



GOLDFIELDS CREDIT UNION

ABN 63 087 651 849, AFS License 246884
BSB 806-043

ANNUAL FINANCIAL REPORT

2004

Chairman's Annual Report 2004

I am pleased to announce that 2004 was another successful year for GCU. In the year to June 2004 our net profit after tax was \$321,942. This result is a 34.4% increase over the previous year's profit.

This substantial boost in profit directly increases GCU's capital adequacy ratio to 15.26% which significantly exceeds the 8% minimum required by law. In the year to June 2004, the credit union's net assets grew 14.5% to \$2,534,317 while its liquidity ratio was 29.2%.

Overall GCU's new lending grew a healthy 16.52% in 2004. The growth in home loan lending grew an impressive 57% as GCU pursued the home lending markets in Kalgoorlie and Esperance. Since its inception, GCU has written in excess of \$120m in loans.

Other significant achievements this year include: the successful application to gain an Australian Financial Services banking License (AFS license No. 246884), the continuous review of its risk management policies to ensure they remain current and compliant, the development of new risk management policies, the development of a Dispute Resolution Policy to help members speedily resolve complaints and providing resources to enable GCU staff to access on-going professional training and development and the upgrade of GCU's computer services.

Our Business Philosophy

At the Director's Annual Strategic Planning Conference, which was held in Perth this year, the Director's adopted the principle that all GCU's business relationships with members must always be seen to be beneficial to both the member and GCU.

Integral to this achieving this is the overriding need to provide members with a complete range of professional banking services which are fairly priced.

GCU's *Loyalty Package* in turn is designed to give members who keep their savings, investments and / or loans with GCU the ability to minimize any credit union transaction fees.

Community Activity

GCU has a proud tradition of supporting the local community by providing valuable sponsorship dollars to an enormous range of community and sporting groups. During 2004 the Board approved sponsorship funding for a wide range of community activities including: the Royal Flying Doctor Service, Ronald MacDonald Ball, the Touch Association State Championships, the Golden Mile Art Exhibition the Goldfields Football League and the annual Chamber of Commerce Business Awards.

Corporate Governance

The Board is acutely aware of the importance of developing the highest standards of corporate governance at GCU. This is amply demonstrated by the fact that during the year the Board met no less than 32 times at a Board and Committee level to enhance existing management systems and to create new ones that allow GCU resources to be used more efficiently. The reports from the respective Committee Chairmen are detailed below.

I take this opportunity to thank the work undertaken by my fellow Directors during past year. Furthermore I wish to express my regret at the resignation of two directors during the year. Ms Jan MacDonald and Mr. Lloyd Jones contributions to the overall corporate governance of GCU are greatly appreciated. The GCU staff must also be recognized for all their contribution to making another very successful year.

W. (Bill) McKenzie
Chairman of the Board

Board Committee Reports

Audit Committee Report

The Audit Committee met 9 times during the year to consider wide ranging business issues effecting GCU. The Committee undertook the annual reviews of most of GCU's risk management policies as well as the creation of numerous new risk policies during 2003 -04. New policies developed by the Committee include: an Internal Audit Charter Policy, a Dispute Resolution Policy, an Internal Audit Map, a Disaster Recovery Policy, a Director's and Staff Travel Policy, a Director's Training and Development Policy and a Staff Third Party Incentives Policy. In addition the committee was kept informed of management's major redesign of GCU's website.

In May, the Credit Committee joined the Audit Committee on two occasions to undertake the annual credit union budget review process. The joint committee meeting subsequently recommended the adoption by the Board of the draft 2004 – 2005 Budget.

The committee met with the credit union's federal regulator the Australian Prudential Regulatory Authority, APRA during their on-site inspection in Kalgoorlie in April, 2004. The credit union's external auditors RSM Bird Cameron attended a credit committee briefing members on the status of the 2003 / 2004 annual external audit.

The committee devoted considerable effort trying to find a local accountant interested in taking on the position of part time Internal Auditor. This task proved more difficult than initially expected. Eventually the committee recommended the Board appoint Hall Chadwick, subject to APRA's approval.

I would like to make special mention of the contribution made by Ms Jan MacDonald who regrettably resigned from the Committee during the year. Her contributions and those of my fellow members of the Audit Committee: Ms L. Strachan and Mr. A. George have been outstanding.

Dean Willis
Chairman
Audit Committee

Credit Committee Report

In the first half of the year the committee changed with the resignation of Mr. Lloyd Jones as Chairman in October, 2004. Mr. Allan Pandal was elected Chairman of the Credit Committee at the November, 2004 committee meeting. A further change occurred in March, 2004 with the appointment of Mr Leigh Junk to GCU's Board and its Credit Committee.

The Credit Committee's responsibility is to comprehensively review all GCU's lending practices are compliant with GCU's two volume Credit Risk Management Policy. The Committee's task is also to review this policy document every year to ensure its remains within acceptable bank lending practices and standards. A further review function handled by the committee involves the annual review GCU's Collection's Policy.

At its monthly meeting, the committee thoroughly reviews no less than 11 major management reports relating to GCU's lending activity. These reports assess credit behaviour both in terms of an historical basis and a current basis. Some of the reports assessed by the Committee include: an Overdraft report, Loan funding, Delinquent loan report and Membership Report. The Committee also reviews management's recommendation to write off any bad debts. The committee's recommendation is then placed before the monthly Board Meeting and it then becomes a Board decision as to whether it endorses the committee's recommendation.

During the past year the Credit Committee saw the need to create several new management reports to capture information to provide management and the credit committee with new and valuable tools to better manage the business.

Apart from meeting nine (9) times during the year, the Credit Committee also met on a further two occasions in May with the Audit Committee to review and approve GCU's 2004 – 2005 draft budget.

I take this opportunity to thank my fellow credit committee members: Mr W.McKenzie, Mr. L. Junk and Mr. A. George for their committed work during the past 12 months.

Allan Pental
Chairman
Credit Committee

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	2004	2003
Interest revenue	2,329,073	2,185,897
Interest expense	-962,957	-924,606
Net Interest Income	1,366,116	1,261,291
Non-interest revenues	1,267,213	1,298,012
Bad & doubtful debts expense	-94,602	-107,082
Other expenses	-2,069,442	-2,097,855
OPERATING PROFIT BEFORE INCOME TAX	469,285	354,366
Income tax expense	-147,343	-114,898
OPERATING PROFIT AFTER INCOME TAX	321,942	239,468
Retained Profits at the beginning of the year	0	0
Total available for appropriation	321,942	239,468
Aggregate of amounts transferred to reserves	-321,942	-239,468
RETAINED PROFITS AT THE END OF THE YEAR	0	0

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2004

	2004	2003
Assets		
Cash and liquid assets	1,533,293	3,986,042
Due from other financial institutions	5,200,000	6,250,000
Loan advances & other receivables	22,590,101	19,387,167
Other investments	105,269	152,590
Property, plant & equipment	664,250	802,332
Other Assets	213,767	232,578
TOTAL ASSETS	30,306,680	30,810,709
Liabilities		
Deposits	27,003,162	27,683,745
Accounts payable and other liabilities	297,182	360,752
Borrowings	400,000	400,000
Provisions	72,019	153,589
TOTAL LIABILITIES	27,772,363	28,598,086
NET ASSETS	2,534,317	2,212,623
Members Funds	11,936	12,184
Reserves	2,522,381	2,200,439
TOTAL MEMBERS' FUNDS	2,534,317	2,212,623