivables from other financial institutions (net movement)		–	–
Purchase of investment of shares		53,930	132,654
Purchase of fixed assets		209,124	890,722
Member loans (net movement)		20,874,535	3,082,425
<b>Net Cash from Investing Activities</b>		<u>&lt;9,402,929&gt;</u>	<u>&lt;882,336&gt;</u>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows (Outflows)</b>			
Member deposits and shares (net movement)		2,896,086	7,701,219
<b>Net Cash from Financing Activities</b>		<u>2,896,086</u>	<u>7,701,219</u>
Total Net Cash increase/ (decrease)		<u>&lt;5,232,231&gt;</u>	<u>7,931,260</u>
Cash at Beginning of Year		10,638,263	2,707,003
Cash at End of Year	31.a	<u>5,406,032</u>	<u>10,638,263</u>

# Notes to the Financial Statements

for the year ended 30 June 2004

## 1. Statement of Accounting Policies

The accounts 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. LOANS 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 members 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 members account on the 15th day of each month.

*Non Accrual Loan Interest* – 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.

### 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 on 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.
- 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 provisions 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 – 10 years.
- Plant and Equipment – 3 to 7 years.

### 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. INVESTMENTS IN AUSTRALIA

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

## I. 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, or on maturity of 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 savings and term deposit account as varied from time to time.

The amount of the accrual is shown as part of amounts payable.

## J. 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.

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 to expense as incurred.

## K. 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 statement 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% (2003 30%).

Future income tax benefits are not brought to account 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.

## L. GOODS AND SERVICES TAX

As a financial Institution the Credit Union is Input Taxed on all income except other income from commissions and some fees.

An input taxed supply is not subject to 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 goods and services tax (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 and payables are stated with the amount of GST included where applicable GST is collected.

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 cashflows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

## M. 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 this provision identified as a General Provision is not able to be taken up as a provision under the proposed AASB 139 Measurement of Financial Instruments, and will need to be written back. The portion of the provision identified as Specific Provision will need also to be re-evaluated to meet the revised provisioning criteria under AASB 139. At present this specific provision is calculated in accordance with a formula mandated by APRA for use by all Credit Unions as part of the Prudential Standards. Because this formula is based on percentages applied as the loan ages in repayment arrears, a review of its appropriateness will be necessary. This assessment will take place annually to reflect the potential losses as at the balance date.

### (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 material change to the effective interest rate being earned, they will be required to be deferred and reflected as revenue over the expected life of the loan. This would reduce the level of income being reported in the year of loan inception and increase the income in subsequent years as the deferred income is recognised.

### (iii) Direct Transaction costs on Loans

At present the Credit Union recognises all direct transaction costs on loans as part of the loan balance at the time the loan is disbursed to the member. The Credit Union will be reviewing its processes to confirm that the relevant direct costs of establishing the loan do not exceed the recovered amount. If costs are found to be in excess of recovered amount, then to the extent that they result in a material change to the effective interest rate being earned, they will be required to be deferred and reflected as expenses over the expected life of the loan. This would increase the level of income being reported in the year of loan inception and decrease the income in subsequent years as the deferred expense is recognised.

### (iv) Investments

Under the new Standards all investments in equity instruments where a market value can be determined will be required to be measured at fair value in the Balance Sheet, 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, TAS or CUTD, additional information will need to be obtained to determine the appropriate details to be reported.

### (v) Derivative Instruments Used for Hedging

Any derivative instruments used for hedging purposes will need to have a fair value determined. A positive value would result in an asset being recognised on the balance sheet and a negative value would result in a liability being recognised. Any gains or losses would be recognised in the profit and loss account.

### (vi) Securitisation of Loans

At present all loans securitised and sold to Integris are not recognised as an asset on the Statement of Financial Position. The contractual arrangements with Integris are being evaluated to ensure that they will meet the new criteria for transferring assets off balance sheet. There would be no profit impact. If these loans had to be recognised as assets, there would be an equivalent liability also recognised. The current pending standards only require this change to be reflected on securitised loans made after 1 January 2004.

### (vii) Taxation Assets and Liabilities

The revisions to this standard will require the recognition of the deferred tax liabilities and tax assets to be related to the reported balance sheet assets and liabilities. The present standards assess the deferred tax liabilities and tax assets according to the impact on the taxable income of the Credit Union. The impact is related to revaluations of the property and investments which do not impact on the Profit & Loss reported. The Credit Union will be reviewing its calculation of Deferred Tax Assets and Deferred Tax Liabilities to determine whether the changes in criteria for recognition will lead to any changes in the amounts to be reported.

### (viii) Sick leave liabilities

The revised standard on Employees entitlements will require a recognition of the accumulated sick leave entitlements, which while not able to be paid on termination, are carried for up to 10 years. The recognised value of any past entitlements available and expected to be consumed in the next 12 months will be reflected in the balance sheet as a liability. This is not expected to result in a material change in the reported results.

## MANAGEMENT OF THE TRANSITION PROCESS

In order to facilitate this transition process, the Credit Union has established a transition project team who reports to the Audit Committee on a regular basis. The transition project team have established a time table for the transition process to ensure that each phase of the transition project is completed on schedule and to ensure a smooth implementation.

The Credit Union's transition process consists of 3 phases as follows:

### 1 Planning Phase

This phase involves setting out the time table for transition and identifying differences in key accounting policies between current Australian Accounting Standards and the Australian equivalents to IFRSs to be adopted in future. It also involves an assessment of complex areas and a basic stocktaking of resources available to implement the process.

The planning phase has essentially been completed at 30 June 2004.

### 2 Diagnosis Phase

Detailed training on specific Australian equivalents to IFRSs will be undertaken during this phase, particularly for staff directly involved in accounting functions.

The Diagnosis Phase also involves a more detailed analysis of measurement and disclosure impacts and preparatory work on revised statutory reporting templates. To ensure that quantitative information is available for AASB 1047 disclosures required at 30 June 2005, decisions will be taken on exemptions and options provided in AASB 1 "First Time Adoption of Australian equivalents to IFRSs" and detailed impairment testing will be performed on opening balance sheet carrying values of assets at 1 July 2004.

Business impacts accounting system changes, training and resource requirements will also be identified during this phase.

This phase has commenced and is due for completion by 31 December 2004.

### 3 Conversion Phase

During this phase, changes required to accounting and reporting systems will be finalised and tested. Training will be undertaken during this phase to ensure that all employees, and accounting personnel who are impacted by the adoption of Australian equivalents to IFRSs are confident with the new processes.

This phase is expected to be completed by 30 June 2005.

## N. REALIGNMENT OF THE BALANCES

While the overall assets and liabilities reported in the Statement of Financial Position, and Income and Expenditure dissections reported in the Statement of Financial Performance are consistent with the prior year, accounting standards have necessitated restating the amounts allocated between categories for consistency with current year allocations.

The significant amounts reallocated within the prior year figures were:

### Nature of change to Statement of Financial Performance

	Value
Sale of Assets	\$
Proceeds on disposal of assets	36,000
Written down value on asset disposals	14,857
	<hr/>
Gain on disposal of assets	21,143

The net gains and losses on sale of assets have been grossed up to reflect the proceeds of sale as revenue, and the net book value of the assets written off as an expense. This will amend the corresponding totals, although the net result remains the same.

## 2. Statement of Financial Performance

### A. ANALYSIS OF INTEREST REVENUE

2004

Category of interest bearing assets	Interest Revenue	Average Balance	Average Interest Rate
	\$	\$	%
Cash – deposits at call	301,496	8,112,156	3.72
Deposits with other financial institutions	2,294,229	43,409,716	5.29
Loans and advances	7,838,757	99,354,924	7.89
Other	–	–	–
<b>TOTAL INTEREST REVENUE</b>	<b>10,434,482</b>	<b>150,876,796</b>	<b>6.92</b>

2003

Category of interest bearing assets	Interest Revenue	Average Balance	Average Interest Rate
	\$	\$	%
Cash – deposits at call	302,228	6,896,322	4.38
Deposits with other financial institutions	2,718,585	52,727,230	5.16
Loans and advances	7,177,286	81,414,114	8.82
Other	–	–	–
<b>TOTAL INTEREST REVENUE</b>	<b>10,198,099</b>	<b>141,037,666</b>	<b>7.23</b>

### B. NON-INTEREST REVENUE

Note	2004	2003
	\$	\$
<b>Fee and commission revenue</b>		
– Loan fee income	286,500	301,620
– Other fee income	1,343,106	1,328,020
– Insurance commissions	267,945	304,686
– Other commissions	264,237	409,560
	<b>2,161,788</b>	<b>2,343,886</b>
Dividend on investments	21,291	1,627
Bad debts recovered	130,874	132,958
Other revenue		
– Proceeds on disposal of assets	22,500	36,000
– Property, plant and equipment	–	–
– Investments	–	–
– Rent received	40,440	46,715
– Miscellaneous revenue	24,633	1,257
<b>TOTAL NON INTEREST REVENUE</b>	<b>2,401,526</b>	<b>2,562,443</b>

## C. BORROWING EXPENSES

### Analysis of interest expenses

2004

Category of interest bearing liabilities	Interest Expense	Average Balance	Average Interest Rate
	\$	\$	%
Member deposits	3,649,547	133,746,689	2.73
Borrowings	16,679	181,211	9.20
<b>TOTAL INTEREST EXPENSE</b>	<b>3,666,226</b>	<b>133,927,900</b>	<b>2.74</b>

2003

Category of interest bearing liabilities	Interest Expense	Average Balance	Average Interest Rate
	\$	\$	%
Member deposits	3,429,119	131,118,794	2.62
Borrowings	14,541	193,880	7.50
<b>TOTAL INTEREST EXPENSE</b>	<b>3,443,660</b>	<b>131,312,674</b>	<b>2.62</b>

## D. BAD AND DOUBTFUL DEBTS EXPENSE

	2004	2003
	\$	\$
Increase in provision	291,000	603,000
Bad debts written off directly against profit	–	–
<b>TOTAL BAD AND DOUBTFUL DEBTS EXPENSE</b>	<b>291,000</b>	<b>603,000</b>

## E. OTHER PRESCRIBED EXPENSE DISCLOSURES

### Auditors remuneration (GST Exclusive)

– Audit fees	67,440	59,465
– Other Services – Preparation of Income Tax Return	2,600	1,500
	<b>70,040</b>	<b>60,965</b>

### Depreciation of

– Buildings	6,829	6,829
– Plant and equipment	180,187	219,090
– Leasehold improvements	163,429	143,860
Written Down Value on disposal of assets		
– Property, plant, equipment	14,998	14,857
Supervision levy	16,676	14,737

### 3. Income Tax Expense

	Note	2004	2003
		\$	\$
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%		173,705	184,830
Add tax effect of expenses not deductible		10,917	27,140
Less tax effect of:			
– Bad debts recovered (pre 23G)		<5,054>	<2,781>
Less			
– Overprovision of tax in prior year		–	<36>
– Franking Rebate		<9,125>	<697>
– Adjustment to recognise Future Income Benefits reduction		–	–
Income tax expense attributable to Operating Profit		170,443	208,456
b. The income tax expense comprises amounts set aside as:-			
Provision for income tax attributable to current year taxable income.		103,456	198,121
Add:			
Movement in the Future Income Tax Benefit account.		66,987	10,335
Income tax expense attributable to Operating Profit		170,443	208,456
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:		1,606,724	1,494,143
Since the Credit Union rules prevent a dividend being declared these franking credits are not presently available to members.			

## 4. Cash

	Note	2004	2003
		\$	\$
Cash on hand		586,050	648,007
Deposits at call		–	–
Deposits held with Cuscal		5,000,000	9,990,256
		<u>5,586,050</u>	<u>10,638,263</u>

## 5. Receivables from Other Financial Institutions

	2004	2003
	\$	\$
Deposits with other Credit Unions	2,000,000	750,000
Deposits with other ADIs	21,500,000	23,311,243
Deposits with banks	14,053,636	25,204,553
	<u>37,553,636</u>	<u>49,265,796</u>

## 6. Receivables

	2004	2003
	\$	\$
Interest receivable on deposits with other financial institutions	273,282	273,902
Prepayments	121,886	157,833
Sundry debtors	385,681	381,676
	<u>780,849</u>	<u>813,411</u>

## 7. Loans and Advances

	Note	2004	2003
		\$	\$
<b>A. AMOUNT DUE COMPRISES:</b>			
Overdrafts and revolving credit		4,801,733	5,210,924
Term loans		104,691,405	84,005,787
<b>Sub Total</b>		<u>109,493,138</u>	<u>89,216,711</u>
Less:			
Specific provision		624,536	922,183
<b>Sub Total</b>		<u>108,868,602</u>	<u>88,294,528</u>
Less:			
General provision		839,686	849,147
<b>Net</b>		<u>108,028,916</u>	<u>87,445,381</u>
<b>B. SECURITY DISSECTION</b>			
Secured by mortgage		77,774,128	56,614,730
Partly secured by goods mortgage		14,387,204	14,007,290
Wholly unsecured		17,331,806	18,594,691
		<u>109,493,138</u>	<u>89,216,711</u>
<b>C. CONCENTRATION OF LOANS</b>			
(i) There are no individual loans which exceed 10% of member funds in aggregate			
(ii) Purpose dissection			
Residential loans		58,974,825	35,876,440
Personal loans		45,644,018	52,594,245
Commercial loans		4,874,295	746,026
<b>TOTAL</b>		<u>109,493,138</u>	<u>89,216,711</u>

## 8. Provision on Impaired Loans

	Note	2004	2003
		\$	\$
<b>A. TOTAL PROVISION COMPROMISES</b>			
Specific provisions		624,536	922,183
General provisions		839,686	849,147
<b>Total Provision</b>		<b>1,464,222</b>	<b>1,771,330</b>
<b>B. MOVEMENT IN THE SPECIFIC PROVISION</b>			
Balance at the beginning of year		922,183	1,158,258
Add (deduct):			
Transfers from (to) Statement of Financial Performance		186,408	263,786
Bad debts written off provision		<484,055>	<499,861>
<b>Specific Provision Balance at end of year</b>		<b>624,536</b>	<b>922,183</b>
<b>C. MOVEMENT IN GENERAL PROVISION</b>			
Balance at beginning of year		849,147	678,315
Add(deduct):			
Transfers from (to) Statement of Financial Performance		104,591	338,713
Bad debts written off provision		<114,052>	<167,881>
<b>General Provision Balance at end of year</b>		<b>839,686</b>	<b>849,147</b>
<b>D. THE SPECIFIC LOANS PROVISION CONSISTS OF:</b>			
(i) provision required under the APRA Prudential Standards		624,536	922,183
(ii) Additional specific provision		-	-
		<b>624,536</b>	<b>922,183</b>
<b>E. IMPAIRED LOAN CLASSIFICATIONS</b>			
Accounting Standards have classified loans where repayments are in arrears in the following terms:			
(i) Non Accrual Loans are facilities where recovery of all principal and interest is doubtful, or where the interest recovery is less than the average cost of funds.			
(ii) Restructured Loans are loans where the interest recovery is less than the normal terms applicable, but higher than the average cost of funds. (Where provision is required the loan is classified as "Non Accrual".)			
(iii) The above categories are together referred to as <b>impaired loans</b> .			
(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>IMPAIRED LOANS AND OTHER DISCLOSURES</b>			
<b>Non Accrual loans – Balances</b>			
– with no provision		-	-
– with a provision		941,677	1,326,538
Less: Specific provision		624,536	922,183
<b>Total Non Accrual Loans</b>		<b>317,141</b>	<b>404,355</b>
<b>Restructured Loans</b>		<b>65,538</b>	<b>120,265</b>
<b>Past Due Loans</b>		<b>-</b>	<b>125,653</b>
<b>Revenue on Impaired Loans (Non Accrual and Restructured)</b>			
Interest and other revenue recognised as revenue earned in the year		112,361	40,758
Interest and other revenue not recognised as revenue (i.e. foregone) in the year		106,979	36,923

## 9. Investments

	Note	2004	2003
		\$	\$
<b>Shares:</b>			
– Commercial Shares		1,064,568	1,064,568
– CUSCAL Member Shares		10	10
– CU Financial Advisory Services A-Class		1	1
– CU Financial Advisory Services D-Class		1	1
– CU Financial Advisory Services Ordinary		165,998	115,998
– Less Share of Losses under Equity Accounting Principles		<66,238>	<36,678>
– Transaction Solutions Pty Ltd		562,210	562,210
– CU Tech Development (a)		5,690	5,690
– Less Provision		<5,690>	<5,690>
– CFP Shares		10,000	10,000
– Less Provision		<10,000>	<10,000>
– Baycorp Advantage Shares (b)		18,676	14,746
– Less Provision		<18,676>	<14,746>
<b>Loans:</b>			
Credit Union Technology Development		492,138	492,138
Less Provision		<492,138>	<492,138>
<b>TOTAL INVESTMENTS</b>		<b>1,726,550</b>	<b>1,706,110</b>

### (a) Shares in Credit Union Technology Development Ltd (CUTD)

The Credit Union owns B Class shares in this company contracted to provide new information technology facilities in accordance with the Credit Union movements long term strategy.

### (b) Baycorp Advantage Ltd. (a listed public company)

The Credit Union was allocated shares through the demutualisation of the Credit Reference Association of Australia.

These shares were acquired at no cost by Media & Publishing Credit Union and Ryde Council Credit Union and were transferred to Sydney Credit Union at a written down value of nil when that Credit Union transferred engagements to Sydney Credit Union.

These shares have a market value of \$24,465 as at 30 June 2004. (\$13,260 as at 30 June 2003).

### (c) Interest is held in the following associated companies

#### Associated companies of the Credit Union are:

Credit Union Financial Advisory Services Pty Ltd

	Note	2004	2003
		%	%
<b>Ownership Interest</b>		33.33	33.33
	Note	2003	2002
		\$	\$
<b>Carrying Amount of Investment</b>		99,762	79,322

## 10. Property, Plant and Equipment

	Note	2004	2003
		\$	\$
<b>A. FIXED ASSETS</b>			
<b>Land &amp; Buildings – at cost</b>		613,159	613,159
Less: Provision for depreciation		42,129	35,300
		571,030	577,859
 <b>Plant and equipment – at cost</b>		 3,153,644	 3,014,577
Less: Provision for depreciation		2,653,131	2,452,945
		500,513	561,632
 <b>Capitalised Leasehold Improvements at cost</b>		 2,213,094	 2,182,884
Less: Provision for amortisation		1,676,890	1,513,461
		536,204	669,423
 <b>Total Property, Plant and Equipment</b>		 1,607,747	 1,808,914

### B. LAND AND BUILDINGS – VALUATION

A car space located at 251-255a Clarence Street having a cost of \$23,159 has been valued at a market value of \$75,000 as at 10th September 2002 based upon an independent valuation which is to be conducted every 3 years.

Land and Buildings at 60 Cooper Street, Surry Hills, having a cost of \$590,000 has been valued at a fair market value of \$900,000 as at 10th September 2002, based upon an independent valuation which is to be conducted every 3 years.

The current valuations were performed by United Valuers Pty Ltd.

The increase in valuation over cost has not been brought to account in the Statement of Financial Position.

### C. MOVEMENT IN THE ASSETS BALANCES DURING THE YEAR WERE:

	2004			2003		
	Property	Plant & equipment	Leasehold	Property	Plant & equipment	Leasehold
	\$	\$	\$	\$	\$	\$
Opening balance	577,859	561,632	669,423	584,688	541,882	176,276
Purchases in the year		154,066	30,210		253,698	636,966
Revaluation increase adjustments						
Less						
Disposal of assets		14,998			14,857	
Depreciation charge	6,829	200,187	163,429	6,829	219,091	143,809
Revaluation decrement adjustments						
<b>Balance at the end of the year</b>	571,030	500,513	536,204	577,859	561,632	669,423

## 11. Taxation Assets

	2004	2003
	\$	\$
GST Receivable	31,207	–
Future Income Tax Benefit	1,221,865	1,288,852
<b>Total</b>	<b>1,253,072</b>	<b>1,288,852</b>

### 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. Amounts Payable to Other Financial Institutions

	2004	2003
	\$	\$
Overdraft	180,018	–
<b>TOTAL BORROWINGS</b>	<b>180,018</b>	<b>–</b>

## 13. Deposits

	2004	2003
	\$	\$
Member Deposits		
– at call	80,458,443	82,113,715
– term	54,232,213	50,689,008
<b>Total deposits</b>	<b>134,690,656</b>	<b>132,802,723</b>
Member Withdrawable Shares	223,230	231,638
<b>TOTAL DEPOSITS &amp; SHARES</b>	<b>134,913,886</b>	<b>133,034,361</b>

### CONCENTRATION OF MEMBER DEPOSITS

There were no significant individual member deposits which in aggregate represent more than 10% of the total liabilities.

## 14. Payables

	2004	2003
	\$	\$
Creditors and accruals	207,817	244,355
Interest Payable on Deposits	734,752	674,848
Sundry creditors – clearing accounts	1,716,506	699,945
<b>TOTAL AMOUNTS PAYABLE</b>	<b>2,659,075</b>	<b>1,619,148</b>

## 15. Taxation Liabilities

	2004	2003
	\$	\$
Provision for income tax (Refund Due)	<59,421>	9,823
Accrual for GST payable	15,128	–
Accrual for other tax liabilities	–	20,679
<b>TOTAL TAXATION LIABILITIES</b>	<b>&lt;44,293&gt;</b>	<b>30,502</b>

## 16. Provisions

	2004	2003
	\$	\$
Provision for employee annual leave	399,447	359,155
Provision for employee long service leave	676,752	604,594
Provisions – other	551,918	527,522
<b>TOTAL PROVISIONS</b>	<b>1,628,117</b>	<b>1,491,271</b>

## 17. Capital Account

	2004	2003
	\$	\$
Balance at the beginning of the year	64,766	39,732
Transfer from retained earnings on share redemptions	16,362	25,034
<b>Balance at the end of year</b>	<b>81,128</b>	<b>64,766</b>

### 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 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.

## 18. Reserves

	2004	2003
	\$	\$
General Reserve	3,870,619	3,870,619
Asset Revaluation Reserve	503,597	503,597
<b>TOTAL RESERVES</b>	<b>4,374,216</b>	<b>4,374,216</b>
<b>Movement in General Reserve</b>		
Balance at the beginning of the year	3,870,619	3,870,619
Add: increment on revaluation of land & buildings	–	–
<b>Balance at the end of year</b>	<b>3,870,619</b>	<b>3,870,619</b>
<b>Movement in Asset Revaluation Reserve</b>		
Balance at the beginning of the year	503,597	503,597
Add: increment on revaluation of land & buildings	–	–
<b>Balance at the end of year</b>	<b>503,597</b>	<b>503,597</b>

## 19. Retained Earnings

	2004	2003
	\$	\$
Retained Profits at the beginning of the financial year	12,352,463	11,969,853
Add Operating Profit for the year	408,572	407,644
Less Transfer of reserves to Capital account on redemption of shares	16,362	25,034
<b>Retained Profits at the end of the Financial Year</b>	<b>12,744,673</b>	<b>12,352,463</b>

## 20. Maturity Profile of Financial Assets and Liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid.

2004		ASSETS		LIABILITIES	
Maturity	Cash	Receivables from Other Financial Institutions	Loans & Advances (net of Unearned Income & Specific Provision)	Borrowings	Member Deposits
	\$	\$	\$		\$
At call	5,586,050				80,681,675
Overdrafts			4,783,532	180,018	
Up to 3 months		35,553,635	10,236,231		25,187,988
3 to 12 months		2,000,000	18,453,592		23,119,170
1 to 5 years			43,598,292		5,925,055
Over 5 years			31,796,955		
Unspecified					
<b>TOTAL</b>	<b>5,586,050</b>	<b>37,553,635</b>	<b>108,868,602</b>	<b>180,018</b>	<b>134,913,888</b>

2003		ASSETS		LIABILITIES	
Maturity	Cash	Receivables from Other Financial Institutions	Loans & Advances (net of Unearned Income & Specific Provision)	Borrowings	Member Deposits
	\$	\$	\$		\$
At call	10,638,264				82,345,353
Overdrafts			4,731,064		
Up to 3 months		29,515,795	2,527,272		23,817,944
3 to 12 months		13,750,000	7,356,013		21,503,560
1 to 5 years		5,000,000	27,832,801		5,367,504
Over 5 years		1,000,000	44,998,231		
Unspecified					
<b>TOTAL</b>	<b>10,638,264</b>	<b>49,265,795</b>	<b>87,445,381</b>	<b>–</b>	<b>133,034,361</b>

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

## 21. Interest Rate Change Profile of Financial Assets and Liabilities

Financial 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. Items which are not affected by interest rate changes are not included in this table.

<b>2004</b>					
<b>Time band for changing interest rates</b>	<b>ASSETS</b>			<b>LIABILITIES</b>	
	<b>Cash</b>	<b>Receivables from Other Financial Institutions</b>	<b>Loans &amp; Advances (before Provision)</b>	<b>Payables to Other Financial Institutions</b>	<b>Member Deposits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
Floating rate	5,586,050			180,018	
Within 1 month		9,124,949	103,062,010		91,171,464
1 to 3 months		26,428,686	863,047		14,698,199
3 to 12 months		2,000,000	1,101,738		23,119,170
1 to 5 years			4,466,343		5,925,055
Over 5 years					
<b>TOTAL</b>	<b>5,586,050</b>	<b>37,553,635</b>	<b>109,493,138</b>	<b>180,018</b>	<b>134,913,888</b>
Weighted Average Interest Rate	4.56	5.80	7.79	9.35	3.01

<b>2003</b>					
<b>Time band for changing interest rates</b>	<b>ASSETS</b>			<b>LIABILITIES</b>	
	<b>Cash</b>	<b>Receivables from Other Financial Institutions</b>	<b>Loans &amp; Advances (before Provision)</b>	<b>Payables to Other Financial Institutions</b>	<b>Member Deposits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
Floating rate	10,638,264				
Within 1 month		19,176,735	84,706,993		90,426,442
1 to 3 months		29,339,060	2,246,677		15,736,855
3 to 12 months		750,000	1,855,239		21,503,560
1 to 5 years			407,802		5,367,504
Over 5 years					
<b>TOTAL</b>	<b>10,638,264</b>	<b>49,265,795</b>	<b>89,216,711</b>	<b>–</b>	<b>133,034,361</b>
Weighted Average Interest Rate	4.31	5.22	8.01	–	2.90

## 22. 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 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 are held regularly traded by the Credit Union.

	ASSETS			LIABILITIES	
	Cash	Receivables from Other Financial Institutions	Loans & Advances (after all Provisions)	Payables to Other Financial Institutions	Member Deposits
	\$	\$	\$		\$
Net fair value	5,586,050	37,553,636	107,792,234	180,018	134,881,947
Book value	5,586,050	37,553,636	108,028,916	180,018	134,913,886
<b>Variance</b>	–	–	<236,682>	–	<31,939>

	ASSETS			LIABILITIES	
	Cash	Receivables from Other Financial Institutions	Loans & Advances (after all Provisions)	Payables to Other Financial Institutions	Member Deposits
	\$	\$	\$		\$
Net fair value	10,638,263	49,265,796	88,219,606	–	133,164,656
Book value	10,638,263	49,265,796	87,445,381	–	133,034,361
<b>Variance</b>	–	–	774,225	–	130,295

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.

### LOANS AND ADVANCES

The carrying value of loans and advances is net of unearned income and both 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 June 30. 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.

## 23. Financial Commitments

	2004	2003
	\$	\$
<b>A. OUTSTANDING LOAN COMMITMENTS</b>		
The loans approved but not funded as at 30 June 2004	4,751,985	3,567,382
The payment of these funds is at the discretion of the Board		
<b>B. UNDRAWN LOAN FACILITIES</b>		
Loan facilities available to members for overdrafts, loan redraws and line of credit loans are as follows:		
Total value of facilities approved	11,008,250	16,059,122
Less: Amount advanced	4,801,733	5,210,924
<b>Net undrawn value</b>	6,206,517	10,848,198
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
<b>C. LEASE COMMITMENTS FOR OPERATING LEASES ON PROPERTY OCCUPIED BY THE CREDIT UNION</b>		
Not later than one year	504,676	495,771
Later than one year but not later than five years	1,031,761	1,433,626
Over five years	–	229,880
	1,536,437	2,159,277

The operating leases are in respect of property 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 1 to 5 years and options for renewal are usually obtained for a further 5 years.

### D. COMPUTER BUREAU EXPENSE COMMITMENTS

As referred to in Note 27 the Credit Union has a management contract with Transaction Solutions Pty Limited (TAS) 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.

The costs committed under contracts with TAS are as follows:

Not later than on year	276,276	–
Later than 1 year but not 2 years	–	–
Later than 2 years but not 5 years	–	–
Later than 5 years	–	–
	276,276	–

## 24. Standby Borrowing Facilities

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

2004	Gross	Current Borrowing	Net Available
	\$	\$	\$
Overdraft Facility	1,500,000	180,018	1,319,982
<b>TOTAL STANDBY BORROWING FACILITIES</b>	<b>1,500,000</b>	<b>180,018</b>	<b>1,319,982</b>

2003	Gross	Current Borrowing	Net Available
	\$	\$	\$
Overdraft Facility	1,500,000	–	1,500,000
<b>TOTAL STANDBY BORROWING FACILITIES</b>	<b>1,500,000</b>	<b>–</b>	<b>1,500,000</b>

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 limited by guarantee, 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 total assets (2003 – 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 and 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 the balance date there were no loans issued.

## 26. Disclosures on Directors

### A. NAMES OF DIRECTORS

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

Mr B Nevin (Chairman)	Mr A Lee	Ms C Ryan
Mr D Lawler OAM	Mr J Clarke	Mr G Mehrtens
Mr J Coyne	Mr G Brooks	Mr M Uzunovski
Mrs N Ellison	Mr P Macklin (Alternate Director)	

### B. REMUNERATION

	2004	2003
	\$	\$
The aggregate remuneration of Directors during the year was		
– Current Year	43,549	37,447
– Prior Year	–	<3,200>
	43,549	34,247

The number of Directors who received remuneration were within the following bands.

	2004	2003
	#	#
\$0 – \$10,000	11	11

The remuneration means salaries, allowances and commissions and other benefits to Directors, but excludes out of pocket expense reimbursements. All remuneration was approved by the members at the previous Annual General Meeting of the Credit Union.

### C. LOANS TO DIRECTORS

	2004	2003
	\$	\$
(i) The aggregate value of loans and credit facilities to Directors Amounted to:	624,037	216,035
(ii) During the year the aggregate value of loans disbursed to Directors amounted to:		
Term Loans	449,872	33,610
Revolving Credit Facilities	37,610	49,427
	487,482	83,037

All loans disbursed to Directors were approved on the same terms and conditions which applied 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	52,774	64,474
Revolving Credit Facilities	43,539	54,116
	96,313	118,590

Directors concerned with the above disbursements and repayments were:

Mortgage Loans	Personal Loans	Revolving Credit
Mr G Mehrtens	Ms C Ryan	Mr J Coyne
Mr P Macklin	Mr G Mehrtens	Ms C Ryan
		Mr G Mehrtens
		Mr M Uzunovski
		Mr P Macklin
		Mrs N Ellison

### 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.

### 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 (Cwlth) and the Banking Act. 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;
- (iii) provides treasury and money market facilities to the Credit Union.

### 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.

### C. ULTRADATA AUSTRALIA PTY LIMITED

Provides and maintains the application software utilised by the Credit Union. This product known as CORVIS was sold by CUSCAL to Ultradata in February 2004. The Credit Union is currently assessing potential Core Banking Systems to replace the existing CORVIS product. The evaluation of the new systems is presently being undertaken by the industry to minimise the costs and operational impact.

### D. TRANSACTION SOLUTIONS PTY LIMITED (TAS)

This entity operates the computer facility on behalf of the Credit Union in conjunction with other Credit Unions. The Credit Union has a management contract with the bureau 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 the CUE Super Plan for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent Corporate Trustee.

## 30. Securitisation

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also manages the loans portfolio on behalf of the trust. The Credit Union bears no risk exposure in respect of these loans. The amount under management as at 30 June 2004 is \$19,440,409 (2003 \$14,654).







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