

2004 Annual

financial REPORT



The University Credit Society Limited

ABN 90 087 901 AFSLN 244168



unicredit

Chairman's Report

This year marks the fortieth anniversary since the establishment of "The University Staff Credit Union Society Limited", which officially commenced operation on 25 March 1964. The original rules restricted membership to permanent members of the staff at the University of Western Australia. Today, of course, we have an open membership, but an overwhelming majority of members have connections of some kind with the major Western Australian universities.

We remain an independent, traditional credit union based on the philosophy of mutuality and continue to provide a strong, secure and stable financial environment for members.

The 2003-2004 year was another successful one for Unicredit as can be seen from the following summary of performance highlights.

- Consolidated operating profit before tax for the year ended 30 June 2004 was \$570,523, thus enabling Unicredit to increase its reserves by 14.0% to \$6.9m.
- Capital adequacy at 30 June was 13.9%, up from 11.9% in the previous year and well above the required prudential standard of 10.0%.
- The Board's policy of conservatively managing liquid assets was reflected in liquidity of 39.2%, well in excess of the 9.0% required by prudential standards.
- Member deposits during the year increased by 4.6% to \$98.7m and total assets by 5.3% to \$107.5m. However, loans to members decreased by 2.0% to \$58.7m, despite the competitive loan rates we provide.

Tertiary Travel, Unicredit's fully-owned subsidiary company, had a very successful year, with travel sales of \$6.5m. Particularly pleasing was Travels' award by Qantas of membership in the airline's Platinum Club. This award is currently restricted to 10 WA travel agents (from a total of about 500) and is an acknowledgment by Qantas of their most valued agents. In making the Platinum Club award, Qantas guarantees the highest quality of dedicated service to the recipient. The year 2004 is also a special one for Tertiary Travel's manager, Norah Halliday, who has completed 25 years of service with the company and is our longest serving employee. Congratulations Norah.

Another highlight of the year was the opening of the Society's branch at Edith Cowan University's Joondalup campus in February. Joondalup members welcomed the opening of the branch in specially built premises in a central part of the campus.

As Chairman, I have again attended meetings of the WA Regional Council of Credit Union Directors and conferences of the national credit union organisation. Other directors and senior management are also increasingly involved in these and similar bodies associated with the credit union movement.

Board members, management and staff are keen to ensure that Unicredit products and services remain competitive and that they are delivered in an efficient and friendly manner. We remain strong, independent, respected and confident as we begin our fifth decade of operation. Thanks for this are due to the dedication of Board members, staff and also to the support of our loyal members. My personal thanks to all of you.



Don Grant
Chairman, Board of Directors
The University Credit Society Limited

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 2004.

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). GradDip (Counselling) 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.

P Grant	BA (English) Festival Director, QFest. Member, Film & Television Institute. Former President, National Union of Students WA Branch and Chairman, Edith Cowan Student Guild.
M L Griffith	BCom W.Aust., DipAccounting FCPA Retired Executive Director (Finance & Resources), The University of WA. Chairman, Uni Mutual Ltd. 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.

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.

REVIEW OF OPERATIONS

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

- Members' funds increased from \$6,084,254 to \$6,933,109 (13.95%)
- Total assets increased from \$102,043,704 to \$107,440,407 (5.29%)
- Members' deposits increased from \$94,417,136 to \$98,747,774 (4.59%)
- Loans to members decreased from \$59,918,006 to \$58,693,231 (2.04%)

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 2004.

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 18th day of October 2004.



Director



Director

Statements of Financial Performance

	Notes	2004		2003	
		Economic	Society	Economic	Society
		Entity \$	\$	Entity \$	\$
Interest revenue	2	6,264,299	6,253,195	5,495,848	5,479,783
Borrowing costs	2	(3,555,133)	(3,555,133)	(3,036,915)	(3,036,915)
Net interest revenue	3	2,709,166	2,698,062	2,458,933	2,442,868
Other revenue from ordinary activities	2	1,064,751	808,534	956,142	727,577
Bad and doubtful debt expense	2	(286)	(286)	(2,636)	(2,636)
Employee benefits expense	2	(1,500,004)	(1,210,944)	(1,416,010)	(1,133,459)
Occupancy expenses	2	(127,996)	(121,454)	(122,403)	(114,447)
Depreciation and amortisation expenses	2	(102,082)	(101,283)	(128,286)	(123,445)
Other expenses from ordinary activities	2	(1,473,026)	(1,409,110)	(1,386,882)	(1,314,897)
Profit from ordinary activities before income tax	2	570,523	663,519	358,858	481,561
Income tax expense relating to ordinary activities	4	(167,103)	(121,906)	(111,242)	(89,935)
Net profit from ordinary activities after income tax attributable to members of the company		403,420	541,613	247,616	391,626
Total changes in equity other than those resulting from transactions with owners as owners		403,420	541,613	247,616	391,626

The accompanying notes form part of these financial statements

Statements of Financial Position

	Notes	2004		2003	
		Economic Entity \$	Society \$	Economic Entity \$	Society \$
ASSETS					
Cash and liquid assets	5(a)	1,445,428	1,444,933	2,042,274	2,041,779
Due from other financial institutions	5(b)	21,517,308	21,517,308	15,203,794	15,203,794
Accrued receivables	5(c)	766,432	798,205	722,243	453,927
Investment securities	5(d)	22,788,729	22,788,729	22,378,962	22,378,962
Loans and advances	5(e)	58,371,971	58,371,971	59,592,340	59,592,340
Other investments	5(f)	602,794	702,794	602,794	702,794
Property, plant and equipment	5(g)	1,743,971	1,743,818	1,292,306	1,291,354
Deferred tax assets	5(h)/6(d)	203,774	202,820	208,991	207,195
TOTAL ASSETS		107,440,407	107,570,578	102,043,704	101,872,145
LIABILITIES					
Deposits and borrowings	6(a)	98,747,774	99,165,314	94,417,136	94,622,959
Payables and other liabilities	6(b)	1,382,778	1,139,174	1,250,513	1,026,878
Interest bearing liabilities	6(c)	-	-	-	-
Tax liabilities	6(d)	109,360	65,594	56,393	40,839
Provisions	6(e)	267,387	267,387	235,408	235,408
TOTAL LIABILITIES		100,507,299	100,637,469	95,959,450	95,926,084
NET ASSETS		6,933,108	6,933,109	6,084,254	5,946,061
EQUITY					
Reserves	7	6,933,109	6,933,109	5,946,061	5,946,061
Retained profits		-	-	138,193	-
TOTAL EQUITY		6,933,109	6,933,109	6,084,254	5,946,061

The accompanying notes form part of these financial statements

Statements of Cash Flows

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest and bill discounts received	6,238,762	6,227,658	5,482,274	5,466,209
Interest and other costs of finance paid	(3,555,133)	(3,555,133)	(3,036,915)	(3,036,915)
Fees and commissions received	7,870,941	805,631	7,233,229	719,767
Cash paid to suppliers and employees	(9,761,909)	(2,913,357)	(8,986,631)	(2,440,901)
Income tax paid	(108,921)	(92,776)	(34,216)	(36,984)
Net cash provided by operating activities (Note 15(3))	683,740	472,023	657,741	671,176
CASH FLOWS FROM INVESTING ACTIVITIES				
Net receipts from (payments for) short term investments	(6,692,712)	(6,692,712)	(13,536,503)	(13,536,503)
Member loans granted	(17,224,361)	(17,224,361)	(19,077,837)	(19,077,837)
Member loans repaid	18,444,730	18,444,730	16,754,084	16,754,084
Payments for property, plant and equipment	(108,312)	(108,312)	(34,776)	(34,776)
Proceeds from sale of plant and equipment	-	-	-	-
Contributions to CUSCAL	-	-	(59,799)	(59,799)
Net cash used in investing activities	(5,580,655)	(5,580,655)	(15,954,831)	(15,954,831)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in members deposits	4,542,167	4,542,167	16,297,158	16,297,158
Net increase/(decrease) in withdrawable shares	188	188	282	282
Net increase in amounts due to subsidiaries	-	-	(42,407)	(42,407)
Dividends paid	-	-	(150,000)	-
Net cash provided by financing activities	4,542,355	4,542,355	16,105,033	16,255,033
NET INCREASE/(DECREASE) IN CASH HELD	(354,560)	(566,277)	807,943	971,378
Cash at beginning of year	2,880,321	2,674,003	2,072,378	1,702,625
CASH AT END OF YEAR (Note 15(1))	2,525,761	2,107,726	2,880,321	2,674,003

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 entity, Tertiary Travel Service 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 2004

FINANCIAL INSTRUMENTS	STATEMENT OF FINANCIAL POSITION NOTES	ACCOUNTING POLICIES	TERMS AND CONDITIONS
FINANCIAL ASSETS			
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.
FINANCIAL LIABILITIES			
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.
UNRECOGNISED FINANCIAL INSTRUMENTS			
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 \$11.498m, 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 September 2004 and December 2008.

(k) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, together with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- Impairment of Assets
The entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of the pending AASB 136 Impairment of Assets, the recoverable amount of the asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.
- Non-current Investments
Under the pending AASB 139 Financial Instruments: Recognition and Measurement, financial instruments must be carried at fair value, including the recognition of interest rate hedges entered into by the Society.
- Income Tax
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent of IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.
- General Provision for Doubtful Debts
The economic entity currently carries a general provision for doubtful debts, which is consistent with the requirements of the Australian Prudential Regulation Authority's (APRA) prudential standard AGN 220.2. However, there appears to be an inconsistency with the requirements of the International Financial Reporting Standards, which do not require such a provision.

We believe that the issue is currently being reviewed by APRA and the Australian Accounting Standards Board (AASB) with a view to resolution.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2004

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 2: PROFIT FROM ORDINARY ACTIVITIES				
BEFORE INCOME TAX				
Interest on commercial loans:				
Loans for residential investment properties	811,727	811,727	718,950	718,950
Other commercial loans	297,307	297,307	462,154	462,154
	1,109,034	1,109,034	1,181,104	1,181,104
Interest on loans other than commercial loans	2,972,112	2,972,112	2,836,421	2,836,421
Interest on investments	2,183,153	2,172,049	1,478,323	1,462,258
Interest revenue	6,264,299	6,253,195	5,495,848	5,479,783
Interest on members' deposits	3,454,298	3,454,298	2,878,409	2,878,409
Interest on borrowings	100,835	100,835	158,506	158,506
Interest expense	3,555,133	3,555,133	3,036,915	3,036,915
Loan establishment fees	51,695	51,695	62,806	62,806
Other fee income	569,979	300,751	537,667	291,739
Income from property	-	25,879	-	25,880
Insurance commissions	71,269	71,269	46,767	46,767
Other commissions	345,194	88,673	301,092	98,848
Dividends	23,711	267,364	-	193,727
Bad debts recovered	2,903	2,903	7,810	7,810
Non interest revenue	1,064,751	808,534	956,142	727,577
Bad and doubtful debts (Note 11)	286	286	2,636	2,636
Bad and doubtful debts expense	286	286	2,636	2,636
Depreciation and amortisation -				
Property, plant and equipment	102,082	101,283	128,286	123,445
Transfers to provisions -				
Holiday pay	16,865	16,865	15,019	15,019
Long service leave	18,641	18,641	15,143	15,143
Personnel costs	1,464,498	1,175,438	1,385,848	1,103,297
Supervision levy	10,591	10,591	8,361	8,361
Occupancy expenses	127,996	121,454	122,403	114,447
Other expenses	1,462,435	1,398,519	1,378,521	1,306,536
Other expenses	3,203,108	2,842,791	3,053,581	2,686,248
PROFIT FROM ORDINARY ACTIVITIES				
BEFORE INCOME TAX	570,523	663,519	358,858	481,561

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.

	Economic Entity Average Balance \$	Economic Entity Interest \$	Economic Entity Average Interest Rate %
INTEREST REVENUE 2004			
Investment securities	41,698,617	2,183,153	5.24%
Loans and advances	58,337,178	4,081,146	7.00%
	100,035,795	6,264,299	6.26%
INTEREST EXPENSE 2004			
Customer deposits	96,729,167	3,454,298	3.57%
Short-term borrowings	1,834,169	100,835	5.50%
	98,563,336	3,555,133	3.61%
<i>Net Interest Income 2004</i>	1,472,459	2,709,166	2.66%
INTEREST REVENUE 2003			
Investment securities	29,920,146	1,478,323	4.94%
Loans and advances	58,260,789	4,017,525	6.90%
	88,180,935	5,495,848	6.23%
INTEREST EXPENSE 2003			
Customer deposits	85,328,789	2,878,409	3.37%
Short-term borrowings	1,807,366	158,506	8.77%
	87,136,155	3,036,915	3.49%
<i>Net Interest Income 2003</i>	1,044,780	2,458,933	2.75%

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 4: INCOME TAX				
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% (2003: 30%)	(281,688)	(236,491)	(165,775)	(144,468)
Adjustment due to permanent differences	-	-	(28,493)	(28,493)
	(281,688)	(236,491)	(194,268)	(172,961)
Imputation credit on dividends received	114,585	114,585	83,026	83,026
	(167,103)	(121,906)	(111,242)	(89,935)
Income tax attributable to operating profit is made up of the following:				
Provision for income tax	(165,071)	(120,716)	(106,152)	(84,590)
Deferred tax liability	3,675	3,675	7,706	7,706
Future income tax benefit	(5,707)	(4,865)	(12,796)	(13,051)
	(167,103)	(121,906)	(111,242)	(89,935)
NOTE 5: ASSETS				
(a) Cash and liquid assets				
Cash floats	327,865	327,370	276,600	276,105
Cash at bank	1,117,563	1,117,563	1,765,674	1,765,674
	1,445,428	1,444,933	2,042,274	2,041,779
(b) Due from other financial institutions				
Deposits with SSPs	20,854,515	20,854,515	14,571,570	14,571,570
Bank deposits	662,793	662,793	632,224	632,224
	21,517,308	21,517,308	15,203,794	15,203,794
Maturity analysis:				
At call	662,793	662,793	632,224	632,224
Not longer than 3 months	20,854,515	20,854,515	14,571,570	14,571,570
	21,517,308	21,517,308	15,203,794	15,203,794

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2004

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 5: ASSETS (continued)				
(c) Accrued receivables				
Trade debtors	532,954	323,295	533,774	266,768
Accrued income	148,753	148,753	120,313	120,313
Other debtors and prepayments	84,725	326,157	68,156	66,846
	766,432	798,205	722,243	453,927
(d) Investment securities				
Bank accepted bills of exchange	22,788,729	22,788,729	22,378,962	22,378,962
	22,788,729	22,788,729	22,378,962	22,378,962
Maturity analysis:				
Not longer than 3 months	22,788,729	22,788,729	22,378,962	22,378,962
	22,788,729	22,788,729	22,378,962	22,378,962
(e) Loans and advances				
Loans (Note 12)	58,693,231	58,693,231	59,918,006	59,918,006
Less provision for doubtful debts (Note 11)	(321,260)	(321,260)	(325,666)	(325,666)
	58,371,971	58,371,971	59,592,340	59,592,340
Maturity analysis:				
Not longer than 3 months	17,859,364	17,859,364	18,232,042	18,232,042
Longer than 3 and not longer than 12 months	8,185,799	8,185,799	8,356,615	8,356,615
Longer than 1 year and not longer than 5 years	20,331,944	20,331,944	20,756,219	20,756,219
Longer than 5 years	12,316,124	12,316,124	12,573,130	12,573,130
Less provision for doubtful debts (Note 11)	(321,260)	(321,260)	(325,666)	(325,666)
	58,371,971	58,371,971	59,592,340	59,592,340
(f) Other investments				
Shares - in controlled entities (Note 10)	-	100,000	-	100,000
- other unlisted companies	602,794	602,794	602,794	602,794
	602,794	702,794	602,794	702,794

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 5: ASSETS (continued)				
(g) Property, Plant and Equipment				
Freehold Land				
At independent valuation 2004/2001	900,000	900,000	616,000	616,000
Buildings				
At independent valuation 2004/2001	700,000	700,000	584,000	584,000
	1,600,000	1,600,000	1,200,000	1,200,000
Less accumulated depreciation	-	-	(29,200)	(29,200)
Total Land and Buildings	1,600,000	1,600,000	1,170,800	1,170,800
Plant and Equipment				
At cost	1,072,694	1,038,335	1,048,911	1,014,552
Less accumulated depreciation	(928,723)	(894,517)	(927,405)	(893,998)
Total Plant and Equipment	143,971	143,818	121,506	120,554
Total Property, Plant and Equipment	1,743,971	1,743,818	1,292,306	1,291,354

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 2004 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	554,800	120,554	1,291,354
Additions	-	-	109,947	109,947
Disposals	-	-	-	-
Depreciation expense	-	(14,600)	(86,683)	(101,283)
Revaluation	284,000	159,800	-	443,800
Carrying amount at the end of year	900,000	700,000	143,818	1,743,818

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2004

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 5: ASSETS (continued)				
(h) Deferred tax assets				
Future income tax benefit	203,774	202,820	208,991	207,195
	203,774	202,820	208,991	207,195
NOTE 6: LIABILITIES				
(a) Deposits and borrowings				
Members' deposits	98,730,280	99,147,820	94,399,830	94,605,653
Withdrawable shares - non-interest bearing	17,494	17,494	17,306	17,306
	98,747,774	99,165,314	94,417,136	94,622,959
Maturity analysis:				
At call	28,695,039	29,112,579	28,447,867	28,653,690
Not longer than 3 months	55,512,022	55,512,022	50,331,414	50,331,414
Longer than 3 and not longer than 6 months	10,255,019	10,255,019	10,252,980	10,252,980
Longer than 6 and not longer than 12 months	3,700,213	3,700,213	4,714,015	4,714,015
Longer than 1 year and not longer than 5 years	585,481	585,481	670,860	670,860
	98,747,774	99,165,314	94,417,136	94,622,959
(b) Payables and other liabilities				
Trade creditors and accruals	1,382,778	1,139,174	1,250,513	1,026,878
Due to controlled entity	-	-	-	-
	1,382,778	1,139,174	1,250,513	1,026,878
(c) Interest bearing liabilities				
Bank overdraft (Note 19)	-	-	-	-
	-	-	-	-
Maturity analysis:				
At call	-	-	-	-
	-	-	-	-
(d) Tax liabilities				
Income tax	109,359	65,594	52,718	37,164
Deferred income tax	-	-	3,675	3,675
	109,359	65,594	56,393	40,839

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2004

	2004		2003	
	Economic	Society	Economic	Society
	Entity		Entity	
	\$	\$	\$	\$
NOTE 6: LIABILITIES (continued)				
(e) Provisions				
Employee entitlements	267,387	267,387	235,408	235,408
	267,387	267,387	235,408	235,408
(a) Number of employees at year end	33	27	31	25
NOTE 7: RESERVES				
General reserve				
Balance at beginning of year	5,683,908	5,683,908	5,297,155	5,297,155
Transfer to reserve for year	541,613	541,613	386,753	386,753
Balance at end of year	6,225,521	6,225,521	5,683,908	5,683,908
Asset revaluation reserve				
Balance at beginning of year	262,153	262,153	262,153	262,153
Add: Revaluation increment on freehold land and buildings	445,435	445,435	-	-
Balance at end of year	707,588	707,588	262,153	262,153
	6,933,109	6,933,109	5,946,061	5,946,061

	2004		2003	
	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
D J Grant		P Grant		P M Furzer
F J Lincoln				M L T Johns
Total remuneration received by directors of the Society -				
Paid by the Society	35,313	35,313	27,766	27,766
Paid by subsidiaries	-	-	-	-
	35,313	35,313	27,766	27,766
Number of directors whose remuneration was within the following bands -				
\$0- \$9,999	9	9	9	9
Aggregate transactions of the directors and director-related parties with the Society are as follows:				
Interest on loans for the year	38,098	38,098	38,288	38,288
Interest paid on deposits for the year	10,042	10,042	7,787	7,787
Deposits at year end	355,587	355,587	252,194	252,194

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:	571,864	571,864	724,638	724,638
Loans advanced during the year	329,522	329,522	317,607	317,607
Loan repayments received during the year	521,144	521,144	223,969	223,969

The directors concerned were

Loans advanced - 2004 P M Furzer, P Grant & M L Griffith
 2003 P M Furzer, P Grant, M L Griffith & F J Lincoln
 Repayments received - 2004 P M Furzer, D J Grant, P Grant & M L Griffith
 2003 P M Furzer, D J Grant, P Grant, M L Griffith & F J Lincoln

	2004		2003	
	Economic Entity	Society	Economic Entity	Society
	\$	\$	\$	\$
NOTE 9: COMMITMENTS FOR EXPENDITURE				
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	62,494	62,494	41,368	41,368
- Later than one year and not later than two years	33,600	33,600	27,001	27,001
- Later than two years and not later than five years	73,424	73,424	490	490
	169,518	169,518	68,859	68,859
Loans approved but not funded as at 30 June	13,414,147	13,414,147	12,040,053	12,040,053

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

NOTE 11: PROVISION FOR DOUBTFUL DEBTS

(a) Specific provision for doubtful debts				
Balance at beginning of year	17,754	17,754	27,897	27,897
Add/(deduct) provision for year	(12,873)	(12,873)	6,145	6,145
	4,881	4,881	34,042	34,042
Less bad debts written off	(4,406)	(4,406)	(16,288)	(16,288)
Balance at end of year	475	475	17,754	17,754
(b) General provision for doubtful debts				
Balance at beginning of year	307,912	307,912	314,057	314,057
Add/(deduct) provision for year	12,873	12,873	(6,145)	(6,145)
	320,785	320,785	307,912	307,912
Less bad debts written off	-	-	-	-
Balance at end of year	320,785	320,785	307,912	307,912
Total Provision for Doubtful Debts	321,260	321,260	325,666	325,666

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 11: PROVISION FOR DOUBTFUL DEBTS (continued)				
(c) Minimum provision required under the prudential standards	10,964	10,964	15,942	15,942
(d) Aggregate amount of loans on which interest is no longer being accrued	475	475	7,558	7,558
(e) Aggregate amount of loans in arrears by more than 90 days where interest is being accrued	3,236	3,236	9,616	9,616
(f) Non-accrual loans included in provision for doubtful debts	475	475	7,411	7,411
(g) Interest revenue on non-accrual loans	52	52	672	672
(h) Interest forgone on non-accrual loans	23	23	468	468
(i) Net fair value of assets acquired through enforcement of security.	-	-	-	-

NOTE 12: LOANS**Loans by purpose**

Commercial loans -				
Loans for residential investment properties	13,081,595	13,081,595	12,515,263	12,515,263
Other commercial loans	5,075,630	5,075,630	7,531,315	7,531,315
Total commercial loans	18,157,225	18,157,225	20,046,578	20,046,578
Residential loans	33,563,871	33,563,871	33,457,767	33,457,767
Personal loans	6,972,135	6,972,135	6,413,661	6,413,661
Less provision for doubtful debts	(321,260)	(321,260)	(325,666)	(325,666)
	58,371,971	58,371,971	59,592,340	59,592,340

Loans by security

Secured by mortgage	53,501,937	53,501,937	53,391,293	53,391,293
Secured other	3,966,448	3,966,448	5,248,060	5,248,060
Unsecured	1,224,846	1,224,846	1,278,653	1,278,653
Less provision for doubtful debts	(321,260)	(321,260)	(325,666)	(325,666)
	58,371,971	58,371,971	59,592,340	59,592,340

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	2004	2004	2004	2004	2004
	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
	\$	\$	\$	\$	\$
(i) Financial Assets					
Cash and liquid assets	-	1,445,428	-	-	1,445,428
Due from other financial institutions	21,517,308	-	-	-	21,517,308
Trading securities	22,788,729	-	-	-	22,788,729
Loans and advances	39,932,280	-	8,915,676	9,524,015	58,371,971
Unlisted shares and sub-ordinated deposits	-	602,794	-	-	602,794
Receivables and other assets	-	766,432	-	-	766,432
Interest rate swaps *	11,498,000	-	(3,823,000)	(7,675,000)	-
Total financial assets	95,736,317	2,814,654	5,092,676	1,849,015	105,492,662
Weighted average interest rate	6.269%	0.000%	6.389%	6.605%	
(ii) Financial Liabilities					
Overdraft and loan facility	-	-	-	-	-
Member shares	-	17,494	-	-	17,494
Member deposits	28,673,703	-	69,491,096	565,481	98,730,280
Trade creditors and accruals	-	1,382,778	-	-	1,382,778
Total financial liabilities	28,673,703	1,400,272	69,491,096	565,481	100,130,552
Weighted average interest rate	0.953%	0.000%	4.608%	4.668%	
Net financial assets (liabilities)	67,062,614	1,414,382	(64,398,420)	1,283,534	5,362,110

* Notional principal amounts

NOTE 13: FINANCIAL INSTRUMENTS (continued)

Financial Instruments	2003 Floating interest rate	2003 Non interest bearing	2003 Fixed Interest 1 year or less	2003 Fixed Interest 1 year to 5 years	2003 Total carrying amount as per balance sheet
	\$	\$	\$	\$	\$
(i) Financial Assets					
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)	-
Total financial assets	90,711,258	3,367,311	5,935,725	528,113	100,542,407
Weighted average interest rate	5.740%	0.000%	5.806%	6.881%	
(ii) Financial Liabilities					
Overdraft and loan facility	-	-	-	-	-
Member shares	-	17,306	-	-	17,306
Member deposits	28,430,561	-	65,298,409	670,860	94,399,830
Trade creditors and accruals	-	1,250,513	-	-	1,250,513
Total financial liabilities	28,430,561	1,267,819	65,298,409	670,860	95,667,649
Weighted average interest rate	0.840%	0.000%	4.371%	5.051%	
Net financial assets (liabilities)	62,280,697	2,099,492	(59,362,684)	(142,747)	4,874,758

(c) Net fair values

The net fair value of the financial assets and liabilities at 30 June 2004 equate to their carrying value as disclosed in the accounts, other than interest rate swap agreements which had a net fair value of \$22,421 (2003: \$(241,947)).

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 2004 \$	Economic Entity 2003 \$
Net financial assets as above		5,362,110	4,874,758
Non-financial assets and liabilities:			
Property, plant and equipment	5(g)	1,743,971	1,292,306
Other assets	5(h)	203,774	208,991
Provisions	6(d)/6(e)	(376,746)	(291,801)
		6,933,109	6,084,254
Net assets per statement of financial position		6,933,109	6,084,254

NOTE 14: CONCENTRATION OF RISK

	2004		2003	
	Economic	Society	Economic	Society
	Entity		Entity	
	\$	\$	\$	\$
Loans to members or associated members which exceed ten per cent of shareholders' equity are as follows:				
Number of loans	4	3	7	8
Aggregate value	3,831,163	3,169,685	6,717,897	7,290,974
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	1,862,968	1,444,933	2,248,097	2,041,779
Deposits with banks	662,793	662,793	632,224	632,224
Bank overdraft	-	-	-	-
	2,525,761	2,107,726	2,880,321	2,674,003

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	403,420	541,613	247,616	391,626
(Increase) in interest receivable	(28,440)	(28,440)	(21,384)	(21,384)
Depreciation and amortisation	102,082	101,283	128,286	123,445
(Decrease)/increase in income tax provisions	52,965	24,755	64,230	39,900
Decrease/(increase) in future income tax benefit	5,217	4,375	12,796	13,051
(Decrease)/Increase in accrued expenses and provisions	132,266	112,296	(14,319)	83,278
Decrease/(increase) in debtors and prepayments	(256,785)	(313,221)	39,975	34,446
Bad debts written off less recovered	(2,617)	(2,617)	(5,174)	(5,174)
Increase/(decrease) in annual & long service leave provisions	31,979	31,979	11,988	11,988
Dividends paid/payable	243,653	-	193,727	-
	683,740	472,023	657,741	671,176

	2004		2003	
	Economic Entity \$	Society \$	Economic Entity \$	Society \$
NOTE 16: REMUNERATION OF AUDITORS				
Total remuneration received by the auditors in connection with -				
auditing the accounts	28,050	25,300	25,250	22,550
any other services provided by the auditors	550	550	550	550

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

Accrued salaries	19,834	17,237	16,080	12,685
Provision for employee entitlements:				
Annual leave	123,360	123,360	114,787	114,787
Long service leave	144,027	144,027	120,621	120,621
Aggregate employee entitlement liability	287,221	284,624	251,488	248,093

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% (2003: 9%) 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 Permanent Trustee Company as Custodian for The Spectrum Plan.

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 (2003 - \$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 still 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 7 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 2004, 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 18th day of October 2004.



Director



Director

Independent Audit Report

SCOPE

The financial report and directors' responsibility.

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for University Credit Society Ltd (the credit society) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the credit society and the entities it controlled during that year.

The directors of the credit society are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the credit society. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.



HALL CHADWICK
Chartered Accountants



MICHAEL J HILLGROVE
Partner

Dated at Perth this 20th day of October 2004.