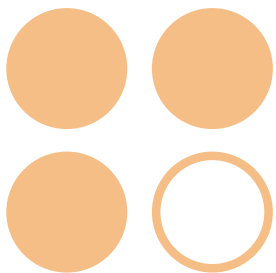


**the university credit society limited**  
*and controlled entities*

ABN 90 087 651 901

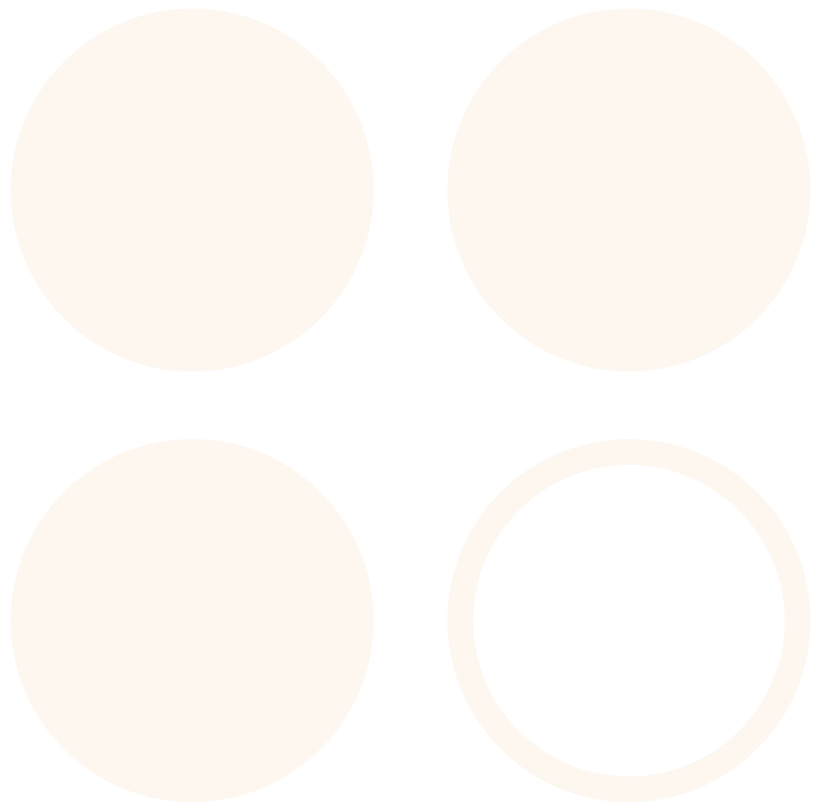


**FINANCIAL REPORT**

for the year ended 30 June 2002



**unicredit**  
INTELLIGENT BANKING



I am proud to present the report for University Credit Society in my first year as Chairman. The Board has continued the policy of the previous 38 years of prudently and conservatively managing the affairs of the University Credit Society, to ensure that it continues to provide a strong, secure and stable financial environment for members. I am therefore happy to report the following financial highlights from our 2001/2002 results:

- Consolidated operating profit before tax for the year ended 30 June 2002 was \$133,000. This result enabled the Credit Society to further strengthen its reserves to \$5.8m.
- Capital Adequacy at 30 June was 12.45%, which is higher than the required prudential standard.
- The Society continues to conservatively manage its liquid assets with liquidity being well in excess of the 9.0% required by prudential standards. At 30 June liquidity was 28.2%.
- The strength and security of Unicredit continues to attract member deposits which during the year increased by 15% to \$78m. Loans to members also increased by 16% to \$57m.

## **Corporate Governance**

During the year we saw several high-profile Australian and international companies fail with their corporate governance being severely compromised. At Unicredit the Board has overall responsibility for the good corporate conduct of the Credit Society. The Board has always placed great value on sound corporate governance, and the directors recognise the need for the highest standard of corporate behaviour and accountability and expect directors and staff to act with the utmost integrity, honesty and objectivity.

## **Products and Services**

Unicredit prides itself on its high quality personal service and its closeness to members. Following requests from many members, Unicredit introduced, in November 2001, an online BPAY<sup>®</sup> product, integrated into NetTeller. One thousand members are now regularly using this service. One constant query from members has been why Unicredit does not offer a competitive credit card product. To meet this need, from October Unicredit will be offering to its members a Credit Union MasterCard. Additionally, in order to meet the financial planning needs of our members, Unicredit has entered into an alliance with Bridges Personal Investment Services who will be available to provide financial planning advice to our members.

## **Appreciations**

Whilst Unicredit products and services are competitive, the real difference is the personal way in which these are delivered to our members. Obviously this would not be possible without loyal and effective staff. I would therefore like to extend my

thanks to the staff and management of Unicredit and Tertiary Travel for their much appreciated efforts during the year.

The Board of Directors consists of members' representatives elected to oversee the governance of the organisation and ensure its success. I wish to express my appreciation to my fellow directors for the support and assistance they have provided the Society. At the November Annual General Meeting Mr Philip Hancock stepped down from the Board. I would like to thank Mr Hancock for the valuable contribution he has made to the Society over many years, both as a director and as chairperson.

Ultimately, it is the continuing support that members provide which has allowed University Credit Society to develop into the successful organisation that it is today. We thank you for this support.

**Mr Don Grant, Chairman**  
Board of Directors  
The University Credit Society Ltd.

The directors of The University Credit Society Limited present their report on the consolidated financial statements of the Society and its controlled entities (the Economic Entity) for the financial year ended 30 June 2002.

## DIRECTORS

The names and particulars of the directors of the Society in office at any time during or since the end of the year are: -

<b>Name</b>	<b>Qualifications, experience and any special responsibilities</b>
R R Boffey	BSc (Agric) (Hons) (UWA), MSc (Agric Econs) (UWA). Senior Lecturer in Banking & Finance, School of Accounting, Finance & Economics, Edith Cowan University. Fellow & Member of State Executive, Australian Institute of Banking & Finance.
S D Bradshaw	BSc (Hons), PhD W. Aust., FZS, FAIBiol. Member. Corres. Mus. d'Hist.Nat. (Paris). Chair of Zoology & Head of Department, The University of WA. Member, Zoological Gardens Board. Director, Tertiary Travel Service Pty Ltd.
W J Ford	BA LLB (Hons), DipEd W.Aust., DipLib (NSW). Barrister and Solicitor of Supreme Court of Western Australia. Dean of the Law School, The University of WA. Committee Member (UWA Branch) NTEU & UWA Academic Staff Association, Former National Vice-President (Academic) NTEU, Deputy Chairman, The University Credit Society Limited. Chairman, Audit Committee. Director, Tertiary Travel Service Pty Ltd.
P M Furzer	DipBusAdmin (PTC) Manager, Examinations, Graduations & Scheduling, Office of Student Services, Murdoch University. Director, Tertiary Brokerage Pty Ltd.
D J Grant	BA, BEd (Melbourne), MA (Monash) Adjunct Associate Professor, Communications and Cultural Studies, Curtin University of Technology. Treasurer, Fellowship of Australian Writers (WA). Chairman, The University Credit Society Limited. Chairman, Tertiary Brokerage Pty Ltd.
P Grant	BA (English) Festival Director, QFest. Member, Film & Television Institute. Assessment Panel Member, Celebrate WA Awards. Former President, National Union of Students WA Branch and Chairman, Edith Cowan Student Guild.

M L Griffith	BCom W.Aust., DipAccounting FCPA Executive Director (Finance & Resources), The University of WA. Director, Higher Education Systems. Director, Tec Start. Chair Uni Mutual. Deputy Chairman, Black Swan Theatre Company. Honorary Treasurer, Festival of Perth. Chairman, Tertiary Travel Service Pty Ltd.
M L T Johns	Retired Senior Technician, Department of Psychology, The University of WA. Deputy Chairman, Tertiary Travel Service Pty Ltd.
F J Lincoln	BSc PhD, FRACI Senior Lecturer, Chemistry, School of Biomedical & Chemical Sciences, The University of WA. Deputy Chairman, Tertiary Brokerage Pty Ltd.

P J Hancock was a director from the beginning of the financial year until his resignation on 21 November 2001.

R R Boffey was appointed a director on 21 November 2001 and continues in office at the date Of this report.

Each director holds one share in the Society.

M L Griffith holds one share in Tertiary Travel Service Pty Ltd in trust for the Society.

The Society keeps a register of information concerning the directors of the Society, including details of each director's interest in any securities issued by the Society. The Society has no such securities on issue. The register is available for inspection: -

- by any member, without fee; and
- by any other person, on payment of the amount (if any) prescribed by the rules of the Society.

## MEETINGS OF DIRECTORS

The number of meetings of the Society's board of directors and of the Society's audit committee held during the year ended 30 June 2002, and the number of meetings attended by each director were:

	<b>Board</b>	<b>Audit</b>
Numbers of meetings held:	11	2
Numbers of meetings attended by:		
R R Boffey (Director for 6 meetings)	6	*
S D Bradshaw (Leave of absence for 3 meetings)	2	*
W J Ford	8	1
P M Furzer	11	2
D J Grant	11	1
P Grant (Leave of absence for 1 meeting)	5	*
M L Griffith	6	1
P J Hancock (Director for 5 meetings)	3	*
MLT Johns (Leave of absence for 1 meeting)	10	*
FJ Lincoln	11	*

\* Not a member of the relevant committee

## PRINCIPAL ACTIVITIES

The principal activities of the entities in the Economic Entity during the year were: -

- |   |                 |
|---|-----------------|
| ■ The University Credit Society Limited | Credit Society  |
| ■ Tertiary Travel Service Pty Ltd       | Travel Agent    |
| ■ Tertiary Brokerage Pty Ltd            | Insurance Agent |

## CONSOLIDATED RESULTS

The consolidated profit after income tax of the Economic Entity for the year was \$92,651.

## DIVIDENDS

The directors do not recommend that a dividend be paid. No dividends have been paid during the year.

## REVIEW OF OPERATIONS

The Economic Entity continued to operate satisfactorily during the year with the result that:

- Members' funds increased from \$5,745,305 to \$5,837,838 (1.7%)
- Total assets increased from \$74,850,972 to \$85,293,636 (14.0%)
- Members' deposits increased from \$67,888,060 to \$77,956,166 (14.8%)
- Loans to members increased from \$49,446,782 to \$57,610,541 (16.5%)

## INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring directors and officers of the Society and related bodies corporate against liability.

The officers of the Society and related bodies corporate covered by the insurance contract include the directors, executive officers, secretary and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Economic Entity during the financial year.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect -

- (i) the operations of the Economic Entity; or
  - (ii) the results of those operations; or
  - (iii) the state of affairs of the Economic Entity;
- in financial years subsequent to 30 June 2002.

**LIKELY DEVELOPMENTS IN THE OPERATIONS OF THE ECONOMIC ENTITY AND EXPECTED RESULTS OF OPERATIONS**

The Economic Entity will continue to maintain and develop facilities for servicing the financial and related requirements of its members with a sufficient margin of profit to provide for an adequate and appropriate level of reserves.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year no director of the Society has received or become entitled to receive a benefit (other than a remuneration benefit included in note 8 to the consolidated financial statements) by reason of a contract made by the Society or an entity controlled by the Society or by a body corporate that was related to the Society, with a director or with a firm of which the director is a member or with an entity in which the director has a substantial financial interest.

**OTHER MATTERS**

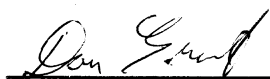
No indemnities have been given or insurance premiums paid during or since the end of the financial year for any person who is or has been an officer or an auditor of the Economic Entity.

No person has applied for Leave of Court to bring proceedings on behalf of the Economic Entity or to intervene in any proceedings to which the Economic Entity is a party for the purpose of taking responsibility on behalf of the Economic Entity for all or any part of those proceedings.

The party was not subject to any such proceedings during the year.

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

**Dated at Nedlands this 21st day of October 2002.**

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

# >>>>>>>>> Statements of Financial Performance

for the year ended 30 June 2002

	Notes	2002		2001	
		Economic	Society	Economic	Society
		Entity	Society	Entity	Society
		\$	\$	\$	\$
Interest revenue	2	4,803,374	4,788,583	4,926,482	4,913,328
Borrowing costs	2	(2,548,919)	(2,548,919)	(2,460,725)	(2,460,725)
<b>Net interest revenue</b>	3	<b>2,254,455</b>	<b>2,239,664</b>	<b>2,465,757</b>	<b>2,452,603</b>
Other revenue from ordinary activities	2	790,632	463,424	870,722	442,341
Bad and doubtful debt expense	2	(1,247)	(1,247)	(15,207)	(15,207)
Employee benefits expense	2	(1,311,284)	(1,035,507)	(1,284,760)	(1,020,193)
Occupancy expenses	2	(142,121)	(99,368)	(137,113)	(96,497)
Depreciation and amortisation expenses	2	(176,991)	(170,035)	(184,947)	(178,144)
Other expenses from ordinary activities	2	(1,280,241)	(1,252,819)	(1,362,547)	(1,301,646)
<b>Profit from ordinary activities before income tax</b>	2	<b>133,203</b>	<b>144,112</b>	<b>351,905</b>	<b>283,257</b>
Income tax expense relating to ordinary activities	4	(40,552)	(43,824)	(115,114)	(91,607)
<b>Net profit from ordinary activities after income tax attributable to members of the company</b>		<b>92,651</b>	<b>100,288</b>	<b>236,791</b>	<b>191,650</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>92,651</b>	<b>100,288</b>	<b>236,791</b>	<b>191,650</b>

The accompanying notes form part of these financial statements

# >>>>>>>>> Statements of Financial Position

as at 30 June 2002

	Notes	2002		2001	
		Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>ASSETS</b>					
Cash and liquid assets	5(a)	1,075,852	1,075,452	225,181	224,781
Due from other financial institutions	5(b)	11,627,173	11,627,173	10,792,858	10,792,858
Accrued receivables	5(c)	735,660	461,815	531,360	382,564
Investment securities	5(d)	12,414,029	12,414,029	11,944,357	11,944,357
Loans and advances	5(e)	57,268,587	57,268,587	49,090,744	49,090,744
Other investments	5(f)	542,995	645,995	542,995	645,995
Property, plant and equipment	5(g)	1,385,816	1,380,023	1,501,705	1,488,955
Deferred tax assets	5(h)/6(d)	243,524	231,887	221,772	220,901
<b>TOTAL ASSETS</b>		<b>85,293,636</b>	<b>85,104,961</b>	<b>74,850,972</b>	<b>74,791,155</b>
<b>LIABILITIES</b>					
Deposits and borrowings	6(a)	77,956,166	78,325,519	67,888,060	68,269,332
Payables and other liabilities	6(b)	1,264,832	989,007	824,335	717,229
Interest bearing liabilities	6(c)	-	-	-	-
Tax liabilities	6(d)	11,380	11,380	178,903	134,878
Provisions	6(e)	223,420	223,420	214,369	214,369
<b>TOTAL LIABILITIES</b>		<b>79,455,798</b>	<b>79,549,326</b>	<b>69,105,667</b>	<b>69,335,808</b>
<b>NET ASSETS</b>		<b>5,837,838</b>	<b>5,555,635</b>	<b>5,745,305</b>	<b>5,455,347</b>
<b>EQUITY</b>					
Reserves	7	5,555,635	5,555,635	5,455,347	5,455,347
Retained profits		282,203	-	289,958	-
<b>TOTAL EQUITY</b>		<b>5,837,838</b>	<b>5,555,635</b>	<b>5,745,305</b>	<b>5,455,347</b>

The accompanying notes form part of these financial statements

## >>>>>>>>> Statements of Cash Flows

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest and bill discounts received	4,793,332	4,778,538	4,949,866	4,936,712
Interest and other costs of finance paid	(2,548,919)	(2,548,919)	(2,474,642)	(2,460,725)
Fees and commissions received	7,260,963	455,087	6,927,747	435,951
Cash paid to suppliers and employees	(8,953,061)	(2,165,851)	(8,865,016)	(2,456,924)
Income tax paid	(226,815)	(178,308)	(70,395)	(60,088)
Net cash provided by operating activities (Note 15(3))	<b>325,500</b>	<b>340,547</b>	<b>467,560</b>	<b>394,926</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net receipts from (payments for) short term Investments	(1,219,672)	(1,219,672)	(13,165,781)	(13,165,781)
Member loans granted	(21,364,803)	(21,364,803)	(14,209,408)	(14,209,408)
Member loans repaid	13,186,960	13,186,960	15,328,136	15,328,136
Payments for property, plant and equipment	(61,103)	(61,103)	(143,573)	(142,562)
Proceeds from sale of plant and equipment	-	-	-	-
Contributions to CUSCAL	-	-	(3,666)	(3,666)
Net cash used in investing activities	<b>(9,458,618)</b>	<b>(9,458,618)</b>	<b>(12,194,292)</b>	<b>(12,193,281)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net increase in members deposits	10,058,567	10,058,567	11,999,857	11,999,857
Net increase/(decrease) in withdrawable shares	(2,380)	(2,380)	(1,356)	(1,356)
Net increase in amounts due to subsidiaries	-	(3,130)	-	9,648
Net cash provided by financing activities	<b>10,056,187</b>	<b>10,053,057</b>	<b>11,998,501</b>	<b>12,008,149</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>923,069</b>	<b>934,986</b>	<b>271,769</b>	<b>209,794</b>
Cash at beginning of year	1,149,309	767,639	877,540	557,845
<b>CASH AT END OF YEAR (Note 15(1))</b>	<b>2,072,378</b>	<b>1,702,625</b>	<b>1,149,309</b>	<b>767,639</b>

The accompanying notes form part of these financial statements

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for The University Credit Society Limited and its controlled entities, Tertiary Travel Service Pty Ltd and Tertiary Brokerage Pty Ltd. The University Credit Society Limited is a financial institution, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

### **(a) Principals of Consolidation**

A controlled entity is an entity controlled by The University Credit Society Limited. Control exists where The University Credit Society Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with The University Credit Society Limited to achieve the objectives of The University Credit Society Limited

### **(b) Income Tax**

Tax effect accounting procedures are applied whereby the income tax expense shown in the statements of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account either as provision for deferred income tax or a future income tax benefit at the rate on income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of the realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

(c) **Loans and Advances**

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principle and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the statement of financial performance. The provision of impairment is calculated in accordance with a formula prescribed under the Prudential Standards.

(d) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

**Property**

Freehold land and buildings are measured on their fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**Depreciation**

All fixed assets including buildings, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Freehold Buildings	2.5%
Plant and Equipment	5% – 33%

(e) **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to financial assets.

All revenue received arises from the operating activities of the economic entity.

Fees and commissions are recognised upon the rendering of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

- (f) **Provisions for Employee Entitlements**  
Liabilities for wages and salaries, annual leave and long service leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date.
- (g) **Investments**  
Interests in listed and unlisted securities, other than controlled entities in the consolidated accounts, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable.
- (h) **Trade and Other Creditors**  
These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
- (i) **Goods and Services Tax (GST)**  
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown as inclusive of GST.
- (j) **Financial Instruments**  
The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

FINANCIAL INSTRUMENTS	STATEMENT OF FINANCIAL POSITION NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
<b>FINANCIAL ASSETS</b>			
Cash and Liquid assets	5	All investments are recognised at the lower of cost or net realisable value where the difference is material.	All liquid assets in excess of balances held as branch floats are invested on the 11am money market.
Investments	5	All investments are recognised at the lower of cost or net realisable value where the difference is material.	Invested funds are in marketable parcels with maturities spread evenly over usually less than 90 days
Receivables	5	Amounts receivable are carried at face value unless there is doubt as to collectability	Receivables are due and payable at the time of raising the debt or in certain circumstances due and payable within 30 days.

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## (g) Financial Instruments (continued)

FINANCIAL INSTRUMENTS	STATEMENT OF FINANCIAL POSITION NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
Loans and Advances	5	The loan contract specifies the manner in which interest is applied. This is usually either on the daily balance or on the opening balance. In each instance interest is charged in arrears.	Housing, investment, overdraft, line of credit and commercial loans are secured against real estate or in a limited number of cases term deposits. Personal loans may be advanced unsecured however security is normally in the form of goods mortgage. Loans may be advanced from 12 months to 30 years.
<b>FINANCIAL LIABILITIES</b>			
Payables to other financial institutions	6	The overdraft is brought to account at face value. Interest is charged as an expense as it accrues.	The overdraft is secured by a fixed and floating charge over the Credit Society's assets.
Payables and other liabilities	6	Payments and accruals are recognised when incurred whether or not billed.	Creditors are normally paid within the specified trading terms.
Deposits	6	Deposits are recorded at the principal amount plus accrued interest.	Member deposits accrue interest at rates and for terms according to the deposit type and balance. Interest is accrued on the daily balance.
<b>UNRECOGNISED FINANCIAL INSTRUMENTS</b>			
Interest Rate Swaps		The Society enters into interest rate swap agreements that are used to convert its fixed rate loans and advances to variable interest rates. It is the Society's policy not to recognise assets or liabilities in relation to interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.	At balance date, the Society has interest rate swap agreements with a notional amount of \$10.617m, on which it pays 5.14% to 7.55% interest and receives Bank Bill Swap rate calculated on the notional amount. The swaps are used to protect the Society from exposure to increasing interest rates. The swaps in place cover a proportion of the fixed rate loans at balance date. The swaps expire between September 2002 and June 2007.

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 2: PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>				
Interest on commercial loans:				
Loans for residential investment properties	662,305	662,305	695,898	695,898
Other commercial loans	419,594	419,594	397,435	397,435
	<b>1,081,899</b>	<b>1,081,899</b>	<b>1,093,333</b>	<b>1,093,333</b>
Interest on loans other than commercial loans	2,666,937	2,666,940	2,952,061	2,952,061
Interest on investments	1,054,538	1,039,744	881,088	867,934
<b>Interest revenue</b>	<b>4,803,374</b>	<b>4,788,583</b>	<b>4,926,482</b>	<b>4,913,328</b>
Interest on members' deposits	2,350,393	2,350,393	2,388,239	2,388,239
Interest on borrowings	198,526	198,526	72,486	72,486
<b>Interest expense</b>	<b>2,548,919</b>	<b>2,548,919</b>	<b>2,460,725</b>	<b>2,460,725</b>
Loan establishment fees	59,888	59,888	53,384	53,384
Other fee income	279,062	279,062	265,549	254,107
Income from property	-	32,280	-	30,100
Insurance commissions	32,384	8,096	41,449	10,414
Other commissions	400,979	65,779	474,004	58,000
Dividends	9,982	9,982	29,946	29,946
Bad debts recovered	8,337	8,337	6,390	6,390
<b>Non interest revenue</b>	<b>790,632</b>	<b>463,424</b>	<b>870,722</b>	<b>442,341</b>
Bad and doubtful debts (Note 11)	1,247	1,247	15,207	15,207
<b>Bad and doubtful debt expense</b>	<b>1,247</b>	<b>1,247</b>	<b>15,207</b>	<b>15,207</b>
Depreciation and amortisation -				
Property, plant and equipment	176,991	170,035	184,947	178,144
Transfers to provisions -				
Holiday pay	13,142	13,142	16,150	16,150
Long service leave	(4,091)	(4,091)	11,021	11,021
Personnel costs	1,302,233	1,026,456	1,257,589	993,022
Supervision levy	8,732	8,732	7,651	7,651
Occupancy expenses	142,121	99,368	137,113	96,497
Other expenses	1,271,509	1,244,087	1,354,896	1,293,995
<b>Other expenses</b>	<b>2,910,637</b>	<b>2,557,729</b>	<b>2,969,367</b>	<b>2,596,480</b>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>	<b>133,203</b>	<b>144,112</b>	<b>351,905</b>	<b>283,257</b>

# >>>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## **NOTE 3: INTEREST REVENUE AND EXPENSE**

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	<b>Economic Entity Average Balance \$</b>	<b>Economic Entity Interest \$</b>	<b>Economic Entity Average Interest Rate %</b>
<b>INTEREST REVENUE 2002</b>			
Investment securities	22,636,231	1,054,538	4.66%
Loans and advances	53,583,665	3,748,836	7.00%
	76,219,896	4,803,374	6.30%
<b>INTEREST EXPENSE 2002</b>			
Customer deposits	73,305,061	2,350,393	3.21%
Short-term borrowings	2,584,974	198,526	7.68%
	75,890,035	2,548,919	3.36%
<i>Net Interest Income 2002</i>	329,861	2,254,455	2.94%
<b>INTEREST REVENUE 2001</b>			
Investment securities	14,577,475	881,088	6.04%
Loans and advances	50,067,789	4,045,394	8.08%
	64,645,264	4,926,482	7.62%
<b>INTEREST EXPENSE 2001</b>			
Customer deposits	62,083,189	2,388,239	3.85%
Short-term borrowings	813,188	72,486	8.91%
	62,896,377	2,460,725	3.91%
<i>Net Interest Income 2001</i>	1,748,887	2,465,757	3.71%

# >>>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 4: INCOME TAX</b>				
The prima facie tax payable on the operating profit for the year is reconciled with the income tax expense as follows:				
Prima facie tax payable on operating profit at 30% (2001: 34%)	(39,961)	(43,233)	(119,647)	(96,307)
Adjustment due to permanent differences	(591)	(591)	6,118	6,118
	(40,552)	(43,824)	(113,529)	(90,189)
Prior year adjustment on depreciation of building	-	-	26,535	26,535
Net adjustment to future income tax benefit and deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30% (2001: 34% to 30%)	-	-	(28,120)	(27,953)
	(40,552)	(43,824)	(115,114)	(91,607)
Income tax attributable to operating profit is made up of the following:				
Provision for income tax	(40,662)	(46,838)	(129,440)	(107,295)
Deferred tax liability	(125)	3,669	(2,749)	(2,749)
Future income tax benefit	235	(655)	17,075	18,437
	(40,552)	(43,824)	(115,114)	(91,607)
<b>NOTE 5: ASSETS</b>				
<b>(a) Cash and liquid assets</b>				
Cash floats	265,946	265,546	224,490	224,090
Cash at bank	809,906	809,906	691	691
	1,075,852	1,075,452	225,181	224,781
<b>(b) Due from other financial institutions</b>				
Deposits with SSPs	11,000,000	11,000,000	10,250,000	10,250,000
Bank deposits	627,173	627,173	542,858	542,858
	11,627,173	11,627,173	10,792,858	10,792,858
<b>Maturity analysis:</b>				
At call	627,173	627,173	542,858	542,858
Not longer than 3 months	11,000,000	11,000,000	10,250,000	10,250,000
	11,627,173	11,627,173	10,792,858	10,792,858

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 5: ASSETS (continued)</b>				
<b>(c) Accrued receivables</b>				
Trade debtors	560,168	286,708	349,525	210,729
Accrued income	98,929	98,929	93,650	83,650
Other debtors and prepayments	76,563	76,178	88,185	88,185
	<b>735,660</b>	<b>461,815</b>	<b>531,360</b>	<b>382,564</b>
<b>(d) Investment securities</b>				
Bank accepted bills of exchange	12,414,029	12,414,029	11,944,357	11,944,357
	<b>12,414,029</b>	<b>12,414,029</b>	<b>11,944,357</b>	<b>11,944,357</b>
<b>Maturity analysis:</b>				
Not longer than 3 months	12,414,029	12,414,029	11,944,357	11,944,357
	<b>12,414,029</b>	<b>12,414,029</b>	<b>11,944,357</b>	<b>11,944,357</b>
<b>(e) Loans and advances</b>				
Loans (note 12)	57,610,541	57,610,541	49,446,782	49,446,782
Less provision for doubtful debts (Note 11)	(341,954)	(341,954)	(356,038)	(356,038)
	<b>57,268,587</b>	<b>57,268,587</b>	<b>49,090,744</b>	<b>49,090,744</b>
<b>Maturity analysis:</b>				
Not longer than 3 months	17,529,919	17,529,919	15,045,824	15,045,824
Longer than 3 and not longer than 12 months	8,034,799	8,034,799	6,896,220	6,896,220
Longer than 1 year and not longer than 5 years	19,956,889	19,956,889	17,128,878	17,128,878
Longer than 5 years	12,088,934	12,088,934	10,375,860	10,375,860
Less provision for doubtful debts (Note 11)	(341,954)	(341,954)	(356,038)	(356,038)
	<b>57,268,587</b>	<b>57,268,587</b>	<b>49,090,744</b>	<b>49,090,744</b>
<b>(f) Other investments</b>				
Shares - in controlled entities (Note 10)	-	103,000	-	103,000
- other unlisted companies	542,995	542,995	542,995	542,995
	<b>542,995</b>	<b>645,995</b>	<b>542,995</b>	<b>645,995</b>

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 5: ASSETS (continued)</b>				
<b>(g) Property, Plant and Equipment</b>				
<b>Freehold Land</b>				
At independent valuation 2001	616,000	616,000	616,000	616,000
<b>Buildings</b>				
At independent valuation 2001	584,000	584,000	584,000	584,000
	1,200,000	1,200,000	1,200,000	1,200,000
Less accumulated depreciation	(14,600)	(14,600)	-	-
<b>Total Land and Buildings</b>	<b>1,185,400</b>	<b>1,185,400</b>	<b>1,200,000</b>	<b>1,200,000</b>
<b>Plant and Equipment</b>				
At cost	1,031,736	997,377	970,633	936,274
Less accumulated depreciation	(831,320)	(802,754)	(668,928)	(647,319)
<b>Total Plant and Equipment</b>	<b>200,416</b>	<b>194,623</b>	<b>301,705</b>	<b>288,955</b>
<b>Total Property, Plant and Equipment</b>	<b>1,385,816</b>	<b>1,380,023</b>	<b>1,501,705</b>	<b>1,488,955</b>

Land and buildings are revalued no less frequently than three years.

The basis of valuation of land and buildings is fair market value based on existing use. The 2001 valuation was carried out by Mr R I Sharp AAPI, of Glendinning & Associates Pty Ltd.

## Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Total \$
Balance at the beginning of year	616,000	584,000	301,705	1,501,705
Additions	-	-	78,705	78,705
Disposals	-	-	(17,602)	(17,602)
Depreciation expense	-	(14,600)	(162,392)	(176,992)
Revaluation	-	-	-	-
Carrying amount at the end of year	<b>616,000</b>	<b>569,400</b>	<b>200,416</b>	<b>1,385,816</b>

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 5: ASSETS (continued)</b>				
<b>(h) Deferred tax assets</b>				
Future income tax benefit	221,787	220,246	221,772	220,901
	221,787	220,246	221,772	220,901
<b>NOTE 6: LIABILITIES</b>				
<b>(a) Deposits and borrowings</b>				
Members' deposits	77,939,142	78,308,495	67,868,656	68,249,928
Withdrawable shares - non-interest bearing	17,024	17,024	19,404	19,404
	77,956,166	78,325,519	67,888,060	68,269,332
<b>Maturity analysis:</b>				
At call	29,792,597	30,161,950	26,686,414	27,067,686
Not longer than 3 months	38,397,111	38,397,111	30,644,005	30,644,005
Longer than 3 and not longer than 6 months	5,489,687	5,489,687	6,248,700	6,248,700
Longer than 6 and not longer than 12 months	3,698,754	3,698,754	3,786,990	3,786,990
Longer than 1 year and not longer than 5 years	578,017	578,017	521,951	521,951
	77,956,166	78,325,519	67,888,060	68,269,332
<b>(b) Payables and other liabilities</b>				
Trade creditors and accruals	1,264,832	943,600	824,335	668,692
Due to controlled entity	-	45,407	-	48,537
	1,264,832	989,007	824,335	717,229
<b>(c) Interest bearing liabilities</b>				
Bank overdraft (Note 19)	-	-	-	-
	-	-	-	-
<b>Maturity analysis:</b>				
At call	-	-	-	-
	-	-	-	-
<b>(d) Tax liabilities</b>				
Income tax	(21,737)	(11,641)	167,268	123,623
Deferred income tax	11,380	11,380	11,635	11,255
	(10,357)	(261)	178,903	134,878

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 6: LIABILITIES (continued)</b>				
<b>(e) Provisions</b>				
Employee entitlements	223,420	223,420	214,369	214,369
	<b>223,420</b>	<b>223,420</b>	<b>214,369</b>	<b>214,369</b>
(a) Number of employees at year end	<b>31</b>	<b>25</b>	<b>31</b>	<b>25</b>
<b>NOTE 7: RESERVES</b>				
<b>General reserve</b>				
Balance at beginning of year	5,193,194	5,193,194	5,001,545	5,001,545
Transfer to reserve for year	100,288	100,288	191,649	191,649
Balance at end of year	<b>5,293,482</b>	<b>5,293,482</b>	<b>5,193,194</b>	<b>5,193,194</b>
<b>Asset revaluation reserve</b>				
Balance at beginning of year	262,153	262,153	258,472	258,472
Add: Revaluation increment on freehold land and buildings	-	-	3,681	3,681
Balance at end of year	<b>262,153</b>	<b>262,153</b>	<b>262,153</b>	<b>262,153</b>
	<b>5,555,635</b>	<b>5,555,635</b>	<b>5,455,347</b>	<b>5,455,347</b>

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

2002		2001	
Economic Entity \$	Society \$	Economic Entity \$	Society \$

## **NOTE 8: DIRECTORS REMUNERATION**

The directors of the Society at any time during the financial year were -

R R Boffey	S D Bradshaw	W J Ford	P M Furzer
D J Grant	P Grant	M L Griffith	P J Hancock
M L T Johns	F J Lincoln		

Total remuneration received by directors of the Society -

Paid by the Society	27,766	27,766	28,366	28,366
Paid by subsidiaries	-	-	-	-
	<b>27,766</b>	<b>27,766</b>	<b>28,366</b>	<b>28,366</b>

Number of directors whose remuneration was within the following bands -

\$0- \$9,999	10	10	10	10
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Aggregate transactions of the directors and director-related parties with the Society are as follows:

Interest on loans for the year	37,444	37,444	65,568	65,568
Interest paid on deposits for the year	9,839	9,839	9,998	9,998
Deposits at year end	178,270	178,270	212,691	212,691

## **TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED PARTIES**

**Loans are made and financial, travel and insurance services supplied to the directors and director-related parties on the same terms and conditions as those applied to other members. No terms or conditions of any loan to related parties have been breached.**

The aggregate amount due in respect of loans

advanced by the Society at year end was:	593,242	593,242	820,812	820,812
Loans advanced during the year	239,912	239,912	540,821	540,821
Loan repayments received during the year	290,408	290,408	713,040	713,040

The directors concerned were

Loans advanced - 2002 P M Furzer, P Grant, ML Griffith, PJ Hancock & F J Lincoln  
2001 P M Furzer & P J Hancock  
Repayments received - 2002 P M Furzer, D J Grant, P Grant, M L Griffith, P J Hancock,  
& F J Lincoln  
2001 P M Furzer, D J Grant, P Grant, M L Griffith, P J Hancock,  
& F J Lincoln

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 9: COMMITMENTS FOR EXPENDITURE</b>				
The Economic Entity is committed for the following future lease expenditure in respect of operating leases which has not been provided for in the accounts:				
- Not later than one year	76,174	76,174	7,680	7,680
- Later than one year and not later than two years	21,846	21,846	7,680	7,680
- Later than two years and not later than five years	12,494	12,494	1,280	1,280
	<b>110,514</b>	<b>110,514</b>	<b>16,640</b>	<b>16,640</b>
Loans approved but not funded as at 30 June	<b>9,463,123</b>	<b>9,463,123</b>	<b>10,734,106</b>	<b>10,734,106</b>

## **NOTE 10: INVESTMENTS IN CONTROLLED ENTITIES**

The Society beneficially owns shares in the following wholly owned controlled entities, which are incorporated in Australia:

	Cost of Parent's Investment	Cost of Parent's Investment
Tertiary Travel Service Pty Ltd 100,000 ordinary shares	100,000	100,000
Tertiary Brokerage Pty Ltd * 3,000 ordinary shares	3,000	3,000
	<b>103,000</b>	<b>103,000</b>

\* This company has not been subject to audit

## **NOTE 11: PROVISION FOR DOUBTFUL DEBTS**

(a) Specific provision for doubtful debts				
Balance at beginning of year	48,349	48,349	87,449	87,449
Add/(Deduct) provision for year	(6,368)	(6,368)	(24,546)	(24,546)
	<b>41,981</b>	<b>41,981</b>	<b>62,903</b>	<b>62,903</b>
Less bad debts written off	(14,084)	(14,084)	(14,554)	(14,554)
Balance at end of year	<b>27,897</b>	<b>27,897</b>	<b>48,349</b>	<b>48,349</b>
(b) General provision for doubtful debts				
Balance at beginning of year	307,689	307,689	276,411	276,411
Add provision for year	6,368	6,368	34,585	34,585
	<b>314,057</b>	<b>314,057</b>	<b>310,996</b>	<b>310,996</b>
Less bad debts written off	-	-	(3,307)	(3,307)
Balance at end of year	<b>314,057</b>	<b>314,057</b>	<b>307,689</b>	<b>307,689</b>
Total Provision for Doubtful Debts	<b>341,954</b>	<b>341,954</b>	<b>356,038</b>	<b>356,038</b>

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 11: PROVISION FOR DOUBTFUL DEBTS (continued)</b>				
(c) Minimum provision required under the prudential standards	29,713	29,713	128,009	128,009
(d) Aggregate amount of loans on which interest is no longer being accrued	12,705	12,705	10,051	10,051
(e) Aggregate amount of loans in arrears by more than 90 days where interest is being accrued	13,098	13,098	15,398	15,398
(f) Non-accrual loans included in provision for doubtful debts	12,705	12,705	10,051	10,051
(g) Interest revenue on non-accrual loans	1,762	1,762	221	221
(h) Interest forgone on non-accrual loans	1,709	1,709	1,450	1,450
(l) Net fair value of assets acquired through enforcement of security.	-	-	-	-

## NOTE 12: LOANS

### Loans by purpose

Commercial loans -				
Loans for residential investment properties	10,116,427	10,116,427	9,245,449	9,245,449
Other commercial loans	8,905,351	8,905,351	6,884,904	6,884,904
Total commercial loans	19,021,778	19,021,778	16,130,353	16,130,353
Residential loans	21,900,055	21,900,055	16,866,356	16,866,356
Personal loans	16,688,708	16,688,708	16,450,073	16,450,073
Less provision for doubtful debts	(341,954)	(341,954)	(356,038)	(356,038)
	57,268,587	57,268,587	49,090,744	49,090,744

### Loans by security

Secured by mortgage	50,162,798	50,162,798	42,459,813	42,459,813
Secured other	5,727,401	5,727,401	5,663,648	5,663,648
Unsecured	1,720,342	1,720,342	1,323,321	1,323,321
Less provision for doubtful debts	(341,954)	(341,954)	(356,038)	(356,038)
	57,268,587	57,268,587	49,090,744	49,090,744

## NOTE 13: FINANCIAL INSTRUMENTS

### (a) Credit Risk Exposure

The credit risk on financial assets of the economic entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts. The economic entity does not have any material credit risk exposure to any single debtors under financial instruments entered into by the economic entity.

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## **NOTE 13: FINANCIAL INSTRUMENTS (continued)**

### **(b) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of the changes in market interest rates and the effective weighted average interest rates of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

Financial Instruments	2002	2002	2002	2002	2002
	Floating interest rate	Non interest bearing	Fixed Interest 1 year or less	Fixed Interest 1 year to 5 years	Total carrying amount as per balance sheet
	\$	\$	\$	\$	\$
<b>(i) Financial Assets</b>					
Cash and liquid assets	-	1,075,852	-	-	1,075,852
Due from other financial institutions	11,627,173	-	-	-	11,627,173
Trading securities	12,414,029	-	-	-	12,414,029
Loans and advances	34,885,444	-	12,935,555	9,447,588	57,268,587
Unlisted shares and sub-ordinated deposits	542,995	-	-	-	542,995
Receivables and other assets	-	560,167	-	-	560,167
Interest Rate Swaps *	10,617,000	-	(1,500,000)	(9,117,000)	-
<b>Total financial assets</b>	<b>70,086,641</b>	<b>1,636,019</b>	<b>11,435,555</b>	<b>330,588</b>	<b>83,488,803</b>
<b>Weighted Average interest rate</b>	<b>5.965%</b>	<b>0.000%</b>	<b>5.474%</b>	<b>0.814%</b>	
<b>(ii) Financial Liabilities</b>					
Overdraft and loan facility	-	-	-	-	-
Member Deposits	-	17,024	-	-	17,024
Deposits	29,775,572	-	47,585,552	578,017	77,939,141
Trade creditors and accruals	-	1,264,832	-	-	1,264,832
<b>Total financial liabilities</b>	<b>29,775,572</b>	<b>1,281,856</b>	<b>47,585,552</b>	<b>578,017</b>	<b>79,220,997</b>
<b>Weighted Average interest rate</b>	<b>0.898%</b>	<b>0.000%</b>	<b>4.224%</b>	<b>4.568%</b>	
<b>Net financial assets (liabilities)</b>	<b>40,311,069</b>	<b>354,163</b>	<b>(36,149,997)</b>	<b>(247,429)</b>	<b>4,267,806</b>

\* Notional principal amounts

## >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

### **NOTE 13: FINANCIAL INSTRUMENTS (continued)**

Financial Instruments	2001 Floating interest rate  \$	2001 Non interest bearing  \$	2001 Fixed Interest 1 year or less  \$	2001 Fixed Interest 1 year to 5 years  \$	2001 Total carrying amount as per balance sheet  \$
(i) Financial Assets					
Cash and liquid assets	-	225,181	-	-	225,181
Due from other financial institutions	10,792,858	-	-	-	10,792,858
Trading securities	11,944,357	-	-	-	11,944,357
Loans and advances	33,024,748	-	6,371,577	9,694,419	49,090,744
Unlisted shares and sub-ordinated deposits	542,995	-	-	-	542,995
Receivables and other assets	-	354,867	-	-	354,867
Interest rate swaps	9,117,000	-	-	(9,117,000)	-
<b>Total financial assets</b>	<b>65,421,958</b>	<b>580,048</b>	<b>6,371,577</b>	<b>577,419</b>	<b>72,951,002</b>
<b>Weighted Average interest rate</b>	<b>6.146%</b>	<b>0.000%</b>	<b>6.673%</b>	<b>0.736%</b>	
(ii) Financial Liabilities					
Overdraft and loan facility	-	-	-	-	-
Member Deposits	-	19,404	-	-	19,404
Deposits	26,667,008	-	40,679,697	521,951	67,868,656
Trade creditors and accruals	-	824,335	-	-	824,335
<b>Total financial liabilities</b>	<b>26,667,008</b>	<b>843,739</b>	<b>40,679,697</b>	<b>521,951</b>	<b>68,712,395</b>
<b>Weighted Average interest rate</b>	<b>1.251%</b>	<b>0.000%</b>	<b>5.146%</b>	<b>5.559%</b>	
<b>Net financial assets (liabilities)</b>	<b>38,754,950</b>	<b>(263,691)</b>	<b>(34,308,120)</b>	<b>55,468</b>	<b>4,238,607</b>

# >>>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## (c) Net fair values

The net fair value of the financial assets and liabilities at 30 June 2002 equate to their carrying value as disclosed in the accounts, other than interest rate swap agreements which had a net fair value of \$(139,452) (2001: \$(197,710)).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and Liquid Assets:	Net fair value equals the carrying amount as these funds are either on hand or invested on the 11am short term money market.
Investments:	Net fair value equals the carrying amount. The terms of these investments allow immediate and relative cost free recoupment. Other investments will also equate to carrying value in an orderly market.
Receivables:	Debtors balances are maintained in accordance with terms of trade, collectability is not in doubt and consequently net fair value equals book value.
Loans and Advances:	Other than impaired loans the loans and advances are at fair value. As such the carrying value will equate to fair value. Impaired loans have been deducted from the gross book value.
Overdraft:	Due to the short term to maturity carrying value equates to fair value.
Deposits:	Deposits are at market rates and as such the carrying amount equates to the fair value.
Trade Creditors and Other Liabilities:	Trade creditors and other liabilities are accounted for according to trade terms and conditions. As such the carrying amount equates to the fair value.
Share Capital:	The carrying amount equates to the fair value.
Interest Rate Swap Agreements:	The fair values of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

## (d) Reconciliation of Net Financial Assets to Net Assets

	Notes	Economic Entity 2002 \$	Economic Entity 2001 \$
Net financial assets as above		4,267,806	4,238,607
Non-financial assets and liabilities:			
Accrued receivables	5(c)	175,492	176,493
Property, plant and equipment	5(g)	1,385,816	1,501,705
Other assets	5(h)	221,787	221,772
Provisions	6(d)/6(e)	(213,063)	(393,272)
		<hr/>	<hr/>
Net assets per statement of financial position		<u>5,837,838</u>	<u>5,745,305</u>

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

## **NOTE 14: CONCENTRATION OF RISK**

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
Loans to members or associated members which exceed ten per cent of shareholders' equity are as follows:				
Number of loans	5	7	4	6
Aggregate value	5,742,763	6,876,708	4,303,845	5,439,250
There are no loans or deposits reported as liabilities which amount individually to ten per cent or more of total liabilities.				

## **NOTE 15: NOTES TO THE STATEMENT OF CASH FLOWS**

### **1. Reconciliation of cash**

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits with other financial institutions, less bank overdraft. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:

Cash and current accounts	1,445,205	1,075,452	606,451	224,781
Deposits with banks	627,173	627,173	542,858	542,858
Bank overdraft	-	-	-	-
	2,072,378	1,702,625	1,149,309	767,639

### **2. Cash flows presented on a net basis**

Cash flows from the following activities are presented on a net basis in the statement of cash flows:

- (a) member deposits in and withdrawals from share, savings and other deposit accounts; and
- (b) sales and purchases of short term investments.

### **3. Reconciliation of Operating Profit after Income**

#### **Tax to Net Cash Inflow from Operating Activities**

Operating profit after income tax	92,651	100,288	236,791	191,650
(Increase) in interest receivable	(5,279)	(15,279)	(48,701)	(38,701)
Depreciation and amortisation	176,992	170,035	184,947	178,144
(Decrease)/increase in income tax provisions	(189,260)	(135,139)	61,414	49,956
Decrease/(increase) in future income tax benefit	(15)	655	(16,695)	(18,437)
Increase in accrued expenses and provisions	440,497	274,908	162,108	201,392
Decrease/(increase) in debtors and prepayments	(192,047)	(56,882)	(163,395)	(220,169)
Bad debts written off less recovered	(7,090)	(7,090)	8,817	8,817
Increase/(decrease) in annual & long service leave provisions	9,051	9,051	42,274	42,274
Profit on disposal of plant and equipment	-	-	-	-
	325,500	340,547	467,560	394,926

# >>>>>>>>> Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2002

	2002		2001	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 16: REMUNERATION OF AUDITORS</b>				
Total remuneration received by the auditors in connection with -				
auditing the accounts	26,400	23,100	24,000	21,000
any other services provided by the auditors	1,100	1,100	1,000	1,000

## **NOTE 17: EMPLOYEE ENTITLEMENTS**

### **Employee entitlement liabilities**

Accrued salaries	11,610	10,014	11,610	10,014
Provision for employee entitlements:				
Annual leave	85,779	85,779	85,779	85,779
Long service leave	128,590	128,590	128,590	128,590
Aggregate employee entitlement liability	225,979	224,383	225,979	224,383

## **NOTE 18: SUPERANNUATION COMMITMENTS**

The University Credit Society Superannuation Plan exists to provide staff of the Society and its controlled entities with retirement benefits. The principal benefits provided comprise lump sum payments on retirement consisting of the accumulated contributions of the employee and employer plus interest less tax and fund expenses. The employer contributes 8% (2001: 8%) including Superannuation Guarantee Contribution, of the employees' gross ordinary earnings to the plan; employees may at their discretion contribute a percentage of their gross ordinary earnings. Most contributions are paid to the NSP Buck Master Trust.

## **NOTE 19: FINANCING ARRANGEMENTS**

The Society has given an equitable charge over all of its assets in favour of Credit Union Financial Services (Australia) Limited securing:

- (a) the overdraft facility of \$300,000 (2001 - \$300,000); and
- (b) a pre-approved undrawn loan facility of \$Nil (2001 - \$1,000,000); and

## **NOTE 20: SEGMENTAL INFORMATION**

The Group operates predominantly in the finance industry and in one geographical area, being Australia.

## **NOTE 21: SERVICE AGREEMENTS**

The Society has entered into agreements for the supply of services with the following :

### **1. Credit Union Services Corporation Australia Limited (CUSCAL)**

CUSCAL provides central banking and member chequing facilities, electronic funds transfer services Redicards and Visa cards. CUSCAL also provides, through its IT division, the application software used by the Society.

### **2. The System Works (TSW)**

This company is an integrated data processing centre and provides the mainframe hardware used by the Society and a number of other credit unions.

### **3. First Data Resources Australia Limited (FDRA)**

FDRA processes Redicard transactions through the ATM and EFTPOS network.

**NOTE 22: CONTINGENT LIABILITY**

**Income Tax - Repatriation of Credit Union Contingency Fund**

Under Section 98 of the Financial Institutions (Western Australia) Code, the Society was required to contribute to the Credit Union Contingency Fund. The amount contributed was based on a formula determined by the State Supervisory Authority (SSA) and was shown as a non-current asset. On 1 July 1999 the Financial Institutions (Western Australia) Code was repealed and the whole amount of the Contingency Fund contribution was paid back to the Society under the Financial Sector Reform (Western Australia) Bill 1999

On 19 May 2000, the Society through CUSCAL, received advice that the Australian Taxation Office (ATO) was of the view that the repatriated amount of the Contingency Fund should be treated as assessable income under section 15-10 of the Income Tax Assessment Act.

In preparing the financial statements for 1998/99, the directors took the view that the repatriated amount of the Contingency Fund of \$216,134 was in the nature of a refund of the Society's own non-current asset, and therefore not subject to income nor capital gains tax. The directors are still of this view. If the ATO's position is correct then the Society would incur an estimated tax liability of \$77,808, plus possible additional penalties, which are not brought to account in the 2000/2001 or prior years financial statements.

On 3 May 2002 the Australian Taxation Office advised that it had revised its position and that only those funds returned which were over and above the original contributions paid (ie. interest and capital growth) would be taxed and that original contributions were not assessable. There is therefore no further action required by the Society.

**Tertiary Travel Service Pty Ltd - Ansett Australia Ltd (In Administration)**

On 13 September 2002, Tertiary Travel Service Pty Ltd received a demand from the Administrators of Ansett Australia Ltd for payment of monies owing in respect to travel booked but not able to be taken due to the collapse of Ansett Australia Ltd on 14 September 2001.

The issue is currently subject to industry and legal review and until it is resolved, Tertiary Travel Service Pty Ltd does not intend to pay any further monies to the Ansett Administrator.

Should further monies become payable, Tertiary Travel Service Pty Ltd may be able to recover such funds from existing insurance arrangements.

**NOTE 23: COMPANY DETAILS**

The registered office of the company is: The University Credit Society Limited  
80 Broadway  
NEDLANDS WA 6009

>>>>>>>>> **Directors' Declaration**

for the year ended 30 June 2002

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 29, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2002, and of the performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company 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.**

**Dated at Nedlands this 21st day of October 2002.**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## SCOPE

We have audited the financial report of University Credit Society Ltd for the financial year ended 30 June 2002, as set out on pages 7 to 30. The financial report includes the financial statements of University Credit Society Ltd and the consolidated financial statements of the consolidated entity comprising University Credit Society Ltd and the entities it controlled at year end or from time to time during the financial year. The Credit Society's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Credit Society.

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, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the Credit Society's and the consolidated entity's financial position and performance as represented by the results of their operations and their 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 University Credit Society Ltd is in accordance with:

- (a) the Corporations Act 2001, including :
  - i. giving a true and fair view of the Credit Society's and the consolidated entities financial position as at 30 June 2002 and of their 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



**HALL CHADWICK**  
Chartered Accountants



**MICHAEL J HILLGROVE**  
Partner