

32ND Annual Report



RTA STAFF CREDIT UNION LIMITED

REGISTERED OFFICE
Suite 2, 86 Mary Street
SURREY HILLS NSW 2010

NOTICE OF ANNUAL GENERAL MEETING

The 32nd Annual General Meeting of the RTA Staff Credit Union Limited will be held in Board Room No. 1 on the 1st floor of the Waratah Central Hotel, 22-44 Albion Street, Surry Hills (opposite RTA Head Office, Centennial Plaza) on Thursday 28th November, 1996 commencing 1.00pm.

The formal notice of the business of the meeting was contained in the September, 1996 issue of 'Member News'.

REGISTERED OFFICE

RTA STAFF Credit Union Limited
Suite 2, 86 Mary Street, Surry Hills NSW 2010
PO Box K198, Haymarket NSW 2000
Telephone: (02) 9218 6854 Facsimile: (02) 9218 6605



1995/96 SNAPSHOT

The Year of Consolidation



The trading results of the RTA STAFF Credit Union during 1995/96 was down on our record year of 1994/95. However, when compared with the industry average of all New South Wales Credit Unions, we were better under most headings as detailed in this report.

1995/96 was the year many members consolidated their membership and made the Credit Union their main financial institution whilst the Credit Union consolidated its position within the Credit Union community as a medium size Credit Union.

Looking to the future - The improved benefits and services of previous years will be further enhanced with the introduction of improved loan products, Visa credit and computer generated services.

KNOW YOUR CREDIT UNION

MEMBERS

BOARD OF DIRECTORS

ALLAN COOK (Chairman)

GLEN MORGAN (Deputy Chairman)
RON SINCLAIR
WARWICK RANDELL

PHILIP GALLAGHER
SUZANNE SINCLAIR
PATRICK MURPHY

ADMINISTRATION

DON JONES (General Manager)
ANTHONY O'BRIEN and JOANNE BADENOCK (Loans)
VIENA YEE and SANDRA DOWN (Memberships/Tellers)
LEANNE WILLIAMS (Administration)
CATHY SIMS (Maternity Leave)

AUDITORS

KPMG
THE KPMG CENTRE
45 CLARENCE STREET, SYDNEY

BANKERS

CREDIT UNION SERVICES COPORATION
(AUSTRALIA) LTD
CENTRALISED BANKING SCHEME WITH
THE NATIONAL AUSTRALIA BANK LTD

SOLICITORS

LANGE & CO
4TH FLOOR
416 GEORGE STREET,
SYDNEY

PROGRESS OVER FIVE YEARS

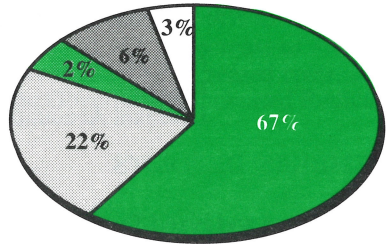
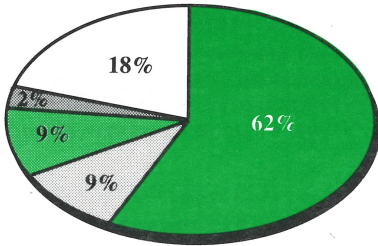
How your income was used

Interest paid to members 62% (53%)
 Surplus 9% (18%)
 Staff Costs 9% (11%)
 Loan Costs 2% (4%)
 Office Administration 18% (14%)

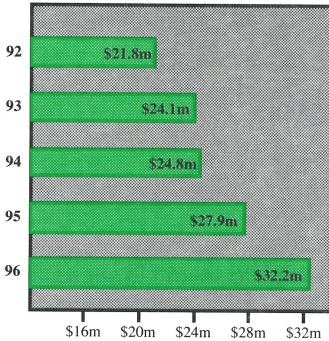
Purpose of Loans

Property Purchases and Improvements 67% (71%)
 Motor Vehicle Purchases and costs 22% (15%)
 Household Goods 2% (5%)
 Consolidating Debts 6% (4%)
 Other 3% (5%)

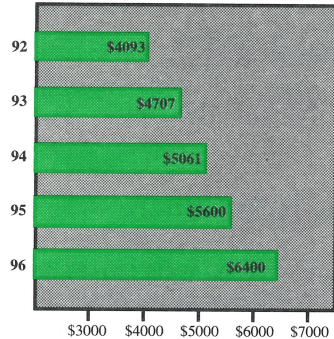
1995 figures shown in brackets ()



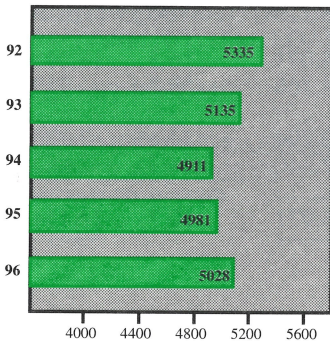
DEPOSITS



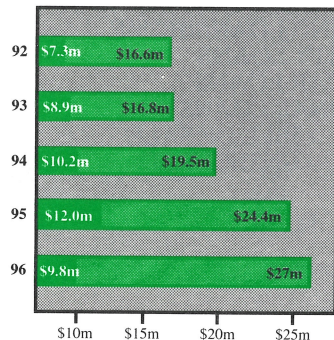
AVERAGE SAVINGS PER MEMBER



MEMBERSHIP



LOANS FUNDED AND BALANCES



OPERATIONS OVERVIEW

MEMBERSHIP

The Credit Union recorded a net increase of 47 members for the year. This increase was achieved despite the continue downsizing of our host the Roads and Traffic Authority and continues the trend set in 1994/95.

Total membership now stands at 5,028, variations during the year were:-

New Members	293
Resigned	(209)
Dormant Accounts	(37)

MEMBERS' DEPOSITS

Total savings and Fixed Term deposits at June 30, 1996 was \$32,186,932 an increase of 15% over the previous year. A breakdown of total savings under the main headings were:-

	30/6/96 \$	INCREASE %	30/6/95 \$
SAVINGS AT CALL	8,348,260	8.0	7,732,392
REDIFUND CASH MANAGEMENT	2,775,054	35.1	2,054,704
TERM INVESTMENTS	21,063,668	16.3	18,105,046
	<u>32,186,982</u>	15.4	<u>27,892,142</u>

LOANS TO MEMBERS

Credit Union loans again proved popular with most members opting to secure their loans and take advantage of the lower interest rates. As a result 78% of all loans are secured by a mortgage over property. A dissection of outstanding loans is as follows:

	30/6/96 \$	INCREASE %	30/6/95 \$
HOUSING LOANS/HOME			
EQUITY LOANS	20,994,071	16.3	18,048,597
NEW CAR LOANS	1,134,766	58.2	717,568
PERSONAL LOANS			
- BILL OF SALE	2,462,794	(11.6)	2,786,502
- UNSECURED	2,442,340	(14.7)	2,862,116
	<u>27,033,971</u>	10.7	<u>24,414,783</u>

() Decrease

BAD DEBTS

Bad debts written off during 1995/96 were \$25,293 a substantial improvement on the previous years figure of \$82,198. Amounts recovered from bad debts previously written off in 1995/96 (\$20,520) compared with 1994/95 (\$39,112).

INCOME AND EXPENDITURE

Income from all sources totalled \$3,258,583 during the year, an increase of 23% over 1994/95. Interest income from member loans accounted for 77% of total income for 1995/96 (80% in 1994/95).

Amounts paid to members by way of interest on deposits increased by 44% to \$2,027,583 for the year. The cost of running the Credit Union was \$870,347, an increase of 3% over the previous year. Savings on bad debts written off were offset by increased costs, in particular, increased taxes and duties paid to the State Government, increased Redicard costs and increased computer costs.

HOW WE COMPARE

The RTA STAFF Credit Union met all the requirements under the AFIC legislation and performed well when compared with the industry average of New South Wales Credit Unions. A brief comparison of the main statistics is as follows:-

(AFIC requirements are shown in brackets)

	RTA STAFF CREDIT UNION 30/6/96 %	AVERAGE OF 143 NSW CREDIT UNIONS 30/6/96 %
CAPITAL ADEQUACY (8%)	18.0	16.1
LIQUIDITY RATIO (13%)	26.8	23.2
TOTAL LOANS/ASSETS (60%)	75.0	78.6
ASSET GROWTH	15.0	13.2
LOAN GROWTH	10.7	11.6
DEPOSIT GROWTH	15.4	12.9
DELINQUENT LOANS/TOTAL LOANS	1.2	2.3
TOTAL PROVISION/TOTAL LOANS	1.5	1.4
NET INTEREST INCOME/ AVERAGE ASSETS	3.5	5.6
TOTAL EXPENSES/AVERAGE ASSETS	2.5	4.9
RETURN/AVERAGE ASSETS	0.8	1.0
STAFF/MEMBER RATIO	1:838	1:449
STAFF/ASSET RATIO	1:\$6M	1:\$2.2M

CHAIRMAN'S REVIEW 1995/96

It gives me considerable pleasure on behalf of the Board of Directors to present to you our 32nd Annual Report for the year ended 30 June 1996.

Following the outstanding results of 1994/95, the current year has seen a period of consolidation with the Credit Union being liable, for the first time, for Federal Income Tax. In addition to this Federal tax impost, increased expenditures have been incurred in respect of State Government FID and BAD taxes and charges.

Notwithstanding these Federal and State taxes and charges, the operating profit, before abnormals and tax, was some \$360,653, which was 7% below the profit achieved last year.

However, in achieving this profit, your Board of Directors and Credit Union management have, as always, strived to maximise benefits to all members.

In this regard, from 1 July 1995, daily interest has been calculated on loans which provides for interest calculations to be effected daily and charged at the end of each month. This initiative has had the effect of saving borrowers between \$80,000-\$90,000 during 1995/96 when compared with the method adopted previously to calculate such interest.

As previously mentioned, although the Credit Union was liable in 1995/96 for Federal Income Tax for the first time, all State government charges amounting to some \$83,000 were borne by the Credit Union and were not passed on to members.

However, after the most careful consideration, the Board has reluctantly approved the passing on of these charges to members from 1996/97 onwards.

In addition to the operating profit of \$360,653 it is appropriate to comment on a number of other performance indicators which adequately demonstrate the strength and future directions of the Credit Union. For example, total assets of the Credit Union as at 30 June 1996 exceeded \$36m, which represents a 15% increase on 1994/95. Our reserves increased to almost \$3.3m, an amount which equates to 18% of risk weighted assets which is more than double the AFIC industry requirement of 8%. It is relevant to note that the Credit Union industry average for such reserves is slightly over 16%.

Members' deposits also continued to increase with such deposits exceeding \$32m as at June 1996 representing a 15% increase over 1994/95. The average deposit by each member increased to some \$6,400 compared with an industry average of approximately \$4,300.

In August 1996 the Board of Directors were saddened to receive the resignation of long standing and respected Director, Mr Ron Sinclair who had previously resigned from the Authority's workforce. Ron gave loyal, conscientious and capable service over many years and will be missed in all Board deliberations.

At this time it is again timely to formally acknowledge the outstanding efforts of the General Manager, Mr Don Jones and his most capable and conscientious staff members. Don and each of his staff provide wonderful service to all members whether it be from a borrowing or saving viewpoint and their services are deeply appreciated by all.

In this regard, Don has advised the Board of Directors of his decision to retire from his position as General Manager, effective from December 1996. The Board have accepted Don's retirement advice most reluctantly having regard to his outstanding contribution, commitment and dedication during his many years of service. I speak for all present and past Directors and staff members in congratulating Don on his magnificent services to the Credit Union and wish him well in his forthcoming retirement.

I commend this report to you the members on behalf of the Board of Directors and thank you for your patronage, loyalty and support during 1995/96. We look forward to your continued support in 1996/97 and beyond.



A D Cook
Chairman

DIRECTOR'S REPORT

R.T.A. STAFF CREDIT UNION LIMITED

The Directors present their report together with the accounts of R.T.A. Staff Credit Union Limited, for the year ended 30 June 1996 and the auditors' report thereon.

DIRECTORS

The Directors of the Credit Union in office at the date of this report are:

A D Cook (Chairman)
R G Morgan (Deputy Chairman)
R S Sinclair
W H Randell
P J Gallagher
S M Sinclair
P M Murphy

Each Director holds five ordinary \$2.00 shares in the Credit Union.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Credit Union during the financial year are:

Director	Directors' Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
A D Cook	13	11	4	4
R S Sinclair	13	8	4	
R G Morgan	13	10		
W H Randell	13	11	4	2
P J Gallagher	13	8		
S M Sinclair	13	10		
P M Murphy	13	12	4	4

AUDIT COMMITTEE

The role of the committee is to assist the Board of Directors in the discharge of their duties, in particular to assure the quality and reliability of financial information used by the Board and financial statements issued by the Board.

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union over the period were the provision of retail financial services to Members in the form of taking deposits and giving financial accommodation as prescribed by the rules. No significant change in the nature of these activities occurred during the year.

OPERATING RESULT AND REVIEW OF OPERATIONS

The operating profit of the Credit Union for the financial year after provision for income tax was \$283,584 (1995: \$574,087).

The following significant events occurred during the year:

1. On 1 July 1995 the Credit Union's computer operations were outsourced.
2. On 1 September 1996 the "Redi card network" converted to an on line system following a software upgrade during the prior months.
3. On 1 July 1995 the Credit Union became taxable as a consequence of changes to the Income Tax Legislation. A transitional rate of 20% will apply until 30 June 1997.
4. On 1 July 1995 the Credit Union changed the method of calculation of interest on all loan products from fortnightly in advance to daily.

STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the Credit Union that occurred during the financial year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Credit Union, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union, in subsequent financial years.

LIKELY DEVELOPMENTS AND RESULTS

The Credit Union's objectives over the year will be to continue to improve services to members and achieve growth in all areas of the operation. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be prejudicial to the interests of the Credit Union.

INFORMATION ON DIRECTORS

Director's Name	Position	Experience	Responsibility
Allan D Cook	General Manager Financial Operations & Accounting	Director 4 years	Chairman (appointed 17 June 1995) Chairman Audit Committee
Ron S Sinclair	Building Services Consultant	Director 11 years	Audit Committee
R Glen Morgan	Manager Traffic Management Policy	Director 8 years	Deputy Chairman
Warwick H Randell	Branch Quality Coordinator	Director 4 years	Audit Committee
Philip J Gallagher	General Manager Private Sector Projects	Director 3 years	
Suzanne M Sinclair	Acting Director Corporate Services	Director 3 years	
Patrick M Murphy	Management Analyst	Director 3 years	Audit Committee

INSURANCE OF OFFICERS

Since the end of the previous financial year the Credit Union has paid insurance of \$128 in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts, for current and former officers, including executive officers of the Credit Union. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position, to gain a personnel advantage.

The premiums were paid in respect of the following officers of the Credit Union:

- premiums were paid in respect of the following directors of the Credit Union: R S Sinclair, R G Morgan, W H Randell, A D Cook, P J Gallagher, P M Murphy and S M Sinclair; and
- premiums were paid in respect of officers of the Credit Union.

The insurance policies outlined above do not contain details of the premiums paid in respect of the individual officers and directors of the Credit Union.

REGISTER OF DIRECTORS

In accordance with Section 258 of the Financial Institutions Code, the Credit Union keeps a register containing information about the directors, including details of each directors interest in any securities issued by the Credit Union and the register is open for inspection:

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

DIRECTORS' BENEFITS

Since the end of the previous financial year no director has received or become entitled to receive a benefit (other than that disclosed in the notes to the financial statements) by reason of a contract made by the Credit Union with a director or with a firm of which he/she is a member, or with an entity in which he/she has a substantial financial interest.

Signed in accordance with a resolution of the Board of Directors.

Dated at Sydney this 16th Day of September 1996.

A D Cook
Director

P M Murphy
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF R.T.A. STAFF CREDIT UNION LIMITED

Scope

We have audited the financial statements of R.T.A. Staff Credit Union Limited for the financial year ended 30 June 1996, consisting of the profit and loss account, balance sheet, statement of cash flows, accompanying notes, and the statement by directors set out on pages 13 to 32. 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 the 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 Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the financial position of the Credit Union and the results of its operations and cash flows.

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

Audit Opinion

In our opinion, the financial statements of R.T.A. Staff Credit Union Limited are properly drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Credit Union at 30 June 1996, and the results and cash flows of the Credit Union for the financial year ended on that date;
- (b) in accordance with the provisions of the Financial Institutions Legislation; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Sydney
17th September, 1996

KPMG
Chartered Accountants



C J Gardoll
Partner

DIRECTOR'S STATEMENT

R.T.A. STAFF CREDIT UNION LIMITED

1. In the opinion of the Directors of R.T.A. Staff Credit Union Limited:
 - (a) the financial statements as set out on pages 14 to 32, are drawn up so as to give a true and fair view of the results and cash flows of the financial year ended 30 June 1996, and the state of affairs for the Credit Union at 30 June 1996;
 - (b) the financial statements have been made out in accordance with the provisions of the Financial Institutions Legislation; and
 - (c) 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 financial statements have been made out in accordance with applicable Accounting Standards.

Signed in accordance with a resolution of the Board of Directors.

Dated at Sydney this 16th Day of September 1996.



A D Cook
Director



P M Murphy
Director

PROFIT AND LOSS ACCOUNT

For the Year Ended 30 June 1996

R.T.A. STAFF CREDIT UNION LIMITED

	Note	1996 \$	1995 \$
Operating profit after abnormal items and before income tax	2,3	360,653	470,835
Income tax (expense)/benefit attributable to operating profit	1(a),4	<u>(77,069)</u>	<u>103,252</u>
Operating profit after income tax		283,584	574,087
Retained profits at the beginning of the financial year		<u>2,203,685</u>	<u>1,629,598</u>
Retained profits at the end of the financial year		<u><u>2,487,269</u></u>	<u><u>2,203,685</u></u>

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 17 to 32.

BALANCE SHEET

As at 30 June 1996

R.T.A. STAFF CREDIT UNION LIMITED

	Note	1996 \$	1995 \$
CURRENT ASSETS			
Cash	5	96,290	124,412
Investments	6	5,992,800	3,437,000
Loans	7	3,319,438	3,461,276
Other	8	<u>458,288</u>	<u>323,855</u>
TOTAL CURRENT ASSETS		<u>9,866,816</u>	<u>7,346,543</u>
NON-CURRENT ASSETS			
Investments	6	2,832,077	3,397,739
Loans	7	23,304,533	20,563,507
Furniture and equipment	9	<u>21,404</u>	<u>14,168</u>
TOTAL NON-CURRENT ASSETS		<u>26,158,014</u>	<u>23,975,414</u>
TOTAL ASSETS		<u>36,024,830</u>	<u>31,321,957</u>
CURRENT LIABILITIES			
Deposits	10	29,029,376	25,888,140
Creditors and borrowings	11	21,719	5,324
Provisions	12	211,032	111,131
Other	13	<u>331,274</u>	<u>323,121</u>
TOTAL CURRENT LIABILITIES		<u>29,593,401</u>	<u>26,327,716</u>
NON-CURRENT LIABILITIES			
Deposits	10	<u>3,157,606</u>	<u>2,004,002</u>
TOTAL NON-CURRENT LIABILITIES		<u>3,157,606</u>	<u>2,004,002</u>
TOTAL LIABILITIES		<u>32,751,007</u>	<u>28,331,718</u>
NET ASSETS		<u>3,273,823</u>	<u>2,990,239</u>
SHAREHOLDERS' EQUITY			
Reserves	14	786,554	786,554
Retained profits		<u>2,487,269</u>	<u>2,203,685</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,273,823</u>	<u>2,990,239</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 17 to 32.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 1996

R.T.A. STAFF CREDIT UNION LIMITED

	Note	1996 \$	1995 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		3,084,899	2,591,254
Other cash receipts in the course of operations		64,550	63,771
Interest paid		(1,993,499)	(1,326,639)
Other cash payments in the course of operations		(836,869)	(800,657)
Payment of tax		(4,778)	-
Net cash provided by operating activities	21(ii)	<u>314,303</u>	<u>527,729</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Member loan repayments		7,624,129	9,704,316
Net (purchases of)/proceeds from investments		(1,653,755)	2,026,149
Member loan advances		(10,243,319)	(14,664,288)
Purchase of furniture and equipment		(14,320)	(2,780)
Net cash used in investing activities		<u>(4,287,265)</u>	<u>(2,936,603)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net members' shares and deposits		<u>4,294,840</u>	<u>2,985,690</u>
Net cash provided by financing activities		<u>4,294,840</u>	<u>2,985,690</u>
Net increase in cash held		321,878	576,816
Cash at the beginning of the financial year	21(i)	<u>1,024,412</u>	<u>447,596</u>
Cash at the end of the financial year	21(i)	<u><u>1,346,290</u></u>	<u><u>1,024,412</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 17 to 32.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

R.T.A. STAFF CREDIT UNION LIMITED

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Credit Union have been drawn up in accordance with applicable Accounting Standards and the provisions of the Financial Institutions Legislation. They have been prepared on the basis of historical costs and do not take into account changing money values nor, except where stated, current valuations of non current assets.

The accounting policies have been consistently applied by the Credit Union and, except where there is a change in accounting policy, are consistent with those of the previous year.

(a) **Income Tax**

The Credit Union adopts the liability method of tax effect accounting. For the financial year ended 30 June 1996 the Credit Union lost its mutuality exemption, whereby the income derived from member sources is tax exempt.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to income tax losses are only brought to account when their realisation is virtually certain.

(b) **Furniture and Equipment**

Furniture and equipment is depreciated/amortised using the straight line method. Depreciation/amortisation rates applied are, as a minimum, equal to the rates outlined in the Financial Institutions Legislation.

(c) **Provisions**

Provision for Employee Leave Entitlements

Leave entitlements accruing to employees are accrued on the basis of statutory requirements and in accordance with Accounting Standard AASB 1028 - Accounting for Employee Entitlements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for Doubtful Debts

The amount provided for doubtful debts is determined by management and the Board. The Financial Institutions Code and Statement of Prudential Standards requires a minimum provision to be based on specific percentages on the loan balance, contingent upon the length of time the repayments are in arrears. In addition, the Board makes a further provision against loans considered to be doubtful.

(d) **Non-Current Investments**

(i) *Primary/Central Bank Shares*

These amounts represent part of the capital entitlement of the Credit Union to shares in Credit Union Services Corporation (Australia) Limited ("CUSCAL"), a national Credit Union service provider.

(ii) *Subordinated Loan*

This loan has no fixed maturity date, and is only repayable upon dissolution of a depositing Credit Union or five years after the credit union ceases to operate its Central Banking account. The loan ranks subsequent to all creditors, but prior to shares in the event of liquidation or winding up of the Association. The rate of interest payable on such loans is determined by the Board of CUSCAL from time to time.

(iii) *Contingency Fund*

Being amounts held on deposit in accordance with the Financial Institutions Code. These funds are not readily converted into liquid funds, except under the conditions set out in the Act.

(e) **Bad Debts Written Off**

Bad debts are written off from time to time as determined by management and the Board, when it is reasonable to expect that the recovery of the debt is unlikely.

(f) **Loans to Members**

Term Loans: Loan interest is calculated on a daily basis on the loan balance, which is brought to account at the end of each month.

Loan interest is not brought to account when the Credit Union is advised that the member is deceased, or generally if a loan has been transferred to a debt collection agency, or as determined by the Board.

(g) **Member Savings**

Interest on savings is calculated on the daily balance and is brought to account on an accrual basis. The amount of accrual is shown separately under current liabilities.

RTA STAFF CREDIT UNION LIMITED

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Comparative Figures

Where necessary, comparative information has been reclassified to be consistent with the presentation adopted in the current year.

2. OPERATING PROFIT	1996 \$	1995 \$
Operating profit has been arrived at after including:		
Operating Revenue		
Interest on loans to members - non-commercial	2,482,660	2,087,146
Interest on loans to members - commercial (note 7(c))	<u>28,205</u>	<u>28,556</u>
	2,510,865	2,115,702
Interest on investments	704,980	465,768
Bad debts recovered	20,520	39,112
Commission	11,535	10,550
Other	<u>10,683</u>	<u>11,268</u>
	<u>3,258,583</u>	<u>2,642,400</u>
Operating Expenses		
Interest on members' deposits	2,027,583	1,411,341
Bad debts written off	25,293	82,198
Depreciation of furniture and equipment	7,086	8,379
Provision for doubtful debts	20,000	10,000
Provision for employee leave entitlements	17,996	15,868
Amounts received or due and receivable by the Auditors of the company for:		
Auditing the financial statements	26,000	25,680
Other services	2,411	-
3. ABNORMAL ITEMS		
Amount written back for development of member services	<u>-</u>	<u>(84,500)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

4. INCOME TAX

As a result of a recent change in income tax legislation, the Credit Union is liable to pay income tax at a transitional rate of 20% effective from 1 July 1995, increasing to the full company tax rates on 1 July 1997. Up to and including the year ended 30 June 1995, income tax expense was calculated in accordance with Section 23G of the Income Tax Assessment Act 1936 (as amended).

(a) Income Tax Expense/(Benefit)	1996 \$	1995 \$
Prima facie income tax expense calculated at 20% (1995: 33%) on the operating profit	72,131	155,376
Increase in income tax expense due to non tax deductible items:		
Member interest expense	-	348,777
Member general expense	-	173,305
Expenses re: member loans	-	53,890
Other items	160	7,627
Decrease in income tax expense due to non tax assessable items:		
Provision for member services written back	-	(28,215)
Member interest	-	(698,182)
Bad debts recovered	-	(12,907)
Income tax losses not brought to account		329
Income tax expense on operating profit	<u>72,291</u>	-
Add: Income tax under/(over) provided in prior year	<u>4,778</u>	-
Total income tax expense	<u>77,069</u>	-
Abnormal tax items:		
Tax benefit due to the recognition of deferred tax assets not previously brought to account	-	(103,252)
Income tax expense/(benefit) on operating profit	<u><u>77,069</u></u>	<u><u>(103,252)</u></u>
Total income tax expense is made up of:		
Current income tax provision	81,905	-
Deferred income tax provision	2,068	-
Future income tax benefit	(11,682)	(103,252)
Underprovision in prior year	4,778	-
Income tax expense/(benefit) on operating profit	<u><u>77,069</u></u>	<u><u>(103,252)</u></u>

RTA STAFF CREDIT UNION LIMITED

	1996 \$	1995 \$
4. INCOME TAX (Continued)		
(b) Provision for Current Income Tax		
Movements during the year were as follows:		
Balance at beginning of year	-	-
Income tax paid	(4,778)	-
Current year's income tax expense on operating profit	81,905	-
Underprovision in prior year	<u>4,778</u>	<u>-</u>
	<u>81,905</u>	<u>-</u>
(c) Provision for Deferred Income Tax		
Provision for deferred income tax comprises the estimated expense at 20% on the following items:		
Sundry items	<u>2,068</u>	<u>-</u>
(d) Future Income Tax Benefit		
Future income tax benefit comprises the estimated future benefit at future income tax rates of the following items:		
Provisions and accrued employee entitlements not currently deductible	112,145	100,226
Difference in depreciation and amortisation of property, plant and equipment for accounting and tax purposes	<u>2,789</u>	<u>3,026</u>
	<u>114,934</u>	<u>103,252</u>

The potential future income tax benefit will only be obtained if:

- (i) the Credit Union derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Section 80G of the Income Tax Assessment Act 1936;
- (ii) the Credit Union continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Credit Union in realising the benefit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

	Note	1996 \$	1995 \$
5. CASH			
Cash on hand		26,000	30,200
Cash at bank - interest bearing		<u>70,290</u>	<u>94,212</u>
		<u>96,290</u>	<u>124,412</u>
6. INVESTMENTS			
(a) Current			
Investments at face value:			
Short term dealers deposit		1,000	1,000
OPL fixed term deposit - CUSCAL		1,200,000	400,000
OPL 11am call account - CUSCAL		850,000	700,000
PLA fixed term deposit - CUSCAL		1,500,000	800,000
PLA - 11am call account - CUSCAL		400,000	200,000
State Bank of NSW Bonds		524,000	436,000
Commonwealth Government Bonds		200,000	-
Primary Industry Bank of Australia		300,000	-
Bank of Queensland Bonds		100,000	200,000
Queensland Treasury Corporation Bonds		343,000	-
Sydney Water Corporation		74,800	-
Northern Territory Government Bonds		-	100,000
QIDC Bonds		-	200,000
Western Australian Treasury Corp		-	300,000
Deposits with:			
Metway Bank		100,000	100,000
Primary Industry Bank of Australia		<u>400,000</u>	-
Total current investments		<u>5,992,800</u>	<u>3,437,000</u>
(b) Non-Current			
Bonds and debentures at face value:			
Department of Main Roads		19,000	16,000
Commonwealth Government Bonds		-	200,000
State Bank of NSW Bonds		526,000	434,000
Queensland Treasury Corporation		52,000	100,000
Queensland Industry Development Corp		200,000	200,000
Bank of Queensland Bonds		-	100,000
Primary Industry Bank of Australia		100,000	-
NSW Treasury Corporation Bonds		220,000	-
Premium/(discount) on purchase		<u>21,331</u>	<u>34,948</u>
		1,138,331	1,084,948

RTA STAFF CREDIT UNION LIMITED

	Note	1996 \$	1995 \$
6. INVESTMENTS (Continued)			
(b) Non-Current (Continued)			
Brought forward		<u>1,138,331</u>	<u>1,084,948</u>
Deposits with:			
OLA fixed term deposit - CUSCAL		700,000	-
PLA fixed term deposit - CUSCAL		500,000	1,000,000
Primary Industry Bank of Australia		100,000	900,000
Primary shares - CUSCAL	1(d)(i)	17,847	14,559
Central Bank shares - CUSCAL	1(d)(i)	107,090	87,302
Central Bank subordinated loan - CUSCAL	1(d)(ii)	196,331	160,200
Central Bank reserve shares - CUSCAL	1(d)(i)	21,629	21,629
Contingency Fund	1(d)(iii)	40,849	119,101
Shares at face value:			
Co-Processing Pty Limited		<u>10,000</u>	<u>10,000</u>
Total non-current investments		<u>2,832,077</u>	<u>3,397,739</u>
(c) Maturity of Investments			
Up to three months		2,585,000	2,420,000
From three to twelve months		3,407,800	1,017,000
Later than one year but not later than five years		<u>2,832,077</u>	<u>3,397,739</u>
		<u>8,824,877</u>	<u>6,834,739</u>
7. LOANS TO MEMBERS			
(a) Loans as Current Assets			
Loans		3,467,038	3,636,639
Less: Provision for doubtful debts		<u>(147,600)</u>	<u>(175,363)</u>
		<u>3,319,438</u>	<u>3,461,276</u>
(b) Loans as Non-Current Assets			
Loans		23,566,933	20,778,144
Less: Provision for doubtful debts		<u>(262,400)</u>	<u>(214,637)</u>
		<u>23,304,533</u>	<u>20,563,507</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

	1996 \$	1995 \$
7. LOANS TO MEMBERS (Continued)		
(c) Loans by Purpose		
Residential loans	14,207,124	14,965,419
Personal loans	12,514,055	9,114,675
Commercial loans		
Rental properties	<u>312,792</u>	<u>334,689</u>
Total Loans	<u>27,033,971</u>	<u>24,414,783</u>

During the year, the Board of the Australian Financial Institutions Commission amended Book 4, Credit Union Character to reflect a new prudential approach to, and definition of, loans made for commercial purposes.

The commercial loans balance above is based on the new definition and the comparative figure has been adjusted accordingly.

	1996 \$	1995 \$
(d) Loans by Security		
Secured by Mortgage	20,984,240	17,922,526
Secured Other	3,605,320	3,511,652
Unsecured	<u>2,444,411</u>	<u>2,980,605</u>
Total Loans	<u>27,033,971</u>	<u>24,414,783</u>

(e) Loans by Maturity		
Up to three months	906,057	1,041,548
From three to twelve months	2,560,981	2,595,091
Later than one year by not later than five years	9,009,045	8,693,737
Over five years	<u>14,557,888</u>	<u>12,084,407</u>
	<u>27,033,971</u>	<u>24,414,783</u>

RTA STAFF CREDIT UNION LIMITED

	1996 \$	1995 \$
7. LOANS TO MEMBERS (Continued)		
(f) Loans by Interest Type		
Non-interest earning	73,278	179,948
Interest earning - past due 90 days	151,096	81,572
Interest earning - other	<u>26,809,597</u>	<u>24,153,263</u>
	<u>27,033,971</u>	<u>24,414,783</u>
Non-interest earning	73,278	179,948
Variable weighted interest rate - 11.10% (1995: 11.23%)	12,107,138	12,162,206
Fixed weighted interest rate - 8.77% (1995: 8.58%)	<u>14,853,555</u>	<u>12,072,629</u>
	<u>27,033,971</u>	<u>24,414,783</u>
(g) Provision for Doubtful Debts		
Movement in the Provision		
Balance at the beginning of the year	390,000	380,000
Add: Transfers from profit and loss account	<u>20,000</u>	<u>10,000</u>
	410,000	390,000
Deduct: Bad debts written off	-	-
Balance at the end of the year	<u>410,000</u>	<u>390,000</u>
Provision required under the Prudential Standards	<u>104,924</u>	<u>185,044</u>
Bad debts written off other than through the provision	<u>25,293</u>	<u>82,198</u>
8. OTHER ASSETS		
Current		
Future income tax benefit (note 4(d))	114,934	103,252
Sundry debtors	1,935	24,232
Prepayments	10,342	9,857
Accrued interest on investments	<u>331,077</u>	<u>186,514</u>
	<u>458,288</u>	<u>323,855</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

	1996 \$	1995 \$
9. FURNITURE AND EQUIPMENT		
Office furniture, fittings and equipment		
- at cost	29,422	28,100
Less: Provision for depreciation	<u>(20,478)</u>	<u>(16,738)</u>
	<u>8,944</u>	<u>11,362</u>
Computer hardware/software - at cost	165,960	152,960
Less: Provision for depreciation	<u>(153,500)</u>	<u>(150,154)</u>
	<u>12,460</u>	<u>2,806</u>
Total furniture and equipment - at net book value	<u>21,404</u>	<u>14,168</u>
10. MEMBERS' DEPOSITS		
(a) Current		
Savings accounts - at call *	8,348,260	7,732,392
Redifund - at call	2,775,054	2,054,704
Term deposit investments	<u>17,906,062</u>	<u>16,101,044</u>
	<u>29,029,376</u>	<u>25,888,140</u>
* Includes Issued and Paid-up Capital 25,140 (1995: 24,905) shares of \$2 each, fully paid	<u>50,280</u>	<u>49,810</u>
(b) Non-Current		
Term deposit investments	<u>3,157,606</u>	<u>2,004,002</u>
(c) Members' deposits are repayable over the following terms:		
On call	11,123,314	9,787,096
Up to three months, but not including those on call	7,500,786	6,786,797
From three to twelve months	10,405,276	9,314,247
One to five years	<u>3,157,606</u>	<u>2,004,002</u>
	<u>32,186,982</u>	<u>27,892,142</u>

RTA STAFF CREDIT UNION LIMITED

	1996 \$	1995 \$
11. CREDITORS AND BORROWINGS		
Current		
Sundry creditors	<u>21,719</u>	<u>5,324</u>
12. PROVISIONS		
Current		
Provision for income tax (note 4(b))	81,905	
Employee leave entitlements	113,627	95,631
Provision for member services	<u>15,500</u>	<u>15,500</u>
	<u>211,032</u>	<u>111,131</u>
13. OTHER LIABILITIES		
Current		
Provision for deferred tax (note 4(c))	2,068	-
Accrued charges	60,445	88,444
Accrued interest on member deposits	<u>268,761</u>	<u>234,677</u>
	<u>331,274</u>	<u>323,121</u>
14. RESERVES		
Movement in Reserves		
<i>General reserve</i>	<u>786,554</u>	<u>786,554</u>

The statutory reserve previously maintained under the provisions of the Credit Union Act (1969) was transferred to the general reserve as the Act was repealed in 1992.

15. EMERGENCY LIQUIDITY FACILITY DEED

A deed is in place between R.T.A. Staff Credit Union Limited and Credit Union Services Corporation (Australia) Limited ("CUSCAL") whereby CUSCAL has access of up to 10% of R.T.A. Staff Credit Union Limited's total assets in accordance with the Financial Institutions Code 1992.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 1996

16. SEGMENT REPORTING AND CONCENTRATION OF RISK

The entity operates as a Credit Union in Australia.

There are no individual loans which represent 10% or more of the shareholders' equity of the Credit Union. There are no individual deposits which represent 10% or more of total liabilities.

The substantial majority of deposits and loans of the Credit Union are with employees and former employees of the New South Wales Roads and Traffic Authority and their families in accordance with the Rules of the Credit Union. The Board of Directors may, at its discretion, admit to membership a limited number of individuals who are not specified above.

The majority of members are residents of New South Wales.

17. RELATED PARTY TRANSACTIONS

(a) Directors

The names of each person who held the position of Director of the Credit Union during the financial year are R S Sinclair, R G Morgan, W H Randell, A D Cook, P J Gallagher, P M Murphy and S M Sinclair.

	1996 \$	1995 \$
(b) Directors' Remuneration		
Aggregate remuneration of directors	<u>-</u>	<u>-</u>

The number of directors who received remuneration within the following bands were:

\$Nil - \$10,000	7	7
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There were no payments made to superannuation funds for the benefit of directors and interest earned on deposit is on the same terms and conditions as other members.

(c) Loans to Directors

(i) The aggregate loans (including interest) to all directors, their spouse and director-related entities amounted to:

	1996 \$	1995 \$
Mortgage loans	344,443	353,097
Personal loans	<u>9,589</u>	<u>-</u>
	<u>354,032</u>	<u>353,097</u>

RTA STAFF CREDIT UNION LIMITED

17. RELATED PARTY TRANSACTIONS (Continued)

(c) Loans to Directors (Continued)

(ii) During the year loans disbursed to directors, their spouse and director-related entities amounted to:

	1996 \$	1995 \$
Mortgage loans	10,000	139,500
Personal loans	<u>24,000</u>	<u>-</u>
	<u>34,000</u>	<u>139,500</u>

The recipients of these loans were W H Randell, R S Sinclair and R G Morgan. All loans disbursed were approved on the same terms and conditions which applied to members generally for each class of loan.

(iii) Repayments against loans to Directors, their spouse and director-related entities amounted to:

	1996 \$	1995 \$
Mortgage loans	50,373	46,495
Personal loans	<u>14,742</u>	<u>16,870</u>
	<u>65,115</u>	<u>63,365</u>

Directors concerned with the repayments were W H Randell, A D Cook, S M Sinclair, R S Sinclair and R G Morgan.

(d) Executive Officers

(i) The number of Executive Officers who have income in excess of \$100,000.

1996	1995
Nil	Nil

Income means remuneration by way of salary, allowances, bonuses or other benefits payable to the executive, but does not include out of pocket expenses for reimbursements incurred in connection with Credit Union business.

(ii) Payments in respect of retirement of executive officers amounted to \$Nil (1995: \$Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

17. RELATED PARTY TRANSACTIONS (Continued)

(e) Terms and Conditions

All loans made to directors, their spouse and director related entities have been made on the normal terms and conditions applicable to all credit union members.

18. STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility with CUSCAL of:

	1996 \$	1995 \$
Overdraft facility (Gross)	250,000	250,000
Less: Current borrowing	<u>-</u>	<u>-</u>
Net available facility	<u>250,000</u>	<u>250,000</u>

There are no restrictions as to the withdrawal of these funds. CUSCAL holds an equitable charge over the assets of the Credit Union as security against amounts drawn.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Loans approved but not advanced at 30 June 1996 amount to \$2,466,606 (1995: \$2,034,382).

The payment of these loans is at the discretion of the Board and subject to available liquid funds.

	1996 \$	1995 \$
Operating Lease Commitment		
Future operating lease rental of premises not provided for in the financial statements and payable:		
not later than one year	42,204	33,500
later than one year but not later than two years	42,204	
later than two years but not later than five years	<u>35,170</u>	<u>-</u>
	<u>119,578</u>	<u>33,500</u>

Superannuation

The Credit Union contributes to the CUE Supplementary Super Plan for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is separately administered by trustees which are appointed as follows:

19. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)
Superannuation (Continued)

- 50% elected by the members of the Plan;
- 50% appointed by the principal employer, Credit Union Services Corporation (Australia) Limited

The Credit Union has no interest in the superannuation plan, other than as a contributor, and is not liable for the performance of the plan nor the obligations of the plan.

The CUE Supplementary Super Plan is a contribution accumulation type plan.

20. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services.

(a) Credit Union Services Corporation (Australia) Limited

This entity provides the Credit Union with services in the form of settlement with bankers for ATM transactions and members' cheques, and the production of Redicards for use by members.

This entity also supplies central banking services to the Credit Union and is an approved Special Services Provider under the Financial Institutions Code for the provision of financial intermediation services. The Credit Union has invested its PLA and operating liquid assets with the entity to maximise return on funds, and to comply with the Emergency Liquidity Support requirements under the AFIC Prudential Standards.

(b) Financial Computing Services of Australia Pty Limited ("FCS")

This company is a wholly owned subsidiary of CUSCAL which provides and maintains the application software utilised by the Credit Union.

(c) Co-Processing Pty Limited

The Credit Union has purchased \$10,000 worth of shares in the above named company, which provides an Integrated Data Processing Centre used by its shareholders. Shareholders include other credit unions and CUSCAL.

(d) Service Contracts

All service contracts are capable of being cancelled within twelve (12) months. There are no other service contracts which are considered material.

(e) Roads and Traffic Authority (NSW)

The trading activities of the Credit Union are dependent upon the membership which is largely restricted to employees of the above host authority and their families.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 1996

21. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call with other financial institutions, 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 sheet as follows:

	Note	1996 \$	1995 \$
Cash on hand	5	26,000	30,200
Cash at bank	5	70,290	94,212
Liquid assets - at call		<u>1,250,000</u>	<u>900,000</u>
		<u>1,346,290</u>	<u>1,024,412</u>

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

Operating profit after income tax	283,584	574,087
Add/(less) non-cash items:		
Amounts set aside to provisions	37,996	25,868
Depreciation	7,086	8,379
Amount provided/(written back) for member services	-	(84,500)
Net cash provided by operating activities before change in assets and liabilities	<u>328,666</u>	<u>523,834</u>
Change in assets and liabilities during the financial year:		
Increase in prepayments	(485)	(1,092)
Decrease in sundry debtors	22,297	3,933
Increase in accrued interest on investments	(144,563)	(39,735)
Decrease in deferred interest	13,617	49,519
(Decrease)/increase in accrued charges	(27,999)	22,115
Increase in accrued interest on members' deposits	34,084	84,702
(Decrease)/increase in sundry creditors	16,395	(12,295)
Increase in future income tax benefit	(11,682)	(103,252)
Increase in deferred tax liability	2,068	-
Increase in tax payable	<u>81,905</u>	<u>-</u>
Net cash provided by operating activities	<u>314,303</u>	<u>527,729</u>



THE CREDIT UNION MISSION

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

OUR SERVICES

SAVINGS & INVESTMENT ACCOUNTS

BASIC SAVER ACCOUNT:

A day to day savings account for over the counter transactions. Also ideal for bill paying.

REDI-ACCESS ACCOUNT:

A multi-purpose account with emphasis on easy access by cheque book or card.

SPECIAL PURPOSE ACCOUNTS:

- Christmas Club Account
- Autopay Account: Takes the worry out of keeping up with your regular payments.

REDIFUND CASH MANAGEMENT ACCOUNT:

An account which pays an attractive interest rate based on daily balances for short term investors.

TERM DEPOSITS:

A range of term deposits from 3 months to 3 years offering competitive interest rates. Interest is set for the term of the deposit and can be paid on maturity or at regular intervals.

ACCESS -

Access to members' accounts is now even better than ever.

- Automated Teller Machines - Credit Union Rediteller, National Australia Bank Flexiteller, ANZ Night & Day, Cashcard Teller, State Bank Greenmachine, St George Multicard.
- Point of Sale (EFTPOS) outlets located in supermarkets, service stations and stores across Australia.
- Personal Cheque Book - interest earning, with no limit to the number of transactions. Members can arrange to cash cheques or make deposits at any National Australia Bank branch.

LOANS -

Members can choose from a range of loans to suit their individual needs.

- Personal loans for any worthwhile purpose.
- Home loans for owner occupiers with a choice of interest rate options - fixed or variable.
- Investment loans.
- Home Equity loans for any worthwhile purpose.

There is no penalty for early payout, interest is calculated daily and posted monthly and members can make repayments by easy payroll deduction.

WHOLE OF PAY & PAYROLL DEDUCTIONS - Wherever members work, they can arrange for all or part of their pay to be deposited direct to the Credit Union. Deposits can be split into any number of different savings and/or loan accounts.