

ANNUAL REPORT

34th

RTA Staff Credit Union Limited
Registered Office
Suite 2, 86 Mary Street
Surry Hills NSW 2010



RTA Staff Credit Union

1998

NOTICE OF ANNUAL GENERAL MEETING

The 34th Annual General Meeting of the RTA Staff Credit Union Limited will be held in the Riley Room located on the first floor of the Riley Room located on the first floor of the Furama Hotel Central, 22-44 Albion Street, Surry Hills (opposite RTA Head Office, Centennial Plaza) on Thursday 26th November, 1998 commencing at 1.00pm.

The formal notice of the business of the meeting was contained in the September, 1998 edition of "Credit Union 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 6604 Facsimile: (02) 9218 6605

MEMBERS

BOARD OF DIRECTORS

Glen Morgan (Chairman)

Patrick Murphy (Deputy Chairman)

Warwick Randell

Susan Kemp

Noel Hancock

Jim Peachman

Max De Boos

ADMINISTRATION

Steve Warren (General Manager)

Anthony O'Brien (Assistant General Manager)

Joanne Badenoch (Loans Consultant)

Cathy Sims (Loans Consultant)

Viena Yee (Member Services Consultant)

Mae Garvey (Member Services Consultant)

Leanne Williams (Member Services Consultant)

AUDITORS (EXTERNAL)

KPMG

The KPMG Centre

45 Clarence Street, Sydney

AUDITOR (INTERNAL)

Geoffrey Bannister

BANKERS

Credit Union Services

Corporation (Australia) Ltd

Centralised Banking Scheme with the National Australia Bank

SOLICITORS

Lange & Co

Level 6, 60 York Street

Sydney

MEMBERSHIP

The Credit Union recorded a net decrease of 97 members for the year. Some of the closures were from dormant/inactive accounts and others from changes to members' employment circumstances.

MEMBERS' DEPOSITS

Total savings and fixed term deposits at 30th June 1998 totalled \$30,883,172, a slight decrease from the previous year. Although interest rates were maintained at competitive levels, the movement in funds showed a heightened awareness of minor interest rate variances in a low interest rate environment.

LOANS TO MEMBERS

As fierce market competition continues, particularly in housing finance where the Credit Union has a 77% exposure (1997-79%), the Credit Union again maintained competitive rates and also introduced some innovative products, such as, fixed rate new car loans and share portfolio loans. More new and innovative loan products are planned to be introduced during 1998/99.

BAD DEBTS

Bad debts written-off during the year totalled \$17,157 (1997-\$11,874). This increased because of the incidence of voluntary bankruptcies, but is still seen as a good result considering the level of loan balances which are owing by members. Amounts recovered during the year from bad debts previously written-off totalled \$21,861 (1997-\$24,077).

INCOME AND EXPENDITURE

Income from all sources totalled \$2,825,970 during the year (1996/97 \$3,288,456). Interest income from members' loans accounted for 79% of total income for 1997/98 (1996/97-78%).

Amounts paid to members by way of interest on deposits during the year was \$1,266,151 (1996/97-\$1,847,455). With the increase to the Credit Union's income tax rate to the full company rate of 36% (1996/97-20%), taxation has become a major expenditure and totals \$176,972, after tax adjustments for the year.

HOW WE COMPARE

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

(AFIC minimum requirements are shown in brackets)

	RTA Staff Credit Union 30/6/98 %	Average of 124 NSW Credit Unions 30/6/98 %
CAPITAL ADEQUACY (8.0%)	22.70	16.45
LIQUIDITY RATIO (13.0%)	28.51	21.46
TOTAL LOANS/ASSETS (60%)	74.61	79.29
DELINQUENT LOANS/TOTAL LOANS	0.96	2.08
TOTAL PROVISION/TOTAL LOANS	1.78	1.30
NET INTEREST INCOME/AVERAGE ASSETS	4.10	5.04
TOTAL EXPENSES/AVERAGE ASSETS	2.66	5.07
RETURN/AVERAGE ASSETS	1.01	0.67
REALISED RESERVES/ASSETS	11.68	10.88
STAFF/MEMBER RATIO	1:821	1:424
STAFF/ASSET RATIO	1:\$5.96M	1:\$2.25M

I am pleased on behalf of the Board of Directors, Management and Administration of the RTA Staff Credit Union to present to you our 34th Annual Report for the financial year ended 30 June 1998.

The Year in Review

1997/98 has been a year of consolidation and stabilisation for your Credit Union despite the fluctuations in the financial markets and the general competition from other financial institutions especially in the area of home and mortgage loans. As well as a sound financial performance the following services were introduced during the year:

- * PhoneTeller facility
- * General Insurances - Home, Contents, Motor, Boat and Caravan
- * Share Portfolio Loans
- * Fixed Rate New Car Loans

Operating profit for the year before income tax and abnormal items was \$572,287 (an increase of \$67,172 over 1996/97). This was the first year that the Credit Union was required to pay full company tax and despite an outgoing of just under \$177,000 for income tax, all prudential performance guidelines remain ahead of industry requirements. Operating costs of your Credit Union, for example, continue to run at almost half the industry average.

Regrettably during the year the Credit Union lost the services of Directors Sue Sinclair and Phil Gallagher. I would like to take this opportunity to thank both of them for their unselfish commitment and express appreciation for their contribution to the running of the Credit Union.

The Board welcomed new Directors Sue Kemp and Max De Boos during the year. Both have brought additional knowledge and skills which is greatly assisting the Board to successfully operate in a very competitive environment.

It would be remiss of me not to formally acknowledge at this point the outstanding contribution made by the staff and management of the Credit Union. Their ongoing commitment to the highest level of customer service has the respect of the Board, Management and most of all I'm sure, the Members. It is the staff that collectively makes the Credit Union such a successful operation.

The Year Ahead

The biggest challenge facing the Credit Union in 1998/1999 is the relocation of premises from Mary St to Kippax St, a block or so away. Circumstances together with the need for additional office space have necessitated the move. Members may be assured that the highest standards of service will be maintained both during and after the relocation. The personal face to face services will continue and be supplemented by the existing electronic services that the membership have adapted too.

Should any member wish to find out more about the relocation, please do not hesitate either in contacting myself, the General Manager or other Directors who will be happy to discuss the details.

Your Credit Union will remain committed to the continuing introduction of innovative products and services and will embrace the latest technology to ensure that we remain competitive in the ever-expanding financial services industry. We will endeavour to achieve this whilst providing the highest level of customer service at a minimum of cost to Members.

I commend this report to you on behalf of the Board of Directors and thank them for their continuing commitment. We thank all the Members for your loyalty and patronage during the year and look forward to your continued support.



Glen Morgan
Chairman

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

The Directors present their report together with the financial statements of R.T.A. Staff Credit Union Limited, for the year ended 30 June 1998 and the auditor's report thereon.

DIRECTORS

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

<i>Name</i>	<i>Position</i>	<i>Experience</i>	<i>Other offices</i>
Robert Glen Morgan	Project Manager, Olympic Roads & Transport Authority	Director 9 years	Chairman (2 years) Audit Committee
Patrick M Murphy	Team Leader, External and Commercial Reporting	Director 4 years	Deputy Chairman (2 years) Chairman Audit Committee
Warwick H Randell	Manager, Directorate Quality	Director 5 years	Audit Committee
Noel J Hancock	General Manager, Financial and Management Accounting	Director 2 years	Audit Committee
Susan A Kemp	Research Officer	Director 1 year	
Walter J Peachman	Administration General Manager, Driver and Vehicle Business Business Development	Director 2 years	
Maxwell W De Boos	Manager, Technical Training	Director 1 year	

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
R G Morgan	14	11	2	1
P M Murphy	14	9	2	2
W H Randell	14	6	2	1
S M Sinclair	6	5	0	0
P J Gallagher	1	1	0	0
N J Hancock	14	13	2	2
W J Peachman	14	10	0	0
S A Kemp	12	11	0	0
M W De Boos	8	8	0	0

* Reflects the number of meetings held during the time the director held office during the year.

Audit Committee

The role of the committee is to assist the Board of Directors in the discharge of their duties, in particular to ensure 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 financial services to Members in the form of taking deposits and providing 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 \$350,315 (1997: \$540,727).

The following significant events occurred during the year:

1. PhoneTeller introduced in September 1997.
2. Introduction of General Insurances, such as Home, Contents, Motor, Boat and Caravan.
3. Introduction of Share Portfolio Loan and Introductory Fixed Rate New Car Loans.
4. Full corporate tax rate of 36% from 1 July 1997.
5. Transfer of engagements from GIO Staff Credit Union Limited was investigated but did not eventuate.
6. The lease has been signed for the new premises.

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 next financial year will be to continue to improve or enhance services to Members and achieve growth in all areas of operations. 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.

Insurance of Officers

Since the end of the previous financial year the Credit Union has paid insurance of \$143 (1997: \$138) 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 personal advantage.

The premiums were paid in respect of the following Officers and Directors of the Credit Union:

- premiums were paid in respect of the following current and former Directors:
R G Morgan, P M Murphy, W H Randell, S M Sinclair, P J Gallagher, N J Hancock, W J Peachman, S M Kemp and M W De Boos; 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 Director's interest in any securities issued by the Credit Union and the register is open for inspection:

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

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.



R G Morgan
Director

6 October 1998

Dated



P.M. Murphy
Director

6 October 1998

Dated

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RTA 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 1998, consisting of the profit and loss account, balance sheet, statement of cash flows, accompanying notes, and the statement by Directors set out on pages 6 to 34. The Credit Union's Directors are responsible for the financial statements. 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 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 whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements 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.

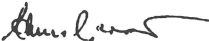
The audit opinion expressed in this report has been formed on the above basis.

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 1998, 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.

KPMG Chartered Accountants



C J Gardoll
Partner

Sydney 6 October 1998

DIRECTORS' STATEMENT

1. In the opinion of the Directors of R.T.A. Staff Credit Union Limited:
 - (a) the financial statements as set out on pages 13 to 34, 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 1998, and the state of affairs for the Credit Union at 30 June 1998;
 - (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 and other mandatory professional reporting requirements.

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



R G Morgan
Director

6 October 1998

Dated



P.M. Murphy
Director

6 October 1998

Dated

R.T.A. STAFF CREDIT UNION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$	1997 \$
Operating profit before abnormal items and income tax	3,5	572,287	505,115
Abnormal item	4	(45,000)	52,286
Operating profit before income tax		527,287	557,401
Income tax expense attributable to operating profit	6(a)	(176,972)	(16,674)
Operating profit after income tax		350,315	540,727
Retained profits at the beginning of the financial year		3,814,550	2,487,269
Aggregate of amounts transferred from reserves		-	786,554
Retained profits at the end of the financial year		4,164,865	3,814,550

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 16 to 34.

R.T.A. STAFF CREDIT UNION LIMITED
BALANCE SHEET AS AT 30 JUNE 1998

	Note	1998 \$	1997 \$
ASSETS			
Cash	7	420,912	302,192
Investment securities	8	8,229,782	8,515,832
Loans	10(a)	26,238,282	27,077,460
Other investments	9	318,907	156,566
Property, plant and equipment	11	112,566	114,662
Other	12	497,900	607,165
TOTAL ASSETS		35,818,349	36,773,877
LIABILITIES			
Deposits	13	30,883,173	32,329,746
Creditors	14	238,674	98,594
Provisions	15	292,547	246,587
Other	16	239,090	284,400
TOTAL LIABILITIES		31,653,484	32,959,327
NET ASSETS		4,164,865	3,814,550
SHAREHOLDERS' EQUITY			
Retained profits		4,164,865	3,814,550
TOTAL SHAREHOLDERS' EQUITY		4,164,865	3,814,550

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

R.T.A. STAFF CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$	1997 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2,859,490	3,206,844
Other cash receipts in the course of operations		92,514	100,210
Interest paid		(1,325,849)	(1,882,486)
Other cash payments in the course of operations		(742,557)	(838,902)
Income tax paid		(132,325)	(79,750)
Net cash provided by operating activities	23(ii)	751,273	505,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Member loan repayments		8,489,487	10,710,873
Member loan advances		(7,505,539)	(11,200,723)
Net purchases/(disposals) of investments		476,291	(588,257)
Purchases of plant and equipment		(46,219)	(117,312)
Proceeds from sale of plant and equipment		-	2,641
Net cash provided by/(used in) investing activities		1,414,020	(1,192,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net members' shares and deposits		(1,446,573)	142,764
Net cash (used in)/provided by financing activities		(1,446,573)	142,764
Net increase/(decrease) in cash held		718,720	(544,098)
Cash at the beginning of the financial year		802,192	1,346,290
Cash at the end of the financial year	23(i)	1,520,912	802,192

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 16 to 34.

**R.T.A. STAFF CREDIT UNION LIMITED
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Credit Union are a general purpose financial report which have been drawn up in accordance with applicable Accounting Standards, other mandatory professional reporting requirements 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 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.

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) Property, Plant and Equipment

Property, plant and equipment are depreciated over their useful lives using the straight line method. Depreciation rates applied are in accordance with the rates outlined in the Financial Institutions Legislation.

(c) Provisions

Provision for Employee Leave Entitlements

Annual and long service leave entitlements accruing to employees are accrued on the basis of statutory requirements. Long service leave is provided for all employees having regard to the probability that employees as a group will remain employed for the period of time to qualify for long service leave. Annual leave provided represents the amount that the Credit Union has a present obligation to pay at balance date and includes on-costs.

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) Other 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 subordinate 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**

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

(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**

Loan interest is calculated on a daily basis on the loan balance and 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. Accrued interest payable to members is shown separately under current liabilities.

(h) **Comparative Figures**

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

2. INTEREST REVENUE AND INTEREST EXPENSE

The following table shows the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of revenue or expense and the average interest rate. Month-end averages are used.

	Average Balance \$	Interest \$	Average Rate %
Interest revenue 1998			
Loans to members	27,537,952	2,243,733	8.15
Investment securities	1,586,000	118,089	7.45
CUSCAL deposits	6,990,432	372,942	5.33
	<u>36,114,384</u>	<u>2,734,764</u>	7.57
Interest expense 1998			
Member deposits	<u>31,989,167</u>	<u>1,266,151</u>	3.96
Interest revenue 1997			
Loans to members	27,445,249	2,556,410	9.31
Investment securities	3,141,800	249,997	7.96
CUSCAL deposits	6,277,472	433,187	6.90
	<u>36,864,521</u>	<u>3,239,594</u>	8.79
Interest expense 1997			
Member deposits	<u>33,199,475</u>	<u>1,847,455</u>	5.56
		1998	1997
		\$	\$

3. NON-INTEREST REVENUE

Fees and commissions	39,255	7,428
Bad debts recovered	21,861	24,077
Profit on sale of plant and equipment	-	1,565
Other	30,090	15,792
	<u>91,206</u>	<u>48,862</u>

	1998	1997
	\$	\$
4. ABNORMAL ITEM		
Provision for relocation costs	(45,000)	-
Contingency Fund retained earnings distribution	-	52,286
Income tax effect	16,200	(10,457)
	<u>(28,800)</u>	<u>41,829</u>

	1998	1997
	\$	\$
5. OTHER EXPENSES		
Bad debts written off	17,281	11,874
Depreciation of property, plant and equipment	45,519	22,979
Provision for doubtful debts	45,500	20,000
Provision for employee leave entitlements	10,602	1,915
Provision for member services	(15,500)	-

Amounts received or due and receivable by the Auditors of the company for:

Auditing the financial statements	21,000	17,915
Other services	3,190	8,085

6. INCOME TAX

As a result of changes in income tax legislation, the Credit Union was liable to pay income tax at a transitional rate of 20% effective from 1 July 1995, increasing to the full company tax rate of 36% from 1 July 1997.

(a) Income Tax Expense

Prima facie income tax expense calculated at 36% (1997: 20%) on the operating profit	189,824	111,480
Increase in income tax expense due to non-tax deductible items:		
Sundry items	-	146
Decrease in income tax expense due to non-tax assessable items:		
Bad debts recovered	(7,870)	-
Income tax expense on operating profit before abnormal items	<u>181,954</u>	<u>111,626</u>

	Note	1998 \$	1997 \$
Abnormal tax items:			
Restatement of deferred tax balances due to change in tax rate		-	(90,940)
Income tax expense on operating profit		181,953	20,686
Add: Income tax over provided in prior year		(4,982)	(4,012)
Total income tax expense		<u>176,972</u>	<u>16,674</u>

Total income tax expense is made up of:

Current income tax provision		193,824	110,574
Deferred income tax provision		(279)	4,644
Future income tax benefit		(11,859)	(96,389)
Over provision in prior year		(4,714)	(2,155)
Income tax expense on operating profit		<u>176,972</u>	<u>16,674</u>

(b) Provision for Current Income Tax

Movements during the year were as follows:

Balance at beginning of year		110,574	81,905
Income tax paid		(132,325)	(79,750)
Current year's income tax expense		193,824	110,574
Over provision in prior year		(4,714)	(2,155)
	15	<u>167,359</u>	<u>110,574</u>

(c) Provision for Deferred Income Tax

Provision for deferred income tax comprises the estimated expense at 36% on the following items:

Sundry items	16	<u>6,431</u>	<u>6,710</u>
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(d) Future Income Tax Benefit

Future income tax benefit comprises the estimated future benefit at 36% on the following items:

Provisions and accrued employee entitlements not currently deductible	12	<u>223,183</u>	<u>211,325</u>
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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.

	Note	1998 \$	1997 \$
7. CASH AND CASH EQUIVALENTS			
Cash on hand	23(i)	35,000	34,678
Cash at bank - interest bearing, at call	23(i)	385,912	267,514
		<u>420,912</u>	<u>302,192</u>

8. INVESTMENTS

Public securities at face value			
Bonds and debentures		1,287,000	1,967,000
Add: Premium on investments		3,577	9,264
Special Service Provider		<u>6,939,205</u>	<u>6,539,568</u>
		<u>8,229,782</u>	<u>8,515,832</u>
Maturity analysis			
Not longer than 3 months		5,286,000	2,720,000
Longer than 3 months but not longer than 1 year		2,400,000	3,561,000
Longer than 1 year but not longer than 5 years		543,782	2,234,832
		<u>8,229,782</u>	<u>8,515,832</u>

9. OTHER INVESTMENTS

Shares in unlisted corporations at face value:			
Co-Processing Pty Limited		10,000	10,000
Less: Provision for diminution		(3,335)	-
		<u>6,665</u>	<u>10,000</u>
Special Service Provider		<u>312,242</u>	<u>146,566</u>
		<u>318,907</u>	<u>156,566</u>

	1998	1997
	\$	\$
10. LOANS TO MEMBERS		
(a) Loans by Purpose		
Residential loans	11,067,520	11,451,356
Personal loans	12,213,541	12,727,701
Rental properties	<u>3,432,721</u>	<u>3,328,403</u>
	26,713,782	27,507,460
Less: provision for doubtful debts	<u>(475,500)</u>	<u>(430,000)</u>
	<u>26,238,282</u>	<u>27,077,460</u>
(b) Loans by Security		
Secured by mortgage	20,657,768	21,684,530
Secured - other	2,796,933	3,208,322
Unsecured	<u>3,259,081</u>	<u>2,614,608</u>
Total Loans	<u>26,713,782</u>	<u>27,507,460</u>
(c) Loans by Maturity		
Not longer than 3 months	897,583	924,272
Longer than 3 months but not longer than 1 year	2,495,067	2,606,188
Longer than 1 year but not longer than 5 years	9,771,902	10,054,272
Longer than 5 years	<u>13,549,230</u>	<u>13,922,728</u>
	<u>26,713,782</u>	<u>27,507,460</u>
(d) Provision for Doubtful Debts		
Movement in the Provision		
Balance at the beginning of the year	430,000	410,000
Add: Doubtful debts expense	45,500	20,000
Less: Bad debts written off	-	-
Balance at the end of the year	<u>475,500</u>	<u>430,000</u>
Provision required under the Prudential Standards	<u>143,194</u>	<u>99,484</u>
Bad debts written off other than through the provision	17,281	11,874

	1998	1997
	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture, fittings and equipment - at cost	55,123	52,283
Less: Provision for depreciation	<u>(25,340)</u>	<u>(19,325)</u>
	<u>29,783</u>	<u>32,958</u>
Computer hardware/software - at cost	172,273	139,785
Less: Provision for depreciation	<u>(106,460)</u>	<u>(83,293)</u>
	<u>65,813</u>	<u>56,492</u>
Motor vehicle - at cost	29,091	29,091
Less: Provision for depreciation	<u>(12,121)</u>	<u>(3,879)</u>
	<u>16,970</u>	<u>25,212</u>
Total property, plant and equipment - at net book value	<u>112,566</u>	<u>114,662</u>

12. OTHER ASSETS

Future income tax benefit (note 6(d))	223,183	211,325
Sundry debtors	-	1,308
Prepayments	17,864	18,638
Accrued interest on investments	<u>256,853</u>	<u>375,894</u>
	<u>497,900</u>	<u>607,165</u>

13. MEMBERS' DEPOSITS

Call deposits	11,045,280	10,949,016
Term deposit investments	<u>19,788,653</u>	<u>21,330,520</u>
	<u>30,833,933</u>	<u>32,279,536</u>
Withdrawable member shares	<u>49,240</u>	<u>50,210</u>
Total deposits and withdrawable shares	<u>30,883,173</u>	<u>32,329,746</u>

Maturity analysis

At call	11,094,520	10,999,225
Not longer than 3 months	8,402,262	8,767,240

	1998	1997
	\$	\$
Longer than 3 months but not longer than 1 year	8,758,458	10,495,311
Longer than 1 year but not longer than 5 years	2,627,933	2,067,970
	<u>30,883,173</u>	<u>32,329,746</u>

14. CREDITORS

Sundry creditors	238,674	98,594
	<u>238,674</u>	<u>98,594</u>

15. PROVISIONS

Provision for income tax (note 6(b))	167,359	110,574
Provision for employee entitlements	80,188	120,513
Provision for member services	-	15,500
Provision for relocation costs	45,000	-
	<u>292,547</u>	<u>246,587</u>

16. OTHER LIABILITIES

Provision for deferred income tax (note 6(c))	6,431	6,710
Accrued charges	56,506	43,017
Accrued interest on member deposits	176,153	234,673
	<u>239,090</u>	<u>284,400</u>

17. 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.

18. 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.

19. RELATED PARTY TRANSACTIONS

(a) Directors

The names of each person who held the position of Director of R.T.A. Staff Credit Union Limited at any time during the year ended 30 June 1998 are as follows:

R G Morgan	
P M Murphy	
W H Randell	
P J Gallagher	(resigned 21 July 1997)
S M Sinclair	(resigned 19 November 1997)
N J Hancock	
W J Peachman	
SA Kemp	(appointed 21 July 1997)
M W De Boos	(appointed 19 November 1997)

	1998	1997
	\$	\$
(b) Directors' Remuneration		
Aggregate remuneration of directors	-	-

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

	No.	No.
\$Nil - \$10,000	9	9

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 spouses and Director-related entities amounted to:

	1998	1997
	\$	\$
Mortgage loans	153,532	28,560
Personal loans	3,150	6,564
	<u>156,682</u>	<u>35,124</u>

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

	1998	1997
	\$	\$
Mortgage loans	21,258	-
Personal loans	5,502	-
	<u>26,760</u>	<u>-</u>

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

	1998	1997
	\$	\$
Mortgage loans	18,838	304,951
Personal loans	4,241	3,978
	<u>23,079</u>	<u>308,929</u>

Directors concerned with the repayments were W H Randell, M W De Boos, S M Sinclair and R G Morgan.

(d) Executive Officers

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

1998	1997
No.	No.
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 (1997: \$Nil).

(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.

20. STANDBY BORROWING FACILITIES

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

	1998	1997
	\$	\$
Pre-approved loan facility	500,000	500,000
Overdraft facility (gross)	350,000	250,000
Less: Current borrowing	-	-
Net available facility	<u>850,000</u>	<u>750,000</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.

21. COMMITMENTS AND CONTINGENT LIABILITIES

Loans approved but not advanced at 30 June 1998 amount to \$1,401,000 (1997: \$286,734).

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

	1998	1997
	\$	\$
Operating Lease Commitment		
Future operating lease rental of premises not provided for in the financial statements and payable:		
not later than 1 year	36,930	42,204
later than 1 year but not later than 2 years	-	35,143
	<u>36,930</u>	<u>77,347</u>

Superannuation

The Credit Union contributes to the CUE 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:

- 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 Super Plan is a contribution accumulation type plan.

22. 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 Prime Liquid 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 with the exception of the contract with Co-Processing, which has two (2) years remaining. 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.

23. 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	1998	1997
		\$	\$
Cash on hand	7	35,000	34,678
Cash at bank	7	385,912	267,514
Special Service Provider	8	1,100,000	500,000
		<u>1,520,912</u>	<u>802,192</u>

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

Operating profit after income tax		350,315	540,727
Add/(less) non-cash items:			
Amounts set aside to provisions		85,597	21,915
Depreciation and amortisation		48,854	22,979
(Profit) on sale of furniture and equipment		-	(1,565)
Net cash provided by operating activities before change in assets and liabilities		<u>484,766</u>	<u>584,056</u>
Change in assets and liabilities during the financial year:			
(Increase)/decrease in assets:			
Prepayments		774	(8,296)
Sundry debtors		1,308	627
Accrued interest on investments		119,041	(44,817)
Future income tax benefit		(11,858)	(96,391)
Premium on bonds purchased		5,687	12,067
Increase/(decrease) in liabilities:			
Accrued charges		13,489	(17,428)
Accrued interest on members' deposits		(58,520)	(34,088)
Sundry creditors		140,080	76,875
Provision for deferred tax		(279)	4,642
Provision for income tax		56,785	28,669
Net cash provided by operating activities		<u>751,273</u>	<u>505,916</u>

24. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Credit Union'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:

Recognised financial instruments	Note	Accounting policies	Terms and conditions
Financial assets			
Investment securities -			
Bonds and debentures	8	Bonds and debentures are stated at the lower of cost and net realisable value.	Bonds and debentures have an average maturity of 205 days with effective interest rates of 6.80% to 8.30%.
Special Service Provider	8	Deposits with the SSP are stated at face value. Interest is recognised in the profit and loss when earned.	Deposits have an average maturity of 68 days with effective interest rates of 4.93% to 8.35%.
Loans to Members	10	Loan interest is calculated on a daily basis on the loan balance and brought to account at the end of each month.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Other investments	9	Unlisted shares are stated at the lower of cost and net realisable value. Dividend income is recognised in the profit and loss when received.	These shares represent part of the capital entitlement of the Credit Union to shares in: <ul style="list-style-type: none"> • CUSCAL, the Credit Union's SSP; and • Co-Processing Pty Limited, the Credit Union's data processing provider.
Financial liabilities			
Members' deposits	13	Members' deposits are recorded at the principal amount. Interest is calculated on the daily balance and is brought to account on an accrual basis.	Details of maturity are provided in note 13.

(b) Interest rate risk

The Credit Union's exposure to interest rate risk showing the contractual repricing dates or maturity dates, whichever dates are earlier, for classes of financial assets and liabilities are as follows:

1998	Financial assets	Weighted average interest rate %	Floating interest rate \$	Securities contracted to mature or be repriced:				Non-interest bearing \$	Total \$
				within 1 month \$	1 month & 3 months \$	between 3 months & 1 year \$	1 year to 5 years \$		
	Cash and cash equivalents	1.83	385,912	-	-	-	-	35,000	420,912
	Investment securities								
	Public securities	7.39	-	200,000	588,577	-	502,000	-	1,290,577
	CUSCAL	4.33	1,101,000	2,000,000	1,400,000	-	2,400,000	38,205	6,939,205
	Other	-	-	-	-	-	-	318,907	318,907
	Loans and advances	7.96	20,386,843	-	1,685,839	4,165,600	-	-	26,238,282
	Total financial assets		21,873,755	2,200,000	3,674,416	4,165,600	2,902,000	392,112	35,207,883
	Financial liabilities								
	Member deposits and shares	3.28	11,094,520	3,664,859	4,737,403	8,758,458	2,627,933	-	30,883,173
	Trade creditors and accruals	-	-	-	-	-	-	471,333	471,333
	Total financial liabilities		11,094,520	3,664,859	4,737,403	8,758,458	2,627,933	471,333	31,354,506

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their contractual obligations to the Credit Union.

The Credit Union's exposure to credit risk on financial assets, excluding investments, is the carrying amount, net of any provision for doubtful debts.

(d) Net fair values

The aggregate net fair values of the Credit Union's financial assets and liabilities at balance date are as follows:

	Carrying amount as per Balance Sheet 1998 \$	Aggregate net fair value 1998 \$
Financial assets		
Cash and cash equivalents	420,912	420,912
Investment securities:		
Bonds and debentures	1,290,577	1,343,836
Special service provider	6,939,205	6,939,205
Other investments	318,907	318,907
Loans and advances	<u>26,238,282</u>	<u>26,238,282</u>
Total financial assets	<u>35,207,883</u>	<u>35,261,142</u>
Financial liabilities		
Member deposits and shares	30,883,173	30,830,614
Trade creditors and accruals	<u>471,333</u>	<u>471,333</u>
Total financial liabilities	<u>31,354,506</u>	<u>31,301,947</u>

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

Loans and advances:

The carrying value of the loan portfolio is assumed to approximate its net fair value as there are no loans with a fixed rate of interest for longer than 12 months.

Investment securities:

Bonds and debentures are valued at their quoted market price at 30 June 1998. The securities held with the special service provider are valued at face value as there is no market. There has been no adjustment for disposal costs as these investments are intended to be held to maturity.

Member deposits and shares:

The net fair value of member deposits were determined by discounting the future interest cash flows using a discount rate based on the current market rate for the average remaining term to maturity. The net fair value of member shares were determined to be face value.

NOTES

THE 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

SAVING & INVESTMENT ACCOUNTS

Basic Saver Account:

A day-to-day savings account for over-the-counter transactions.

Also can be used for bill paying.

Redi-Access Accounts:

A multi-purpose account with an 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, Westpac ATM's, Commonwealth Autobanks
 - 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 also make deposits at any National Australia Bank branch.
- PhoneTeller - access to account details, transfer of funds and statement request is available by simply phoning the PhoneTeller Hotline number on (02) 9218 6604

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 property loans, at home loan rates.
 - Home Equity loans for any worthwhile purpose.
 - Visa Credit Card.

Loan interest is calculated daily and posted monthly and members can make repayment by easy payroll deductions **WHOLE OR 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 saving and/or loan accounts.

Our Services