

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

ABN 90 087 651 901

# financial REPORT

*for the year ended 30 June 2003*



**unicredit**

## Chairman's Report

This is my second report as Chairman of University Credit Society. The past year has seen considerable turbulence in the financial sector which has led the regulating authorities to impose stricter rules on authorised lending bodies. Unicredit Board has had no difficulty in meeting the new guidelines and has continued its policy of the last 39 years of prudently and conservatively managing the affairs of the Society.

The University Credit Society continues to provide a strong, secure and stable financial environment for members. The Board recently adopted the following Mission Statement.

"The University Credit Society is an independent financial provider committed to assisting our members with their ever-changing financial needs by pro-actively providing equitable and quality financial products and services. This is achieved through the prudential management of the assets of the Society, the use of advanced technology and the provision of high quality personalised service."

On behalf of the Board I present the following summary of highlights from our 2002/2003 results:

- Consolidated operating profit before tax for the year ended 2003 was \$358,858. This result enabled the Credit Society to further strengthen its reserves to \$6.1m.
- Capital adequacy at 30th June was 11.90%, which is higher than the required prudential standard, of 9%.
- The Society continues to conservatively manage its liquid assets with liquidity being well in excess of the 9% required by prudential standards. At 30th June liquidity was 36.2%.
- The strength and security of Unicredit continues to attract member deposits which during the year increased by 21% to \$94.4m. Loans to members also increased by 4% to \$59.6m.

During the last year, I have continued as Chairman to liaise with directors and managers of other WA and Eastern States credit unions and have attended relevant credit union meetings and conventions. Fellow Board member, Malcolm Johns and I are members of the WA Regional Council of Credit Union Directors.

Also during the year the Board has put in place policies relating to the duties of directors and senior managers and has established procedures for regular reviews of our strategic plan and the performances of Board members and management.

As I said last year, Unicredit continues to provide products and services which are competitive. But a real difference is the personal way we deliver these to members. For this I thank our loyal and friendly staff at Unicredit and Tertiary Travel. I wish to thank too senior management for their sterling work during the year, and also my fellow Board members for their continued primary focus on their duty to serve the members who elect them.

University Credit Society remains dedicated to providing the best service possible to our members. We remain independent at a time when mergers are commonplace. The conservative and secure management of our funds is partly responsible for this but so also is the continuing loyalty and support of our members.



**Don Grant**  
*Chairman*  
*Board of Directors*  
*University Credit Society*

## Directors' Report

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 2003.

### 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: -

NAME	QUALIFICATIONS, EXPERIENCE AND ANY SPECIAL RESPONSIBILITIES
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, 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, The University of WA. 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, Office of Student Services, Murdoch University.
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.

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

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, Lending and Remunerations Committees held during the year ended 30 June 2003, and the number of meetings attended by each director were:

	BOARD	AUDIT	LENDING	REMUNERATIONS
Numbers of meetings held:	<u>11</u>	<u>2</u>	<u>4</u>	<u>2</u>
Numbers of meetings attended by:				
R R Boffey	10	*	3	*
S D Bradshaw	6	*	*	*
W J Ford	10	2	*	2
P M Furzer	9	1	*	*
D J Grant	10	*	4	2
P Grant	10	*	3	*
M L Griffith	6	2	*	*
MLT Johns	11	*	*	2
FJ Lincoln	11	*	4	*

\* Not a member of the relevant committee

**PRINCIPAL ACTIVITIES**

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

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• The University Credit Society Limited</li> <li>• Tertiary Travel Service Pty Ltd</li> <li>• Tertiary Brokerage Pty Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Credit Society</li> <li>Travel Agent</li> <li>Insurance Agent</li> </ul> |
|--|---|

**CONSOLIDATED RESULTS**

The consolidated profit after income tax of the Economic Entity for the year was \$247,616.

**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 \$5,837,838 to \$6,085,454 (4.24%)
- Total assets increased from \$85,293,636 to \$102,043,704 (19.64%)
- Members' deposits increased from \$77,956,166 to \$94,417,136 (21.12%)
- Loans to members increased from \$57,610,541 to \$59,918,006 (4.01%)

## 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 2003.

## 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 20th day of October 2003.



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

## Statements of Financial Performance

	Notes	2003		2002	
		Economic	Society	Economic	Society
		Entity	\$	Entity	\$
Interest revenue	2	5,495,848	5,479,783	4,803,374	4,788,583
Borrowing costs	2	(3,036,915)	(3,036,915)	(2,548,919)	(2,548,919)
<b>Net interest revenue</b>	3	<b>2,458,933</b>	<b>2,442,868</b>	<b>2,254,455</b>	<b>2,239,664</b>
Other revenue from ordinary activities	2	956,142	727,577	790,632	463,424
Bad and doubtful debt expense	2	(2,636)	(2,636)	(1,247)	(1,247)
Employee benefits expense	2	(1,416,010)	(1,133,459)	(1,311,284)	(1,035,507)
Occupancy expenses	2	(122,403)	(114,447)	(142,121)	(99,368)
Depreciation and amortisation expenses	2	(128,286)	(123,445)	(176,991)	(170,035)
Other expenses from ordinary activities	2	(1,386,882)	(1,314,897)	(1,280,241)	(1,252,819)
<b>Profit from ordinary activities before income tax</b>	2	<b>358,858</b>	<b>481,561</b>	<b>133,203</b>	<b>144,112</b>
Income tax expense relating to ordinary activities	4	(111,242)	(89,935)	(40,552)	(43,824)
<b>Net profit from ordinary activities after income tax attributable to members of the company</b>		<b>247,616</b>	<b>391,626</b>	<b>92,651</b>	<b>100,288</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>247,616</b>	<b>391,626</b>	<b>92,651</b>	<b>100,288</b>

The accompanying notes form part of these financial statements

## Statements of Financial Position

	Notes	2003		2002	
		Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>ASSETS</b>					
Cash and liquid assets	5(a)	2,042,274	2,041,779	1,075,852	1,075,452
Due from other financial institutions	5(b)	15,203,794	15,203,794	11,627,173	11,627,173
Accrued receivables	5(c)	722,243	453,927	735,660	461,815
Investment securities	5(d)	22,378,962	22,378,962	12,414,029	12,414,029
Loans and advances	5(e)	59,592,340	59,592,340	57,268,587	57,268,587
Other investments	5(f)	602,794	702,794	542,995	645,995
Property, plant and equipment	5(g)	1,292,306	1,291,354	1,385,816	1,380,023
Deferred tax assets	5(h)/6(d)	208,991	207,195	243,524	231,887
<b>TOTAL ASSETS</b>		<b>102,043,704</b>	<b>101,872,145</b>	<b>85,293,636</b>	<b>85,104,961</b>
<b>LIABILITIES</b>					
Deposits and borrowings	6(a)	94,417,136	94,622,959	77,956,166	78,325,519
Payables and other liabilities	6(b)	1,250,513	1,026,878	1,264,832	989,007
Interest bearing liabilities	6(c)	-	-	-	-
Tax liabilities	6(d)	55,193	39,639	11,380	11,380
Provisions	6(e)	235,408	235,408	223,420	223,420
<b>TOTAL LIABILITIES</b>		<b>95,958,250</b>	<b>95,924,884</b>	<b>79,455,798</b>	<b>79,549,326</b>
<b>NET ASSETS</b>		<b>6,085,454</b>	<b>5,947,261</b>	<b>5,837,838</b>	<b>5,555,635</b>
<b>EQUITY</b>					
Reserves	7	5,947,261	5,947,261	5,555,635	5,555,635
Retained profits		138,193	-	282,203	-
<b>TOTAL EQUITY</b>		<b>6,085,454</b>	<b>5,947,261</b>	<b>5,837,838</b>	<b>5,555,635</b>

The accompanying notes form part of these financial statements

## Statements of Cash Flows

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest and bill discounts received	5,482,274	5,466,209	4,793,332	4,778,538
Interest and other costs of finance paid	(3,036,915)	(3,036,915)	(2,548,919)	(2,548,919)
Fees and commissions received	7,233,229	719,767	7,260,963	455,087
Cash paid to suppliers and employees	(8,986,631)	(2,440,901)	(8,953,061)	(2,165,851)
Income tax paid	(34,216)	(36,984)	(226,815)	(178,308)
Net cash provided by operating activities				
	(Note 15(3))			
	657,741	671,176	325,500	340,547
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net receipts from (payments for) short term Investments	(13,536,503)	(13,536,503)	(1,219,672)	(1,219,672)
Member loans granted	(19,077,837)	(19,077,837)	(21,364,803)	(21,364,803)
Member loans repaid	16,754,084	16,754,084	13,186,960	13,186,960
Payments for property, plant and equipment	(34,776)	(34,776)	(61,103)	(61,103)
Proceeds from sale of plant and equipment	-	-	-	-
Contributions to CUSCAL	(59,799)	(59,799)	-	-
Net cash used in investing activities	(15,954,831)	(15,954,831)	(9,458,618)	(9,458,618)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net increase in members deposits	16,297,158	16,297,158	10,058,567	10,058,567
Net increase/(decrease) in withdrawable shares	282	282	(2,380)	(2,380)
Net increase in amounts due to subsidiaries	(42,407)	(42,407)	-	(3,130)
Dividends paid	(150,000)	-	-	-
Net cash provided by financing activities	16,105,033	16,255,033	10,056,187	10,053,057
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>807,943</b>	<b>971,378</b>	<b>923,069</b>	<b>934,986</b>
Cash at beginning of year	2,072,378	1,702,625	1,149,309	767,639
<b>CASH AT END OF YEAR</b>	<b>2,880,321</b>	<b>2,674,003</b>	<b>2,072,378</b>	<b>1,702,625</b>
	(Note 15(1))			

The accompanying notes form part of these financial statements

## Notes to and Forming Part of the Financial Statements

### 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.

**(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:

CLASS OF FIXED ASSET	DEPRECIATION RATE
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).

**(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:

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2003

<b>FINANCIAL INSTRUMENTS</b>	<b>STATEMENT OF FINANCIAL POSITION NOTES</b>	<b>ACCOUNTING POLICIES</b>	<b>TERMS AND CONDITIONS</b>
<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.
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 \$12.627m, on which it pays 4.52% 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 July 2003 and June 2008.

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2003

	2003		2002	
	Economic	Society	Economic	Society
	Entity	Entity	Entity	Entity
	\$	\$	\$	\$
<b>NOTE 2: PROFIT FROM ORDINARY ACTIVITIES</b>				
<b>BEFORE INCOME TAX</b>				
Interest on commercial loans:				
Loans for residential investment properties	718,950	718,950	662,305	662,305
Other commercial loans	462,154	462,154	419,594	419,594
	<b>1,181,104</b>	<b>1,181,104</b>	<b>1,081,899</b>	<b>1,081,899</b>
Interest on loans other than commercial loans	2,836,421	2,836,421	2,666,940	2,666,940
Interest on investments	1,478,323	1,462,258	1,054,535	1,039,744
<b>Interest revenue</b>	<b>5,495,848</b>	<b>5,479,783</b>	<b>4,803,374</b>	<b>4,788,583</b>
Interest on members' deposits	2,878,409	2,878,409	2,350,393	2,350,393
Interest on borrowings	158,506	158,506	198,526	198,526
<b>Interest expense</b>	<b>3,036,915</b>	<b>3,036,915</b>	<b>2,548,919</b>	<b>2,548,919</b>
Loan establishment fees	62,806	62,806	59,888	59,888
Other fee income	537,667	291,739	279,062	279,062
Income from property	-	25,880	-	32,280
Insurance commissions	46,767	46,767	32,384	8,096
Other commissions	301,092	98,848	400,979	65,779
Dividends	-	193,727	9,982	9,982
Bad debts recovered	7,810	7,810	8,337	8,337
<b>Non interest revenue</b>	<b>956,142</b>	<b>727,577</b>	<b>790,632</b>	<b>463,424</b>
Bad and doubtful debts (Note 11)	2,636	2,636	1,247	1,247
<b>Bad and doubtful debt expense</b>	<b>2,636</b>	<b>2,636</b>	<b>1,247</b>	<b>1,247</b>
Depreciation and amortisation -				
Property, plant and equipment	128,286	123,445	176,991	170,035
Transfers to provisions -				
Holiday pay	15,019	15,019	13,142	13,142
Long service leave	15,143	15,143	(4,091)	(4,091)
Personnel costs	1,385,848	1,103,297	1,302,233	1,026,456
Supervision levy	8,361	8,361	8,732	8,732
Occupancy expenses	122,403	114,447	142,121	99,368
Other expenses	1,378,521	1,306,536	1,271,509	1,244,087
<b>Other expenses</b>	<b>3,053,581</b>	<b>2,686,248</b>	<b>2,910,637</b>	<b>2,557,729</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b>				
<b>BEFORE INCOME TAX</b>	<b>358,858</b>	<b>481,561</b>	<b>133,203</b>	<b>144,112</b>

**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 2003</b>			
Investment securities	29,920,146	1,478,323	4.94%
Loans and advances	58,260,789	4,017,525	6.90%
	<u>88,180,935</u>	<u>5,495,848</u>	<u>6.23%</u>
<b>INTEREST EXPENSE 2003</b>			
Customer deposits	85,328,789	2,878,409	3.37%
Short-term borrowings	1,807,366	158,506	8.77%
	<u>87,136,155</u>	<u>3,036,915</u>	<u>3.49%</u>
<i>Net Interest Income 2003</i>	<u>1,044,780</u>	<u>2,458,933</u>	<u>2.75%</u>
<b>INTEREST REVENUE 2002</b>			
Investment securities	22,636,231	1,054,538	4.66%
Loans and advances	53,583,665	3,748,839	7.00%
	<u>76,219,896</u>	<u>4,803,377</u>	<u>6.30%</u>
<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%
	<u>75,890,035</u>	<u>2,548,919</u>	<u>3.36%</u>
<i>Net Interest Income 2002</i>	<u>329,861</u>	<u>2,254,458</u>	<u>2.94%</u>

	2003		2002	
	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% (2002: 30%)	(165,775)	(144,468)	(39,961)	(43,233)
Adjustment due to permanent differences	(28,493)	(28,493)	(591)	(591)
	(194,268)	(172,961)	(40,552)	(43,824)
Imputation credit on dividends received	83,026	83,026	-	-
	<b>83,026</b>	<b>(89,935)</b>	<b>(40,552)</b>	<b>(43,824)</b>
Income tax attributable to operating profit is made up of the following:				
Provision for income tax	(106,152)	(84,590)	(40,662)	(46,838)
Deferred tax liability	7,706	7,706	(125)	3,669
Future income tax benefit	(12,796)	(13,051)	235	(655)
	<b>(111,242)</b>	<b>(89,935)</b>	<b>(40,552)</b>	<b>(43,824)</b>
<b>NOTE 5: ASSETS</b>				
<b>(a) Cash and liquid assets</b>				
Cash floats	276,600	276,105	265,946	265,546
Cash at bank	1,765,674	1,765,674	809,906	809,906
	<b>2,042,274</b>	<b>2,041,779</b>	<b>1,075,852</b>	<b>1,075,452</b>
<b>(b) Due from other financial institutions</b>				
Deposits with SSPs	14,571,570	14,571,570	11,000,000	11,000,000
Bank deposits	632,224	632,224	627,173	627,173
	<b>15,203,794</b>	<b>15,203,794</b>	<b>11,627,173</b>	<b>11,627,173</b>
<b>Maturity analysis:</b>				
At call	632,224	632,224	627,173	627,173
Not longer than 3 months	14,571,570	14,571,570	11,000,000	11,000,000
	<b>15,203,794</b>	<b>15,203,794</b>	<b>11,627,173</b>	<b>11,627,173</b>

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 5: ASSETS (continued)</b>				
<b>(c) Accrued receivables</b>				
Trade debtors	533,774	266,768	560,168	286,708
Accrued income	120,313	120,313	98,929	98,929
Other debtors and prepayments	68,156	66,846	76,563	76,178
	<b>722,243</b>	<b>453,927</b>	<b>735,660</b>	<b>461,815</b>
<b>(d) Investment securities</b>				
Bank accepted bills of exchange	22,378,962	22,378,962	12,414,029	12,414,029
	<b>22,378,962</b>	<b>22,378,962</b>	<b>12,414,029</b>	<b>12,414,029</b>
<b>Maturity analysis:</b>				
Not longer than 3 months	22,378,962	22,378,962	12,414,029	12,414,029
	<b>22,378,962</b>	<b>22,378,962</b>	<b>12,414,029</b>	<b>12,414,029</b>
<b>(e) Loans and advances</b>				
Loans (Note 12)	59,918,006	59,918,006	57,610,541	57,610,541
Less provision for doubtful debts (Note 11)	(325,666)	(325,666)	(341,954)	(341,954)
	<b>59,592,340</b>	<b>59,592,340</b>	<b>57,268,587</b>	<b>57,268,587</b>
<b>Maturity analysis:</b>				
Not longer than 3 months	18,232,042	18,232,042	17,529,919	17,529,919
Longer than 3 and not longer than 12 months	8,356,615	8,356,615	8,034,799	8,034,799
Longer than 1 year and not longer than 5 years	20,756,219	20,756,219	19,956,889	19,956,889
Longer than 5 years	12,573,130	12,573,130	12,088,934	12,088,934
Less provision for doubtful debts (Note 11)	(325,666)	(325,666)	(341,954)	(341,954)
	<b>59,592,340</b>	<b>59,592,340</b>	<b>57,268,587</b>	<b>57,268,587</b>
<b>(f) Other investments</b>				
Shares - in controlled entities (Note 10)	-	100,000	-	103,000
- other unlisted companies	602,794	602,794	542,995	542,995
	<b>602,794</b>	<b>702,794</b>	<b>542,995</b>	<b>645,995</b>

	2003		2002	
	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	(29,200)	(29,200)	(14,600)	(14,600)
<b>Total Land and Buildings</b>	<b>1,170,800</b>	<b>1,170,800</b>	<b>1,185,400</b>	<b>1,185,400</b>
<b>Plant and Equipment</b>				
At cost	1,048,911	1,014,552	1,031,736	997,377
Less accumulated depreciation	(927,405)	(893,998)	(831,320)	(802,754)
<b>Total Plant and Equipment</b>	<b>121,506</b>	<b>120,554</b>	<b>200,416</b>	<b>194,623</b>
<b>Total Property, Plant and Equipment</b>	<b>1,292,306</b>	<b>1,291,354</b>	<b>1,385,816</b>	<b>1,380,023</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	569,400	200,416	1,385,816
Additions	-	-	28,983	28,983
Disposals	-	-	-	-
Depreciation expense	-	(14,600)	(108,845)	(123,445)
Revaluation	-	-	-	-
Carrying amount at the end of year	<b>616,000</b>	<b>554,800</b>	<b>120,554</b>	<b>1,291,354</b>

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 5: ASSETS (continued)</b>				
<b>(h) Deferred tax assets</b>				
Future income tax benefit	208,991	207,195	221,787	220,246
	<b>208,991</b>	<b>207,195</b>	<b>221,787</b>	<b>220,246</b>
<b>NOTE 6: LIABILITIES</b>				
<b>(a) Deposits and borrowings</b>				
Members' deposits	94,399,830	94,605,653	77,939,142	78,308,495
Withdrawable shares - non-interest bearing	17,306	17,306	17,024	17,024
	<b>94,417,136</b>	<b>94,622,959</b>	<b>77,956,166</b>	<b>78,325,519</b>
<b>Maturity analysis:</b>				
At call	28,447,867	28,653,690	29,792,597	30,161,950
Not longer than 3 months	50,331,414	50,331,414	38,397,111	38,397,111
Longer than 3 and not longer than 6 months	10,252,980	10,252,980	5,489,687	5,489,687
Longer than 6 and not longer than 12 months	4,714,015	4,714,015	3,698,754	3,698,754
Longer than 1 year and not longer than 5 years	670,860	670,860	578,017	578,017
	<b>94,417,136</b>	<b>94,622,959</b>	<b>77,956,166</b>	<b>78,325,519</b>
<b>(b) Payables and other liabilities</b>				
Trade creditors and accruals	1,250,513	1,026,878	1,264,832	943,600
Due to controlled entity	-	-	-	45,407
	<b>1,250,513</b>	<b>1,026,878</b>	<b>1,264,832</b>	<b>989,007</b>
<b>(c) Interest bearing liabilities</b>				
Bank overdraft (Note 19)	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Maturity analysis:</b>				
At call	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Tax liabilities</b>				
Income tax	51,518	35,964	(21,737)	(11,641)
Deferred income tax	3,675	3,675	11,380	11,380
	<b>55,193</b>	<b>39,639</b>	<b>(10,357)</b>	<b>(261)</b>

# Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2003

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 6: LIABILITIES (continued)</b>				
<b>(e) Provisions</b>				
Employee entitlements	235,408	235,408	223,420	223,420
	<b>235,408</b>	<b>235,408</b>	<b>223,420</b>	<b>223,420</b>
 (a) Number of employees at year end	 31	 25	 31	 25

## **NOTE 7: RESERVES**

### **General reserve**

Balance at beginning of year	5,293,482	5,293,482	5,193,194	5,193,194
Transfer to reserve for year	391,626	391,626	100,288	100,288
Balance at end of year	<b>5,685,108</b>	<b>5,685,108</b>	<b>5,293,482</b>	<b>5,293,482</b>

### **Asset revaluation reserve**

Balance at beginning of year	262,153	262,153	262,153	262,153
Add: Revaluation increment on freehold land and buildings	-	-	-	-
Balance at end of year	<b>262,153</b>	<b>262,153</b>	<b>262,153</b>	<b>262,153</b>
	<b>5,947,261</b>	<b>5,947,261</b>	<b>5,555,635</b>	<b>5,555,635</b>

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 8: DIRECTORS REMUNERATION</b>				
The directors of the Society at any time during the financial year were -				
	R R Boffey D J Grant F J Lincoln	S D Bradshaw P Grant	W J Ford M L Griffith	P M Furzer M L T Johns
Total remuneration received by directors of the Society -				
Paid by the Society	27,766	27,766	27,766	27,766
Paid by subsidiaries	-	-	-	-
	<b>27,766</b>	<b>27,766</b>	<b>27,766</b>	<b>27,766</b>
Number of directors whose remuneration was within the following bands -				
\$0- \$9,999	9	9	10	10
Aggregate transactions of the directors and director-related parties with the Society are as follows:				
Interest on loans for the year	38,288	38,288	37,444	37,444
Interest paid on deposits for the year	7,787	7,787	9,839	9,839
Deposits at year end	252,194	252,194	178,270	178,270
<b>TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED PARTIES</b>				
<b>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.</b>				
The aggregate amount due in respect of loans advanced by the Society at year end was:				
Loans advanced during the year	724,638	724,638	593,242	593,242
Loan repayments received during the year	317,607	317,607	239,912	239,912
	<b>223,969</b>	<b>223,969</b>	<b>290,408</b>	<b>290,408</b>
The directors concerned were				
Loans advanced - 2003 P M Furzer, P Grant, M L Griffith & F J Lincoln 2002 P M Furzer, P Grant, M L Griffith, P J Hancock & F J Lincoln				
Repayments received - 2003 P M Furzer, D J Grant, P Grant, M L Griffith & F J Lincoln 2002 P M Furzer, D J Grant, P Grant, M L Griffith, P J Hancock, & F J Lincoln				

	2003		2002	
	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	41,368	41,368	76,174	76,174
- Later than one year and not later than two years	27,001	27,001	21,846	21,846
- Later than two years and not later than five years	490	490	12,494	12,494
	<b>68,859</b>	<b>68,859</b>	<b>110,514</b>	<b>110,514</b>
Loans approved but not funded as at 30 June	<b>12,040,053</b>	<b>12,040,053</b>	<b>9,463,123</b>	<b>9,463,123</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
	<b>100,000</b>	<b>103,000</b>

\* This company has not been subject to audit and was deregistered on 1st July 2003

**NOTE 11: PROVISION FOR DOUBTFUL DEBTS**

(a) Specific provision for doubtful debts				
Balance at beginning of year	27,897	27,897	48,349	48,349
Add/(deduct) provision for year	6,145	6,145	(6,368)	(6,368)
	<b>34,042</b>	<b>34,042</b>	<b>41,981</b>	<b>41,981</b>
Less bad debts written off	(16,288)	(16,288)	(14,084)	(14,084)
Balance at end of year	<b>17,754</b>	<b>17,754</b>	<b>27,897</b>	<b>27,897</b>
(b) General provision for doubtful debts				
Balance at beginning of year	314,057	314,057	307,689	307,689
Add/(deduct) provision for year	(6,145)	(6,145)	6,368	6,368
	<b>307,912</b>	<b>307,912</b>	<b>314,057</b>	<b>314,057</b>
Less bad debts written off	-	-	-	-
Balance at end of year	<b>307,912</b>	<b>307,912</b>	<b>314,057</b>	<b>314,057</b>
Total Provision for Doubtful Debts	<b>325,666</b>	<b>325,666</b>	<b>341,954</b>	<b>341,954</b>

	2003		2002	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
<b>NOTE 11: PROVISION FOR DOUBTFUL DEBTS (continued)</b>				
(c) Minimum provision required under the prudential standards	15,942	15,942	29,713	29,713
(d) Aggregate amount of loans on which interest is no longer being accrued	7,558	7,558	12,705	12,705
(e) Aggregate amount of loans in arrears by more than 90 days where interest is being accrued	9,616	9,616	13,098	13,098
(f) Non-accrual loans included in provision for doubtful debts	7,411	7,411	12,705	12,705
(g) Interest revenue on non-accrual loans	672	672	1,762	1,762
(h) Interest forgone on non-accrual loans	468	468	1,709	1,709
(l) Net fair value of assets acquired through enforcement of security.	-	-	-	-

**NOTE 12: LOANS****Loans by purpose**

Commercial loans -				
Loans for residential investment properties	12,515,263	12,515,263	10,116,427	10,116,427
Other commercial loans	7,531,315	7,531,315	8,905,351	8,905,351
Total commercial loans	20,046,578	20,046,578	19,021,778	19,021,778
Residential loans	33,457,767	33,457,767	21,900,055	21,900,055
Personal loans	6,413,661	6,413,661	16,688,708	16,688,708
Less provision for doubtful debts	(325,666)	(325,666)	(341,954)	(341,954)
	59,592,340	59,592,340	57,268,587	57,268,587

**Loans by security**

Secured by mortgage	53,391,293	53,391,293	50,162,798	50,162,798
Secured other	5,248,060	5,248,060	5,727,401	5,727,401
Unsecured	1,278,653	1,278,653	1,720,342	1,720,342
Less provision for doubtful debts	(325,666)	(325,666)	(341,954)	(341,954)
	59,592,340	59,592,340	57,268,587	57,268,587

**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.

**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	2003	2003	2003	2003	2003
	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	-	2,042,274	-	-	2,042,274
Due from other financial institutions	15,203,794	-	-	-	15,203,794
Trading securities	22,378,962	-	-	-	22,378,962
Loans and advances	40,501,502	-	9,529,725	9,561,113	59,592,340
Unlisted shares and sub-ordinated deposits	-	602,794	-	-	602,794
Receivables and other assets	-	722,243	-	-	722,243
Interest Rate Swaps *	12,627,000	-	(3,594,000)	(9,033,000)	-
<b>Total financial assets</b>	<b>90,711,258</b>	<b>3,367,311</b>	<b>5,935,725</b>	<b>528,113</b>	<b>100,542,407</b>
<b>Weighted Average interest rate</b>	<b>5.597%</b>	<b>0.000%</b>	<b>5.344%</b>	<b>1.043%</b>	
<b>(ii) Financial Liabilities</b>					
Overdraft and loan facility	-	-	-	-	-
Member Deposits	-	17,306	-	-	17,306
Deposits	28,430,561	-	65,298,409	670,860	94,399,830
Trade creditors and accruals	-	1,250,513	-	-	1,250,513
<b>Total financial liabilities</b>	<b>28,430,561</b>	<b>1,267,819</b>	<b>65,298,409</b>	<b>670,860</b>	<b>95,667,649</b>
<b>Weighted Average interest rate</b>	<b>0.840%</b>	<b>0.000%</b>	<b>4.371%</b>	<b>5.051%</b>	
<b>Net financial assets (liabilities)</b>	<b>62,280,697</b>	<b>2,099,492</b>	<b>(59,362,684)</b>	<b>(142,747)</b>	<b>4,874,758</b>

\* Notional principal amounts

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

Financial Instruments	2002 Floating interest rate \$	2002 Non interest bearing \$	2002 Fixed Interest 1 year or less \$	2002 Fixed Interest 1 year to 5 years \$	2002 Total carrying amount as per balance sheet \$
(i) Financial Assets					
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	-	735,659	-	-	735,659
Interest rate swaps	10,617,000	-	(1,500,000)	(9,117,000)	-
<b>Total financial assets</b>	<b>70,086,641</b>	<b>1,811,511</b>	<b>11,435,555</b>	<b>330,588</b>	<b>83,664,295</b>
<b>Weighted Average interest rate</b>	<b>5.965%</b>	<b>0.000%</b>	<b>5.474%</b>	<b>0.814%</b>	
(ii) Financial Liabilities					
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>529,655</b>	<b>(36,149,997)</b>	<b>(247,429)</b>	<b>4,443,298</b>

**(c) Net fair values**

The net fair value of the financial assets and liabilities at 30 June 2003 equate to their carrying value as disclosed in the accounts, other than interest rate swap agreements which had a net fair value of \$(241,947) (2002: \$(139,452)).

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 2003 \$	Economic Entity 2002 \$
Net financial assets as above		4,874,758	4,443,298
Non-financial assets and liabilities:			
Property, plant and equipment	5(g)	1,292,306	1,385,816
Other assets	5(h)	208,991	221,787
Provisions	6(d)/6(e)	(290,601)	(213,063)
		<hr/>	<hr/>
Net assets per statement of financial position		<u>6,085,454</u>	<u>5,837,838</u>

**NOTE 14: CONCENTRATION OF RISK**

	2003		2002	
	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	7	8	5	7
Aggregate value	6,717,897	7,290,974	5,742,763	6,876,708
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	2,248,097	2,041,779	1,445,205	1,075,452
Deposits with banks	632,224	632,224	627,173	627,173
Bank overdraft	-	-	-	-
	<b>2,880,321</b>	<b>2,674,003</b>	<b>2,072,378</b>	<b>1,702,625</b>

**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	441,343	391,626	92,651	100,288
(Increase) in interest receivable	(21,384)	(21,384)	(5,279)	(15,279)
Depreciation and amortisation	128,286	123,445	176,992	170,035
(Decrease)/increase in income tax provisions	64,230	39,900	(189,260)	(135,139)
Decrease/(increase) in future income tax benefit	12,796	13,051	(15)	655
(Decrease)/Increase in accrued expenses and provisions	(14,319)	83,278	440,497	274,908
Decrease/(increase) in debtors and prepayments	39,975	34,446	(192,047)	(56,882)
Bad debts written off less recovered	(5,174)	(5,174)	(7,090)	(7,090)
Increase/(decrease) in annual & long service leave provisions	11,988	11,988	9,051	9,051
Profit on disposal of plant and equipment	-	-	-	-
	<b>657,741</b>	<b>671,176</b>	<b>325,500</b>	<b>340,547</b>

	2003		2002	
	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	25,250	22,550	26,400	23,100
any other services provided by the auditors	550	550	1,100	1,100

**NOTE 17: EMPLOYEE ENTITLEMENTS****Employee entitlement liabilities**

Accrued salaries	16,080	12,685	11,610	10,014
Provision for employee entitlements:				
Annual leave	114,787	114,787	85,779	85,779
Long service leave	120,621	120,621	128,590	128,590
Aggregate employee entitlement liability	251,488	248,093	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 9% (2002: 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) an overdraft facility of \$300,000 (2002 - \$300,000).

**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**

### **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

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 30, 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 2003, 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 20th day of October 2003.



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

## Independent Audit Report

### SCOPE

We have audited the financial report of University Credit Society Ltd for the financial year ended 30 June 2003, as set out on pages 8 to 31. 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 2003 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

DATED at PERTH this 22nd day of October 2003