

28th *Annual Report*

1992

***R.T.A. STAFF
CREDIT UNION LIMITED***

Incorporated in NSW ARBN 055 427 079

REGISTERED OFFICE

Level 5, 260 Elizabeth St
Surry Hills NSW 2010

Credit Union Mission

The RTA Staff Credit Union was established for the sole purpose of improving the financial well-being of RTA employees, their families and friends.



Notice of Annual General Meeting

The 28th Annual General Meeting of the RTA Staff Credit Union Limited will be held in the 1st floor conference room of the Centennial Plaza Building, 260 Elizabeth Street, Surry Hills on Thursday, 26th November, 1992 commencing at 1.05 p.m.

The formal notice of the business of the meeting was contained in the October, 1992 issue of "Member News".

Know your Credit Union

Board of Directors

BOB McDOWELL (Chairman)
ROD WATSON (Deputy Chairman) RON SINCLAIR
DON BLACK ROSEMARY BELL
GLEN MORGAN ALAN TOBIN

Administration

DON JONES (General Manager)
IRENE MAIDMENT (Investments/Edvest)
CATHY MILNE and JOANNE BADENOCH (Loans)
VIENA YEE and ANITA BEDDOWES (Memberships/Tellers)

Solicitors

LANGE & CO
4TH FLOOR,
416 GEORGE STREET,
SYDNEY

Auditors

KPMG PEAT MARWICK
THE KPMG CENTRE
45 CLARENCE STREET,
SYDNEY

Bankers

ASSOCIATION OF NSW CREDIT UNIONS LTD
CENTRALISED BANKING SCHEME
WITH
THE NATIONAL AUSTRALIA BANK LTD.

Highlights

Strong Growth

The highlight of the year was the continued confidence in the R.T.A. Staff Credit Union by its members which resulted in increased deposits of 20.5% and assets growth of 18.6% over 1990/91.

This was particularly pleasing considering the loss of confidence experienced by some other financial institutions and justifies the Board's policies of providing a strong and competitive Credit Union.

This growth will enable your Credit Union to expand on its services to members and broaden its loan portfolio to include home lending in the coming years.

No Fee Policy

The Credit Union's policy of absorbing government FID and BADT charges saved members \$42,000 during 1991/92. Neither does the Credit Union charge members transaction or account keeping fees. It is therefore one of the few financial institutions that is entirely free of fees.

Interest Rate Competitiveness

Both loan interest rates and savings and investments interest rates are continually monitored to ensure that our rates provide members with the best available return on their funds at the least cost to the borrowers.

Increased Strength

Credit Unions are required by New South Wales legislation to meet certain prudential standards during the course of their operations. Together with the strength of this Credit Union's reserves and provisions, these prudential management practices ensure the continuing viability of your Credit Union. In all cases the R.T.A. Staff Credit Union operates above the minimum standards. This not only increases its strength, but also provides the flexibility to expand into new member services.

	RTA STAFF AS at 30.6.92 %	STATUTORY RATIO %
Liquid Funds to Total Member Funds	34.2	7.0
Realised Reserves to Assets	7.8	5.0
Provision for Doubtful Debts to total loans	2.1	1.5
Risk-weighted Capital Ratio	11.7	8.0

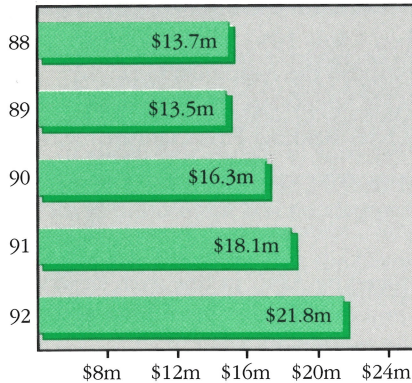
Affiliations

The strength of your Credit Union is further enhanced by its affiliations at a state and national level thus providing cost effective financial services and support, government representation, marketing etc. Affiliations include:-

Association of N.S.W. Credit Unions Limited
Credit Union Services Corporation (Australia) Limited
Australian Institute of Credit Union Management Ltd
Institute of Credit Union Directors (Inc)

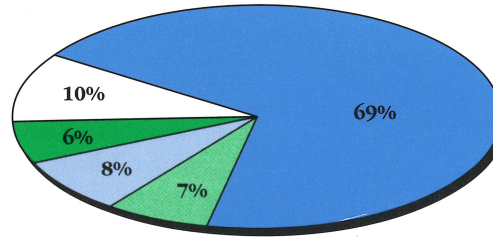
Progress Over Five Years

Deposits

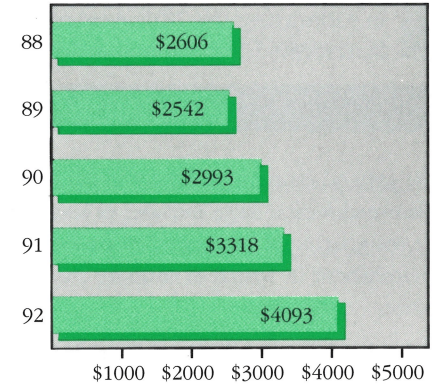


How your Income was used

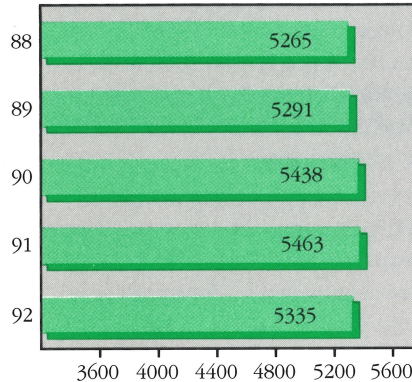
Interest paid to members 69%
 Surplus 7%
 Staff Costs 8%
 Loan Costs 6%
 Office Administration 10%



Average Savings per Member

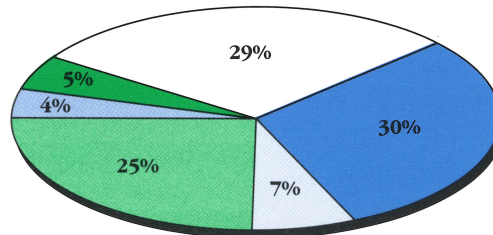


Membership

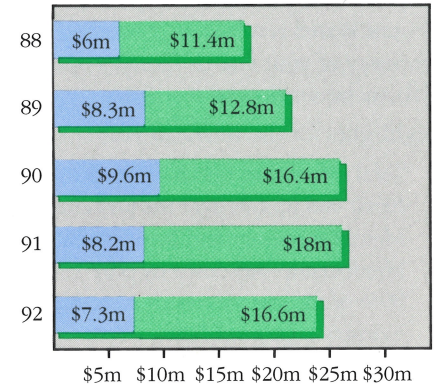


Purpose of Loans

Property Purchases and Improvements 29%
 Motor Vehicle Purchases and costs 30%
 Household Goods 7%
 Consolidating Debts 25%
 Holidays and Travel 4%
 Miscellaneous including Boats and Caravans 5%



Loans Funded and Balances



Chairman's Report 1991/92

On behalf of the Board of Directors, I have much pleasure in submitting the 28th Annual Report and Financial Statements for the year ended 30th June 1992.

Year in Review

The general economic climate in evidence during the year, combined with a large number of loan payouts associated with the resignation of members, created a most complex environment in which to conduct the operations of the Credit Union.

The major outcomes were a downturn in the amount of outstanding Member's Loans (7.9%), a consequent squeeze on profit levels and continuing pressure on debt recovery mechanisms resulting from increased mobility and separations of RTA Staff.

Despite these pressures, the policies and initiatives introduced by your Board resulted in continued improvements in the efficiency of your Credit Union's operations and the provision of financial services to members.

Highlights for the financial year were:-

- * Total assets were up 18.6% to \$24.2M.
- * Profit was up 6% over the previous year.
- * Members Savings and Investments were up 20.5% to \$21.8M.
- * Membership was down by only 128.
- * 69% of income was returned to Members, compared to the industry average of 50%.
- * Operating Costs represented 26.6% of income compared to the industry average of 38.8%.

New Legislation

Legislation was introduced on 1 July 1992 in all States and Territories of Australia to establish the Australian Financial Institutions Commission (AFIC) to oversee the prudential standards and operations of Non-Banking Financial Institutions.

State Supervisory Authorities, who will report direct to AFIC, will be responsible for the inspection and monitoring of each financial institution.

Prudential standards developed by AFIC in line with Reserve Bank guidelines can only improve member confidence and security of the Credit Union movement.

A phase-in period has been allowed to enable institutions time to comply with the new standards. It is pleasing to note that your Credit Union already complies with the major new standards relating to the level of capital/reserves held, liquidity and provisions. From the outset, our risk weighted capital ratios will be well in excess of the prudential standards.

Appreciation

I acknowledge with much appreciation -

- * The 5,335 Members for their support and business.
- * The outstanding commitment and service of the General Manager, Don Jones and his staff.
- * My fellow Directors for their support, dedication and commitment during the year.

For and on Behalf of the Board

R B McDowell
Chairman

Statement By Directors

1. In the opinion of the Directors of R.T.A. Staff Credit Union Limited:
 - (a) the accompanying accounts, as set out on pages 8 to 15 are drawn up so as to give a true and fair view of the results and cash flows of the Credit Union for the financial year ended 30 June 1992 and the state of affairs of the Credit Union at 30 June 1992;
 - (b) at the date of this statement, there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they fall due.
2. The accounts of the Credit Union have been made out in accordance with Statements of Accounting Concepts and Australian Accounting Standards.

Dated at Sydney this 28th day of September 1992.

Signed in accordance with a resolution of the Directors:

Directors

R.B. McDowell

A.J.R. Watson

R.T.A. Staff Credit Union Limited

Balance Sheet as at 30 June 1992

	Note	1992 \$	1991 \$		Note	1992 \$	1991 \$
ASSETS				Investments			
Advances				Deposits with:			
Loans to Members		16,587,787	18,003,047	Association of NSW Credit Unions Ltd		4,700,000	900,000
Less: Provision for Doubtful Debts	4	<u>(350,000)</u>	<u>(321,200)</u>	Subordinated Deferred Deposit - ANSWCU		140,388	119,451
		<u>16,237,787</u>	<u>17,681,847</u>	Shares in ANSWCU (at cost)		11,700	9,955
Fixed Assets				Shares in AFCUL		<u>1</u>	<u>1</u>
Office Furniture, Fittings and Equipment (at cost)		21,723	17,323			<u>4,852,089</u>	<u>1,029,407</u>
Less: Provision for Depreciation		<u>(7,083)</u>	<u>(5,713)</u>	Savings Reserve Fund			
		<u>14,640</u>	<u>11,610</u>	5		126,975	113,088
Computer Hardware/Software (at cost)		144,198	136,998	Current Assets			
Less: Provision for Depreciation		<u>(127,860)</u>	<u>(68,821)</u>	Cash on Hand		50,200	80,200
		<u>16,338</u>	<u>68,177</u>	Cash at Bank - Interest Bearing		106,294	103,411
Liquid Assets				Sundry Debtors		34,180	19,403
Premier State Bonds		-	100,000	Prepayments		6,260	5,884
State Bank of NSW Bonds		321,066	-	Accrued Interest on Investments		<u>82,006</u>	<u>67,618</u>
Telecom		-	100,000			<u>278,940</u>	<u>276,516</u>
Commonwealth Pipeline Authority Bonds		118,253	-	TOTAL ASSETS			
Deposits with:						24,165,889	20,380,645
Primary Industry Bank of Australia		199,801	200,000				
Association of NSW Credit Unions Ltd		<u>2,000,000</u>	<u>800,000</u>				
		<u>2,639,120</u>	<u>1,200,000</u>				

R.T.A. Staff Credit Union Limited

Balance Sheet as at 30 June 1992 (cont.)

	Note	1992	1991		Note	1992	1991
		\$	\$			\$	\$
LIABILITIES				MEMBERS' FUNDS			
Members' Deposits				Issued Capital 26,675			
Savings - at Call		6,544,619	5,182,912	(1991 - 27,315) shares of			
Term Investments		13,631,139	11,465,156	\$2 each, fully paid		53,350	54,630
Redifund		<u>1,664,167</u>	<u>1,479,650</u>	Statutory Reserve	3	786,554	675,188
		<u>21,839,925</u>	<u>18,127,718</u>	Appropriation Account		1,089,278	1,002,751
Current Liabilities						<u>1,929,182</u>	<u>1,732,569</u>
Accrued Charges		25,175	22,828				
Accrued Interest		267,058	335,205				
Provision for Staff Leave		41,963	40,207				
Provision for Long Service Leave		34,778	28,477				
Sundry Creditors		7,847	2,519				
Provision for Development of							
Members' Services		19,961	79,000				
Provision for Taxation	6	-	12,122				
		<u>396,782</u>	<u>520,358</u>				
TOTAL LIABILITIES		22,236,707	18,648,076				
NET ASSETS		<u>1,929,182</u>	<u>1,732,569</u>				

R.T.A. Staff Credit Union Limited

Statement of Income and Expenditure for the Year Ended 30 June 1992

	Note	1992	1991		Note	1992	1991
		\$	\$			\$	\$
INCOME							
Interest on Loans to Members		2,355,857	2,610,255	Less: Operating Expenses			
Interest on Investments		492,006	281,543	Loan Administration and Collection			
Entrance Fees		175	255	Bad Debts written off		137,249	123,521
Bad Debts Recovered		28,791	13,083	Provision for Doubtful Debts	4	28,800	11,200
Commission		16,822	31,140	Other		<u>12,285</u>	<u>5,676</u>
Other		<u>200</u>	<u>-</u>			<u>178,334</u>	<u>140,397</u>
		<u>2,893,851</u>	<u>2,936,276</u>	Salaries and Associated Costs			
EXPENDITURE							
Interest paid				Salaries and other staff expenses		219,940	211,349
Members' Savings - at Call		442,756	374,713	Provision for Annual Leave		1,756	(1,698)
- Term Investments		1,400,159	1,518,614	Provision for Long Service Leave		6,301	(1,849)
- Redifund		142,670	177,923	Superannuation		10,052	4,611
Borrowings from ANSWCU		<u>-</u>	<u>29,586</u>	Training levy shortfall - 1991		<u>3,443</u>	<u>-</u>
		<u>1,985,585</u>	<u>2,100,836</u>			<u>241,492</u>	<u>212,413</u>
Surplus before Operating Expenses:		908,266	835,440	Member Protection Benefits			
				Affiliation Fees		15,145	11,718
				Audit Fees	2	17,927	17,667
				Fidelity Insurance		10,062	7,671
				Loan Protection Insurance		<u>56,752</u>	<u>64,318</u>
						<u>99,886</u>	<u>101,374</u>
				Marketing and Promotion		<u>19,248</u>	<u>13,197</u>

R.T.A. Staff Credit Union Limited

Statement of Income and Expenditure for the Year Ended 30 June 1992 (cont.)

	Note	1992	1991		Note	1992	1991
		\$	\$			\$	\$
<i>EXPENDITURE (cont.)</i>				Operating Surplus Before Abnormal			
Member Services				Items and Income Tax		138,854	167,298
Member Chequing		7,674	8,211	Abnormal Items			
Edvest		3,126	-	Provision for Development of			
		<u>10,800</u>	<u>8,211</u>	Member Services written back		59,039	34,000
Data Processing				Operating Surplus Before Income Tax		197,893	201,298
Depreciation of Computer				Income Tax Expense Applicable	6	-	(14,873)
Hardware	1(b)	59,039	19,826	Surplus for the Year Transferred to			
Depreciation of Software		24,032	13,968	Appropriation Account		<u>197,893</u>	<u>186,425</u>
Other		4,703	26,815				
		<u>87,774</u>	<u>60,609</u>				
Accommodation							
Rent		31,612	29,970				
Administration							
Bank and Cash Delivery Charges		26,333	25,110				
Depreciation of Office Furniture	1(b)	1,370	1,255				
Federal and State Government Taxes		42,222	35,395				
Printing and Stationery		9,349	13,387				
Postage		9,725	8,237				
Other		11,267	18,587				
		<u>100,266</u>	<u>101,971</u>				
Total Operating Costs		769,412	668,142				

R.T.A. Staff Credit Union Limited

Appropriation Account for the Year Ended 30 June 1992

	Note	1992 \$	1991 \$
Balance Brought Forward		1,002,751	913,274
Add: Surplus transferred from Income and Expenditure Account		<u>197,893</u>	<u>186,425</u>
		1,200,644	1,099,699
Less: Transfer to Statutory Reserve	3	<u>111,366</u>	<u>96,948</u>
Balance Carried Forward		<u>1,089,278</u>	<u>1,002,751</u>

Statements of Cash Flows for the Year Ended 30 June 1992

	Note	1991 \$
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Movement in loans to members comprising:		
Loans advanced plus interest		(9,790,021)
Loan Repayments		<u>11,205,281</u>
		1,415,260
Other cash receipts in the course of operations		6,576,517
Other cash payments in the course of operations		(2,718,203)
Income taxes paid		<u>(12,122)</u>
Net cash provided by operating activities	9(ii)	<u>5,261,452</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Payments for property, plant and equipment		(11,600)
Payments for investments		<u>(3,837,849)</u>
Net cash used in investing activities		<u>(3,849,449)</u>
Net increase (decrease) in cash held		1,412,003
Cash at the beginning of the financial year	9(i)	<u>1,383,611</u>
Cash at the end of the financial year	9 (i)	<u>2,795,614</u>

In accordance with AAS 28, comparative information has not been given in the first year of application of the standard, as the Directors believe it is impracticable.

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 15.

R.T.A. Staff Credit Union Limited

Notes To and Forming Part of the Financial Accounts for the Year Ended 30 June 1992

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) **Basis of Preparation**

The accounts of the Credit Union have been drawn up in accordance with the accounting concepts and disclosure requirements of the Australian accounting bodies. They have been prepared on the basis of historical costs and do not take into account changing money values or current valuations of assets. The accounting policies have been consistently applied.

(b) **Depreciation of Fixed Assets**

Fixed assets are depreciated over their estimated useful lives using the straight line method.

(c) **Taxation**

The Credit Union adopts the liability method of tax effect accounting.

2. AUDIT FEES

The auditor received no other benefits.

3. STATUTORY RESERVE

	1992 \$	1991 \$
Opening Balance	675,188	578,240
Transfer in accordance with the Statutory Requirement	111,366	96,948
Closing balance	<u>786,554</u>	<u>675,188</u>

4. PROVISION FOR DOUBTFUL DEBTS

In accordance with a decision of the Board of Directors, the provision for doubtful debts has been increased to \$350,000 (1991 - \$321,200) which represents approximately 2.1% (1991 - 1.8%) of the total value of loans outstanding. The minimum provision which would be required by the Credit Union Act, 1969 is \$248,021 (1991 - \$249,685).

5. SAVINGS RESERVE FUND

Deposits are made in accordance with the Credit Union Act, 1969 and are available to the Savings Reserve Board to provide protection of the savings of members. Deposits are refundable only in the case of liquidation of this Credit Union.

R.T.A. Staff Credit Union Limited

Notes To and Forming Part of the Financial Accounts for the Year Ended 30 June 1992 (cont.)

6. INCOME TAX

Prima facie income tax expense of \$77,152 (1991 - \$78,506) varies from income tax expense due to abnormal items which have no income tax applicable and interest paid to the Credit Union by its members which is exempt from tax in accordance with Section 23(g) of the Income Tax Assessment Act.

Accordingly, after appointment of allowable expenses against interest paid by members and other income earned by the Credit Union no income tax is estimated to be payable (1991 - \$12,122).

7. SEGMENT REPORTING

The entity operates as a Credit Union in Australia.

8. RELATED PARTY TRANSACTIONS

Loans to directors as at 30 June 1992 totalled \$35,333 (1991:\$57,189). The recipients of these loans were Messrs R McDowell, R S Sinclair and A S Tobin.

During the year repayments of \$21,856 were received in relation to the above loans.

Transactions with directors are made on the same terms and conditions as other members of the Credit Union.

9. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheets as follows:

	1992	1991
	\$	\$
Liquid assets - at call	2,639,120	1,200,000
Cash on hand	50,200	80,200
Cash at bank	<u>106,294</u>	<u>103,411</u>
	<u>2,795,614</u>	<u>1,383,611</u>

R.T.A. Staff Credit Union Limited

Notes To and Forming Part of the Financial Accounts for the Year Ended 30 June 1992 (cont.)

9. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(ii) Reconciliation of Operating Profit After Tax to Net Cash Provided by Operating Activities

	1992 \$		1992 \$
Operating profit after income tax	197,893	(Increase)/decrease in prepayments	(376)
Add/(less) non-cash items:		(Increase)/decrease in sundry debtors	(14,777)
Amounts set side to provisions	24,735	(Increase)/decrease in accrued interest	(14,388)
Depreciation	60,409	(Decrease)/increase in members' deposits	3,712,207
Write back of provision for member services	<u>(59,039)</u>	(Decrease)/increase in accrued charges	2,347
Net cash provided by operating activities before change in assets and liabilities	<u>223,998</u>	(Decrease)/increase in accrued interest	(68,147)
Change in assets and liabilities during the financial year:		(Decrease)/increase in sundry creditors	<u>5,328</u>
(Increase)/decrease in loan balance	1,415,260	Net change in Assets and Liabilities	5,037,454
		Net cash from Operating (B/Fwd)	223,998
		Net cash provided by operating activities	<u><u>5,261,452</u></u>

Independent Auditor's Report to the Members of R.T.A. Staff Credit Union Limited for the Year Ended 30 June 1992

SCOPE

We have audited the financial statements of R.T.A. Staff Credit Union Limited for the financial year ended 30 June 1992, consisting of the statement of income and expenditure, appropriation account, balance sheet, statement of cash flows and accompanying notes, set out on pages 8 to 15. The Credit Union's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Credit Union.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian accounting concepts and standards and statutory requirements so as to present a view which is consistent with our understanding of the Credit Union's financial position and the results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

We have audited the books of account and other records of R.T.A. Staff Credit Union Limited in accordance with the Australian Auditing Standards.

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- (b) In our opinion, proper Books of Account have been kept by the Credit Union so far as appears from our examination of those Books.
- (c) The attached Balance Sheet, Appropriation Account and Statement of Income and Expenditure are in agreement with the Books of Account.
- (d) In our opinion, and to the best of our information and according to the explanations given to us, the Accounts give the information required by the Credit Union Act in the manner so required and are properly drawn up in accordance with Statement of Accounting Concepts and Australian Accounting Standards to give a true and fair view of:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Credit Union as at 30 June 1992; and
 - (ii) in the case of the Income and Expenditure Account, of the surplus for the year ended 30 June 1992.
- (e) In our opinion the register of members and other records which the Credit Union is required to keep by or under the Credit Union Act or by its Rules have been properly kept.
- (f) The Rules relating to the administration of the Credit Union funds have been observed.

KPMG Peat Marwick
Chartered Accountants

A Dickinson - Partner

28th September 1992

KPMG Centre
45 Clarence Street
SYDNEY NSW 2000