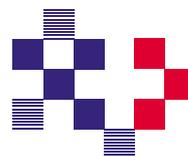




***Annual Report
2001***



POLICE & NURSES
CREDIT SOCIETY

You're worth more than your money.

C o n t e n t s

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F i v e y e a r F i n a n c i a l H i g h l i g h t s

Police & Nurses Credit Society Ltd

	1996/97	1997/98	1998/99	1999/00	2000/01	% Growth
Total Membership	37,704	41,875	44,430	49,858	54,931	10.17%
Members Deposits	\$238,046,912	\$280,458,885	\$320,549,617	\$358,682,126	\$428,884,762	19.57%
Loans Advanced to Members	\$175,041,996	\$225,464,124	\$250,316,891	\$328,917,843	\$397,091,379	20.73%
Total Assets	\$331,905,063	\$398,369,685	\$469,964,541	\$590,349,081	\$636,630,529	7.84%
Operating Profit before tax	\$5,436,976	\$6,066,785	\$6,377,290	\$3,240,707	\$8,896,973	174.54%
Reserves	\$43,202,813	\$47,079,706	\$51,853,700	\$53,722,061	\$60,682,775	12.96%

D i r e c t o r y

Directors

E L Smith (Chairman)
 E J Billing (Deputy Chairman)
 F J Compton
 P M Gabb
 M T Hinton
 M A Kimber
 E A Manley
 W T Neville
 A M Rial

Society Secretary

A.E. (Fred) Huis

Registered Office

Police & Nurses Credit Society Ltd
 A.B.N. 69 087 651 876

246 Adelaide Terrace
 Perth, WA, 6000
 Telephone 13 25 77

External Auditors

PricewaterhouseCoopers

Internal Auditors

Ernst & Young

Chairman's Report

I am proud to present the Annual Report for Police & Nurses Credit Society in my first year as Chairman.

It has been another year of rapid change and volatility in the finance sector and the unprecedented number of Reserve Bank interest rate cuts has meant we have had to act swiftly to pass these savings on to members. It is our continuing aim to remain relevant and competitive in an ever-changing financial environment.

With the ongoing advances in technology and the gathering momentum of e-commerce, the need for banking ease and speed is now more important than ever. Despite these advances, consumers, especially in the finance market, are looking for personalised service where they are treated as individuals not just a number. This creates a challenging paradox. Securing a balance between the two ends of the spectrum is vital to sustainable success. I strongly believe that our Society is more flexible and better placed than traditional banks to meet these diverse needs.

There is no doubt that another key factor influencing the finance sector is the increasing prevalence of mergers, particularly for the smaller credit unions. While this trend has reduced the number of credit unions in the market, it also has strengthened the position of many, including ours.

The motivation behind credit union mergers is driven by the need to remain competitive by reducing service costs, achieving greater economies of scale and improving services to members. In fact it was our desire to secure these benefits, and the opportunity to take advantage of the natural synergies that exist between our Society and Energy Credit, that led us to negotiate such a merger. We envisage that once the merger takes effect in October 2001 it will enable us to realise these benefits.

Our forays into new markets also extend beyond assessing potential merger partners to entering new markets that are closely aligned with our core health, police and teacher markets. This year we successfully piloted our first interstate campaign in Victoria, with early results indicating a wealth of opportunities for the Society if we adopt a strategic expansion program into interstate markets.

During the year the new Police & Nurses Constitution was approved by the members and implemented as a result of the revised prudential standards set by the Australian Prudential Regulation Authority (APRA). The year ahead will see us working to address the new Privacy Commission guidelines.

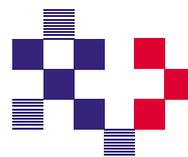
With all these challenges ahead and another year of significant achievements behind us, my fellow directors and I would like to express our gratitude for the continuing dedication and contribution made by Chief Executive Fred Huis. Fred, his management team and every employee of the Society have worked energetically to bring successful results and we thank them all.

I also wish to express appreciation to my fellow Directors for the assistance, confidence and loyalty they continue to provide to both the Society and myself. In addition, I wish to extend a warm welcome to the two new directors, Stephen Melville and Craig Hynes, who will be joining us from Energy Credit.

We also bid farewell to two long-serving directors, Winston Neville and Max Kimber who will be standing down as at 30th September and thank them for the valuable contribution they have made to the Society.

With a new financial year already with us, I strongly believe that we will continue to retain our position as Western Australia's leading credit union.

E L Smith
Chairman



POLICE & NURSES
CREDIT SOCIETY

CEO's Review



CEO, A.E. (Fred) Huis.

Once again this has been a year of substantial change and growth in which we have continued to implement strategies to expand member services, improve productivity and boost profitability.

With the previous year's financial investment in technology and GST-preparation now behind us, we have been able to focus on e-commerce development, meeting the challenges of expansion and the building of new income streams. This, combined with our continued priority to provide competitive member services, has seen the Society return to previous years' levels of profitability in the 2000/2001 financial year.

Of course the forthcoming merger with Energy Credit has also been a focus of our efforts during recent months. I am pleased to report that, with the support of the Board of Directors, our members and staff, the merger process is well on the way to a successful result.

Let us now review the year, as it was - our financial results, our achievements - and take a look at our plans for the future.

Energy Credit Merger

Our merger with Energy Credit will substantially broaden the credit union's operation and see it become one of Australia's largest credit unions. The cultural synergies between our Society and Energy Credit mean we hold complementary strengths from which members of both organisations are set to benefit considerably.

Also the improved economies of scale achieved through the merger will enable a greater sharing of costs resulting in fewer fees for members. We will be able to expand our services, increase our membership base and broaden our branch network.

Our members

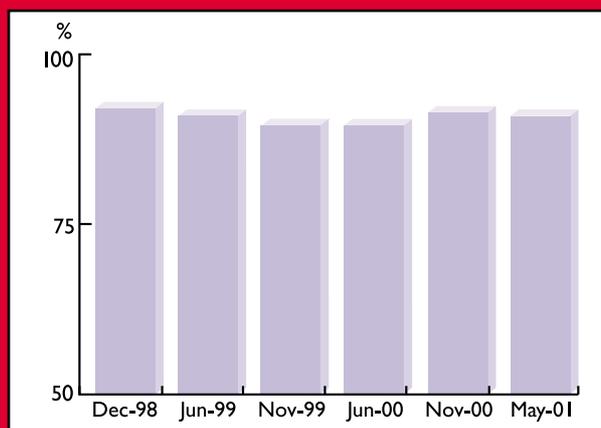
The Society continued to increase its membership base during 2000/2001 with member numbers now reaching 55,000.

Dissatisfaction with traditional financial institutions is still the catalyst for customers choosing to bring their business to a more personal and customer- focused banking alternative such as ours. With the Society's increased accessibility, created through the branch and online banking network, we are better positioned than ever to take advantage of opportunities to increase our membership base.

Whilst attracting new members is important, member satisfaction is always our priority and is the key to earning member loyalty. Our latest member satisfaction survey showed 92% of members are satisfied with the products and services we provide. This result is in keeping with the high levels of satisfaction consistently achieved over the past several years.

In our endeavours to continue satisfying our members and reward them for their commitment to Police & Nurses, a Member Loyalty Program is under development. Such a program will in time provide

Member Satisfaction



GEO's Review

members with the opportunity to enjoy a number of valuable non-banking benefits when they choose to use our services.

The past year has also shown a dramatic change in member banking habits as a result of our strategy to promote the Society's fee-free options. The 'Kill Fees Fast' educational campaign has led to a 5% reduction in costs. These savings are not only being passed onto members but enable us to fund the creation of many additional services. This strategy further reflects our philosophy that members are worth more to us than their money.

Looking into the future, the development of a detailed e-commerce strategy will assist members by offering them choice and convenience. One of these initiatives will be the upgrading of the Society's Internet banking service 'Netlink' and our telephone banking service 'Phonelink', both of which will be greatly enhanced with additional functions and options.

Our staff

Change is ever constant and rapid advances in technology means the Society must continue to meet consumer expectations regarding both personal service and electronic business.

E-commerce is now the catch-cry of successful business and our staff have been dedicated and diligent in their efforts to develop and implement e-commerce initiatives to enhance our competitiveness. This has meant our staff are learning new work skills and adapting to new streamlined processes. However, aligning technology and balancing these new skills with their commitment to excellent customer service still remains the central focus of our staff.

With staff numbers being contained over the last 12 months, the competitive climate and increased member demand has resulted in ongoing increases in our productivity. However, the merger will result in a timely boost to staff resources that will assist with the implementation of new initiatives to benefit members and will also create a number of opportunities for staff career advancement.

As always, our staff are our most valuable asset and their success in mastering technological advancements

and their enthusiasm in embracing the merger are testimony to their exceptional work ethic.

Expansion of Services

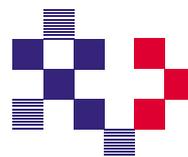
The Society continues to review its products and services to ensure they remain relevant to members and are highly competitive within the finance market. Also our focus on the health, police and teaching sectors this year has seen us move into new markets, including Victoria, which has proven very successful.

Our corporate website, and its internet banking component known as 'Netlink', has provided fast, efficient and secure banking options to more than 5,000 registered members over the past 12 months. Further online services will become available to members when the site is relaunched in the new financial year to coincide with the Energy Credit merger.

Technology has also enabled us to significantly reduce loan approval turnaround time with members and staff both reaping the benefits of reduced paperwork and waiting periods.

Adding to the products we already offer our over-55 members, the Society's Property and Commercial Services Division has commenced work on an over-55s residential community in Warwick. Members over this age will be given first option to purchase a home in the village with other housing developments due to commence in coming years.

For many of our members, their future wellbeing is an issue that should be addressed now, yet as lives get busier people are finding themselves increasingly time-poor. To assist members with developing and planning for their future wellbeing, we are developing additional financial advice services that aim to meet a diverse range of needs at the same time as offering members choice, convenience and security for the future.



POLICE & NURSES
CREDIT SOCIETY

CEO's Review

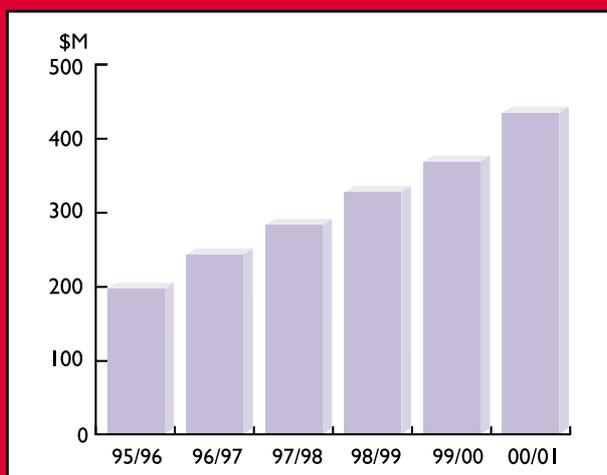
Membership and Financial Growth

Police & Nurses Credit Society continues to reinforce its position in the finance market with the 2000/2001 total assets increasing from \$590 million to \$636 million.

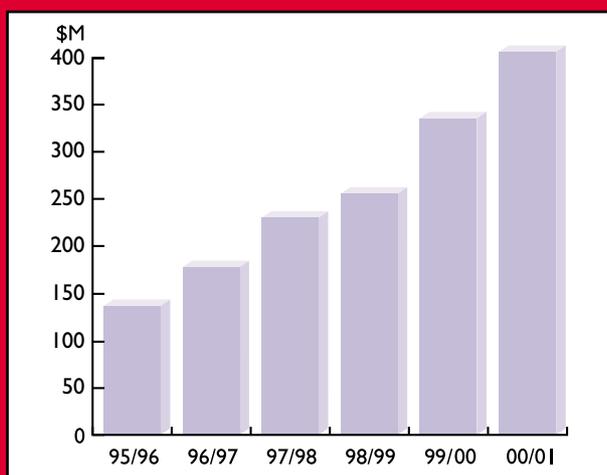
The previous year's downturn in profitability (as a result of financial investment in technology and new work practices) has been turned around this year with a 174.54 % increase (from \$3.2 to \$8.8 million) in before-tax-profit, returning profitability to past levels.

Loans advanced to members increased by 20.7% to \$397 million over the financial year. The recent sale of the Society's building at 246 Adelaide Terrace has freed up additional funds to satisfy our member's lending requirements.

Members Deposits



Loans Advanced to Members



With our 10.1% increase in membership, we have also seen growth in Members' deposits from \$358 million to \$429 million. The forthcoming Energy Credit merger will bring 14,000 additional members into our Society and consolidate our position as one of Australia's largest credit unions.

Our future

With the Energy Credit merger contributing considerable benefits the new financial year will see the Society continue to provide convenient, competitive services while retaining a focus on treating our members with respect and individual attention. It is, of course, this focus that creates our point of difference from traditional banks. We are committed to retaining the member-focused service and organisational culture that we have worked so hard to achieve. Mutuality will be maintained and the 'one member one vote' principle remains.

In continuing to meet member expectations, electronic business will remain a focus of the Society in the coming year, and will see the first of our e-commerce initiatives implemented towards the end of 2001.

The excellent performance of the Society in the 2000/2001 period provides us with a solid base from which to reinforce our position as the pre-eminent credit union in Western Australia. With even more competitive products, an expanded branch network and the maintenance of our already high standard of customer service we will continue to operate with the philosophy that our 'members are worth more than their money'.

Acknowledgements

The Society's success during the last financial year is testament to the efforts and commitment of my management team and staff. With their support, and the guidance and trust provided by the Board of Directors, we have achieved much. My sincere thanks.

AE (Fred) Huis
Chief Executive

Report of the Directors

Board of Directors



Standing (rear L to R): Liz Manley, Jack Billing, Winston Neville, Paul Gabb, Jim Compton. **Seated** (front L to R): Ann Rial, Eric Smith, Maureen Hinton, Max Kimber.

Your directors present their report on the financial statements of the Group and the Society for the year ended 30 June 2001.

Directors

The following persons held office as directors of the Society during the year and at the date of this report:

Eric Laurence SMITH, *Diploma Police Studies, Diploma of Criminal Investigations, (Chairman)*
Police Senior Sergeant, 7 years service as Credit Society Director; 25 years service as a Police Officer

Edward John BILLING APM, *Retired Assistant Commissioner of Police (Deputy Chairman)*
FAIM (retired 1993), Grad. Australian Police College - Senior Officers' Course & Senior Executive Police Officers' Course, 8 years service as Credit Society Director; 43 years service as a Police Officer

Frederick James COMPTON,
MAICD, Retired Superintendent,
Grad. Australian Police College - Senior Officers' Course & Senior Executive Police Officers' Course
22 years service as a Credit Society Director; 38 years service as a Police Officer

Paul Marshall GABB, *B.Com (Accounting), CPA*
Specialist Financial Analyst, Australian Federal Police
3 years service as a Credit Society Director; 15 years service in Law Enforcement

Maureen Teresa HINTON RN FRCNA BAppSc (Nursing)
Grad Dip Hsc MPH, State Clinical Development
Coordinator for Mayne Health, 14 years service as Credit Society Director; 36 years service in the nursing/health profession

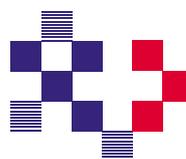
Maxwell Austin KIMBER OAM, *Retired Chief Inspector*
20 years service as Credit Society Director; 31 years service as a Police Officer

Elizabeth Anne MANLEY RN RM BAppSc (Nursing) MBA FRCNA MAICD (*appointed on 16 October 2000*)
Executive Director Nursing & Patient Support Services
1 years service as Credit Society Director; 30 years service in the nursing/health profession

Winston Thomas NEVILLE, *Retired Chief Superintendent*
29 years service as Credit Society Director; 32 years service as a Police Officer

Ann Maree RIAL RN RM ICNC GC, *Nurse Manager*
14 years service as a Credit Society Director; 28 years service in the nursing/health profession

Each director holds one member share in the Society, and in addition W T Neville holds one share in each of PCU Trading Pty Ltd, Members Holding Company Pty Ltd and Police Employees Travel Pty Ltd in trust for the Society.



POLICE & NURSES
CREDIT SOCIETY

Report of the Directors

Director	Directors' Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
E L Smith	12	11	4	4
E J Billing	12	10		
F J Compton	12	10	4	3
P M Gabb	12	9	4	3
W P Gardiner	2	1		
M T Hinton	12	11	4	3
M A Kimber	12	11		
W T Neville	12	12		
E A Manley	10	8		
A M Rial	12	11	4	3

Directors' Meetings

The above table sets out the number of directors' meetings (including meetings of committees of directors) held during the year ended 30 June 2001 and the number of meetings attended by each director.

Principal Activities

The principal activities of the Group and the Society were the provision of financial and associated services to members, and there was no significant change in these activities during the year.

Review of Operations

During the financial year, total assets of the Group increased by \$46.3 million to \$636.6 million, members' deposits increased by \$70.2 million to \$428.9 million and loans and advances increased by \$33.7 million to \$543.5 million.

The operating profit of the Group and the Society for the financial year after income tax and before outside equity interest was \$6,960,714 and \$6,220,083 respectively. Pursuant to the Rules of the Society, no dividend has or shall be paid in respect of any share.

Future Development and Results

Future financial periods are likely to include further improvements in the provision of services to members and a managed growth in financial performance.

Bad and Doubtful Debts

Before the accounts were made out, the directors took reasonable steps to ascertain what action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have caused all known bad debts to be written off and adequate provision to be made for doubtful debts.

Assets

Before the accounts were made out, the directors took reasonable steps to ascertain whether any assets were unlikely to realise in the ordinary course of business their value as shown in the accounting records, and at the date of this report they are not aware of any circumstances which would render the value attributed to any assets in the accounts misleading.

Significant Changes

There has been no significant change in the state of affairs of the Society or Group during the financial year.

Events Subsequent to the End of the Financial Year

On 2 August 2001, approval was given at a general meeting of members to accept the transfer of business of Energy Credit Union Ltd under the Financial Sector (Transfers of Business) Act 1999 Transfer Rules No. 1.

No other matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results of those operations, or the state of affairs of the Group or the Society.

Report of the Directors

Environmental Regulation

The consolidated entity is subject to environmental regulation in respect of its land and unit developments. All developments have been undertaken in compliance with the necessary planning and environmental regulation.

Register of Directors' Interests

The Society keeps a register containing information about the directors, including details of each director's interest in securities issued by the Society. The register is open for inspection:

- a) by any member of the Society, without fee; and
- b) by any other person, on payment of the amount (if any) prescribed by the Society's rules.

Insurance of Officers

During the year, a premium was paid in respect of a contract insuring directors and officers of the company against liability. The officers of the company covered by the insurance contract include the directors, executive officers, company secretary and employees. In accordance with normal

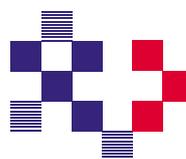
commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

This report is made in accordance with a resolution of the Board of Directors.

E L SMITH
Director

E J BILLING
Director

Date 24 September 2001
PERTH WA.



POLICE & NURSES
CREDIT SOCIETY

Statements of Financial Performance

Year ended 30 June 2001

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2001 \$	2000 \$	2001 \$	2000 \$
Interest Revenue	2(a)	46,644,537	35,835,944	46,700,129	35,991,466
Interest Expense	2(a)	28,481,852	21,108,249	28,481,852	21,108,249
Net Interest Revenue		18,162,685	14,727,695	18,218,277	14,883,217
Loan Fee income		5,440,381	5,116,439	3,088,032	2,703,874
Other fee income		5,913,311	4,853,784	5,933,525	4,515,128
Insurance commissions		775,503	696,185	716,902	648,373
Other commissions		3,362,132	4,294,950	825,563	752,229
Share of net profit of joint venture partnerships	24	32,254	181,348	-	-
Bad debts recovered		37,475	14,991	37,475	14,991
Proceeds on sale of Property, Plant and Equipment		29,001	141,908	12,204	44,620
Proceeds on disposal of land and buildings	10	4,150,000	-	4,150,000	-
Revenue from sale of land & unit development		5,530,590	419,000	-	-
Other income		1,042,436	479,026	1,041,076	581,110
Non-Interest Revenues		26,313,083	16,197,631	15,804,777	9,260,325
Total Revenue From Ordinary Activities		44,475,768	30,925,326	34,023,054	24,143,542
Bad and Doubtful Debts		1,301,534	480,000	1,301,534	480,000
Expenses from Ordinary Activities					
Amortisation		95,792	101,768	-	-
Auditor's remuneration	22	145,096	121,320	122,746	89,635
Borrowing costs		203,241	104,090	203,241	104,090
Depreciation		2,460,007	1,836,794	2,336,981	1,704,421
Fees and commissions		3,657,793	2,823,525	3,582,457	2,740,357
Land & unit development costs	2(b)	5,101,036	356,135	-	-
Personnel costs		11,987,115	11,957,699	9,228,046	8,533,529
Other general and admin costs		7,711,978	7,882,549	6,796,443	6,715,586
Book value of disposed property, plant & equipment		948,478	236,779	918,800	126,894
Provision for employee entitlements		242,191	285,365	173,556	225,869
Rental - operating leases		859,845	722,831	770,839	604,606
Superannuation contributions		864,689	775,764	685,563	555,882
Total Expenditure		35,578,795	27,684,619	26,120,206	21,880,869
Profit from Ordinary Activities Before Income Tax		8,896,973	3,240,707	7,902,848	2,262,673
Income Tax Expense	3	1,936,259	1,372,347	1,682,765	912,545
Net Profit		6,960,714	1,868,360	6,220,083	1,350,128
Net Profit Attributable to Outside Equity Interest	25	72,414	53,358	-	-
Net Profit Attributable to Members		7,033,128	1,921,718	6,220,083	1,350,128
Retained Profits at the beginning of the financial year		3,536,066	1,614,348	1,974,002	623,874
Total Available for Appropriation		10,569,194	3,536,066	8,194,085	1,974,002
Agregate of Amounts Transferred to Reserves	16	5,000,000	-	5,000,000	-
Retained Profits at the end of the financial year		\$5,569,194	\$3,536,066	\$3,194,085	\$1,974,002

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

Year ended 30 June 2001

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2001 \$	2000 \$	2001 \$	2000 \$
Assets					
Cash and liquid assets	4	15,299,233	10,924,599	15,147,924	10,861,094
Receivables due from other financial institutions	5	53,200,000	49,200,000	53,200,000	49,200,000
Other receivables	6	4,225,905	2,491,456	1,144,253	1,534,061
Loans and advances	7	541,535,665	508,607,622	541,537,037	508,607,622
Other investments	8	4,732,640	5,169,913	4,803,286	4,654,177
Inventories	9	9,160,181	4,218,182	-	-
Property, plant and equipment	10	6,273,524	8,148,920	5,979,322	7,732,318
Other	11	2,203,381	1,588,389	11,820,145	6,927,846
Total Assets		636,630,529	590,349,081	633,631,967	589,517,118
Liabilities					
Members' deposits	12	428,884,762	358,682,126	430,107,295	360,141,190
Accounts payable and other liabilities	13	14,891,741	10,505,652	13,477,140	10,470,299
Borrowings	14	130,819,370	165,845,044	130,819,370	165,845,044
Provisions	15	1,351,881	1,594,198	1,034,077	1,086,583
Total Liabilities		575,947,754	536,627,020	575,437,882	537,543,116
Net Assets		\$60,682,775	\$53,722,061	\$58,194,085	\$51,974,002
Members' Funds					
Reserves	16	55,000,000	50,000,000	55,000,000	50,000,000
Retained profits		5,569,194	3,536,066	3,194,085	1,974,002
Outside equity interest in controlled entities	25	113,581	185,995	-	-
Total Members' Fund		\$60,682,775	\$53,722,061	\$58,194,085	\$51,974,002

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
Cash Flows from Operating Activities				
Interest received from loans	44,177,639	32,682,653	44,177,639	32,682,653
Interest received from investments	3,042,272	2,443,500	3,097,863	2,599,022
Commissions and other income received	23,901,548	17,556,266	11,553,813	9,498,177
Borrowing costs - members	(15,378,192)	(12,485,710)	(15,378,192)	(12,485,710)
Borrowing costs - banks	(10,268,425)	(7,248,546)	(10,268,425)	(7,248,547)
Payments to employees and suppliers	(35,657,034)	(24,010,157)	(22,200,677)	(17,578,346)
Income tax paid	(2,550,405)	(1,559,550)	(2,124,267)	(1,111,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES 17(a)	7,267,403	7,378,456	8,857,754	6,355,614
Cash Flows from Investing Activities				
Net increase in loans, advances and other receivables	(35,509,049)	(98,830,316)	(34,193,473)	(99,121,119)
Proceeds from sale of fixed assets	4,179,001	141,908	4,162,204	44,620
Net movement in interest earning deposits	(4,000,000)	(13,396,730)	(4,000,000)	(13,396,730)
Net movement in other investments	(1,282,772)	(3,800,718)	(149,109)	908,291
Payments for fixed assets	(1,531,054)	(5,207,307)	(1,500,749)	(5,793,979)
NET CASH USED IN INVESTING ACTIVITIES	(38,143,874)	(121,093,163)	(35,681,127)	(117,358,917)
Cash Flows from Financing Activities				
Net increase in member deposits	70,147,395	41,894,386	69,910,865	42,595,516
(Decrease) / increase in bank loans	(34,999,998)	80,000,005	(34,999,998)	80,000,005
Member shares issued	106,570	102,930	106,570	102,930
Net (increase) / decrease in loans to controlled entities	-	-	(3,833,374)	(3,467,999)
Net increase / (decrease) in loans to associates	74,146	(2,661)	3,148	(5,322)
Member shares redeemed	(51,332)	(51,330)	(51,332)	(51,330)
NET CASH PROVIDED BY FINANCING ACTIVITIES	35,276,781	121,943,330	31,135,879	119,173,800
Net increase/(decrease) in cash held	4,400,310	8,228,623	4,312,506	8,170,497
Cash at the beginning of the year	10,079,568	1,850,945	10,016,063	1,845,566
Cash at the End of the Year 17(b)	\$14,479,878	\$10,079,568	\$14,328,569	\$10,016,063

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Year ended 30 June 2001

1. Summary of Significant Accounting Policies

These general purpose financial reports of the Group and the Society are prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), the Corporations Act 2001 and the historical cost convention. Such convention has no regard either to the changing value of money, or to the increased cost of replacing operating capability used in operations. Comparative information is reclassified where appropriate to enhance comparability.

(a) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Society (parent entity) and its controlled entities (note 8) as defined by AASB 1024 "Consolidated Accounts". The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) Bad and doubtful debts

Bad debts are written off as they arise and the prescribed provision for doubtful debts is based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears.

In addition to the above prescribed provision, the Board has recognised the need to make a general provision against loans to address latent losses known to exist in the credit portfolio but which cannot be ascribed to individual facilities. This approach is in accordance with APRA Credit Quality standard APS 220.

(c) Depreciation

Except for freehold land which is not depreciated, depreciation is calculated on a straight line basis so as to write off the cost of each item of property, plant and equipment over its expected useful life. The expected useful lives are as follows:

Buildings	40 years
Leasehold Improvements	3 - 7 years
Plant and Equipment	3 - 7 years

(d) Income tax

Tax effect accounting is adopted whereby income tax expense is matched with operating profit after allowing for permanent differences.

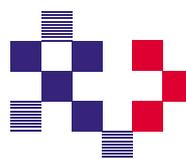
Future income tax benefits relating to timing differences are not brought to account unless their realisation is assured beyond reasonable doubt. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date.

These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries and annual leave expected to be settled within twelve months of the reporting date are measured at their current pay rates.

For staff who receive their entitlement to long service leave after seven years of service, provision is made for pro-rata entitlements at current pay rates after three years of service, and for staff who receive their entitlement after ten years, provision is made after five years, on the basis that this method approximates that prescribed by AASB1028 "Accounting for Employee Entitlements".



POLICE & NURSES
CREDIT SOCIETY

Notes to the Financial Statements

Year ended 30 June 2001

(f) Rights - loan portfolios

The amortisation is calculated so as to write off the cost of the acquisition in direct correlation to the receipt of the income stream.

(g) Rent Rolls

The amortisation is calculated so as to write off the cost of the acquisition over the period in which the income is expected to be derived.

(h) Interest

Interest on members' loans is calculated on an accrual basis except for non performing loans where interest is reduced to nil. Interest on members' deposits is calculated on an accrual basis and the accrual is included in the value of members' deposits disclosed in these financial statements.

(i) Cash

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(j) Revenue recognition

Land development and resale. Revenue is recognised where there is a signed unconditional contract of sale. Interest income is as note 1(h). Commissions and fees are recognised on an accrual basis.

(k) Inventories

Land held for resale / capitalisation of borrowing costs.

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development.

When development is complete borrowing costs and other holding expenses are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(l) Joint ventures partnership

The interest in the joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue in the statements of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 24.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(m) Interest rate swaps

Interest rate swaps are used in order to avoid or minimise possible adverse financial effects of movements in interest rates. It is the Society's policy not to recognise assets or liabilities in relation to interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

Notes to the Financial Statements

Year ended 30 June 2001

2. Operating Profit

(a) Interest Revenue and Interest Expense

Interest Revenue 2001

Deposits and investments
Loans and advances

	CONSOLIDATED		
	Average Balance \$	Interest \$	Average Interest Rate %
	74,479,889	4,419,130	5.93%
	530,905,482	42,225,407	7.95%
	\$605,385,371	\$46,644,537	7.70%
	403,879,455	18,592,364	4.60%
	153,160,818	9,889,488	6.46%
	\$557,040,273	\$28,481,852	5.11%
Net Interest Income 2001	\$48,345,098	\$18,162,685	2.59%
	57,921,217	3,033,702	5.35%
	460,372,765	32,802,242	7.13%
	\$518,293,982	\$35,835,944	6.92%
	346,243,644	13,439,600	3.88%
	129,685,488	7,668,649	5.91%
	\$475,929,132	\$21,108,249	4.43%
Net Interest Income 2000	\$42,364,850	\$14,727,695	2.49%

Interest Expense 2001

Members' deposits
Borrowings

Interest Revenue 2000

Deposits and investments
Loans and advances

Interest Expense 2000

Members' deposits
Borrowings

Net Interest Income 2000

(b) Cost of sales of goods

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
	\$5,101,036	\$356,135	-	-

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
3. Income Tax				
Operating profit before income tax	8,896,973	3,240,707	7,902,848	2,262,673
Prima facie income tax calculated at 34% (2000: 36%)	3,024,971	1,166,655	2,686,968	814,562
Tax effect of permanent differences:				
Non-deductible expenses	35,979	25,151	9,467	4,925
Non-deductible amortisation	15,516	18,579	-	-
Non-deductible depreciation	6,626	9,200	6,626	9,200
Non assessable capital gain	(1,112,680)	-	(1,112,680)	-
Dividends received - fully franked	-	(32,080)	-	(32,080)
Sundry items	31,306	152	2,377	-
Income tax adjusted for permanent differences	2,001,718	1,187,657	1,592,758	796,607
Tax effect of timing differences not recognised	(82,347)	50,816	-	-
(Over)/under provision in previous year	(99,248)	103,338	(20,407)	87,276
Restatement of deferred tax assets and liabilities due to tax changes effective 1 July 2000 and 1 July 2001	116,136	30,536	110,414	28,662
Income tax attributable to operating profit	\$1,936,259	\$1,372,347	\$1,682,765	\$912,545
4. Cash and Liquid Assets				
Cash on hand	3,815,706	5,452,773	3,814,276	5,451,173
Cash and deposits at call with banks	9,720,273	3,002,589	9,570,394	2,940,684
Cash and deposits at call with SSP	1,763,254	2,469,237	1,763,254	2,469,237
	\$15,299,233	\$10,924,599	\$15,147,924	\$10,861,094
5. Receivables Due from Other Financial Institutions				
Interest earning deposits - bank	200,000	200,000	200,000	200,000
Interest earning deposits - SSP	53,000,000	49,000,000	53,000,000	49,000,000
	\$53,200,000	\$49,200,000	\$53,200,000	\$49,200,000
Maturity Analysis				
Not longer than 3 months	23,100,000	23,100,000	23,100,000	23,100,000
Longer than 3 and not longer than 12 months	22,100,000	21,100,000	22,100,000	21,100,000
Longer than 1 and not longer than 5 years	8,000,000	5,000,000	8,000,000	5,000,000
	\$53,200,000	\$49,200,000	\$53,200,000	\$49,200,000

Notes to the Financial Statements

Year ended 30 June 2001

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2001 \$	2000 \$	2001 \$	2000 \$
6. Other Receivables					
Interest receivable		621,313	1,068,308	621,313	1,068,308
Debtors from sale of land & unit developments		2,450,646	791,970	-	-
Other		1,153,946	631,178	522,940	465,753
		\$4,225,905	\$2,491,456	\$1,144,253	\$1,534,061
7. Loans and Advances					
Revolving Credit		90,243,484	103,740,231	90,243,484	103,740,231
Term Loans		452,750,852	405,474,718	452,752,224	405,474,718
Related parties	7(a)	465,371	566,760	465,371	566,760
	7(b), 7(c)	543,459,707	509,781,709	543,461,079	509,781,709
Provision for impairment	7(d)	(1,924,042)	(1,174,087)	(1,924,042)	(1,174,087)
Net loans and advances		\$541,535,665	\$508,607,622	\$541,537,037	\$508,607,622
<p>During the financial year the Society sold mortgage loans via a securitisation program. The Society continues to manage these loans and derives management fee income. As at 30 June 2001, securitised loans under management amounted to \$83,410,866 (2000 - \$nil).</p>					
(a) Aggregate amounts receivable from related parties:					
Directors and director-related entities		465,371	566,760	465,371	566,760
Provision for impairment		-	-	-	-
		\$465,371	\$566,760	\$465,371	\$566,760
(b) Maturity Analysis					
Not longer than 3 months		41,414,982	18,073,796	41,416,354	18,073,796
Longer than 3 and not longer than 12 months		52,008,986	56,547,301	52,008,986	56,547,301
Longer than 1 and not longer than 5 years		141,959,323	143,832,554	141,959,323	143,832,554
Longer than 5 years		308,076,416	291,328,058	308,076,416	291,328,058
		\$543,459,707	\$509,781,709	\$543,461,079	\$509,781,709

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
7. Loans and Advances (cont'd)				
(c) Concentration of Risk				
The loan portfolio of the Society does not include any loan which represents 10% or more of capital.				
The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:				
- State government employees	229,305,675	245,269,349	229,305,675	245,269,349
- Other	314,154,032	264,512,360	314,155,404	264,512,360
	\$543,459,707	\$509,781,709	\$543,461,079	\$509,781,709
(d) Provision for impairment				
General provision				
Opening balance	552,748	481,107	552,748	481,107
Bad debts previously provided for written off during the year	(300,384)	(173,587)	(300,384)	(173,587)
Transfer from/(to) specific provision	854,852	245,228	854,852	245,228
Closing balance	1,107,216	552,748	1,107,216	552,748
Specific provision				
Opening balance	621,339	822,345	621,339	822,345
Bad debts previously provided for written off during the year	(251,195)	(435,778)	(251,195)	(435,778)
Bad and doubtful debts provided for during the year	1,339,009	494,991	1,339,009	494,991
Transfer (to)/from general provision	(854,852)	(245,228)	(854,852)	(245,228)
Other adjustments				
- Recoveries of debts previously written off	(37,475)	(14,991)	(37,475)	(14,991)
Closing balance	816,826	621,339	816,826	621,339
Total provision for impairment	\$1,924,042	\$1,174,087	\$1,924,042	\$1,174,087

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
7. Loans and Advances (cont'd)				
Charge to statements of financial performance for bad and doubtful debts comprises:				
Bad debts written off:				
General provision	300,384	173,587	300,384	173,587
Specific provision	251,195	435,778	251,195	435,778
Movements in provision:				
General	554,468	71,641	554,468	71,641
Specific	195,487	(201,006)	195,487	(201,006)
	\$1,301,534	\$480,000	\$1,301,534	\$480,000
The specific provision for impairment equates to the provision required under the prudential standards at 30 June 2001				
The general provision for impairment has been determined in accordance with Board policy set under the prudential standards at 30 June 2001.				
(e) Impairment of Loans and Advances				
<i>Non accrual loans</i>				
Balances with specific provisions for impairment	1,602,899	181,876	1,602,899	181,876
Specific provision for impairment	(357,865)	(142,857)	(357,865)	(142,857)
Net non accrual loans	\$1,245,034	\$39,019	\$1,245,034	\$39,019
Restructured Loans	\$67,604	-	\$67,604	-
Past Due Loans - 90 days	\$142,193	-	\$142,193	-

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001	2000	2001	2000
	\$	\$	\$	\$
8. Other Investments				
Investments in SSP	4,492,779	4,343,670	4,492,779	4,343,670
Controlled entities	-	-	473,407	473,407
Less provision for diminution	-	-	(162,900)	(162,900)
Goodwill on Consolidation	1,900	1,900	-	-
Investments in joint venture partnerships (Note 24)	2,486	493,076	-	-
Rent Rolls	389,400	389,400	-	-
Less provision for amortisation	(207,676)	(129,800)	-	-
Rights -loan portfolios	799,068	799,068	-	-
Less provision for amortisation	(745,317)	(727,401)	-	-
	\$4,732,640	\$5,169,913	\$4,803,286	\$4,654,177

Investment in controlled entities

All controlled entities are incorporated in Australia and are ultimately wholly owned by the Society. The controlled entities are as follows:

	Shares Held in Controlled Entities		Shares Held in Controlled Entities	
	Held by the Society	Held by Other Controlled Entities	Held by the Society	Held by Other Controlled Entities
	2001 \$	2001 \$	2000 \$	2000 \$
Members Holding Company Pty Ltd	400,002	-	400,002	-
Advance Settlements Coy Pty Ltd	1	19,999	1	19,999
Police Employees Travel Pty Ltd	2	40,000	2	40,000
Police & Nurses Nominees Pty Ltd	1	5,000	1	5,000
PCU Trading Pty Ltd	1	99,999	1	99,999
P&N Landreach Pty Ltd	1,900	-	1,900	-
Essential Service Homes Pty Ltd	10,000	-	10,000	-
National Home Loans Pty Ltd	61,500	-	61,500	-
	\$473,407	\$164,998	\$473,407	\$164,998

9. Inventories

2001

Land held for sale

2000

Land held for sale

	Land Acquisition Costs	Holding Costs	Development Costs	Total
	\$	\$	\$	\$
2001	\$7,600,030	\$235,811	\$1,324,340	\$9,160,181
2000	\$3,389,365	-	\$828,817	\$4,218,182

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
10. Property, Plant and Equipment				
Freehold land				
At cost	15,429	396,933	15,429	396,933
Buildings on freehold land				
At cost	61,715	850,621	61,715	850,621
Provision for depreciation	(24,308)	(374,753)	(24,308)	(374,753)
	37,407	475,868	37,407	475,868
Leasehold improvements				
At cost	1,717,639	1,711,842	1,717,639	1,711,842
Provision for amortisation	(602,893)	(371,255)	(602,893)	(371,255)
	1,114,746	1,340,587	1,114,746	1,340,587
Total land and buildings	1,167,582	2,213,388	1,167,582	2,213,388
Plant and equipment				
At cost	10,331,186	12,902,137	9,688,686	12,157,597
Provision for depreciation	(5,225,244)	(6,966,605)	(4,876,946)	(6,638,667)
	5,105,942	5,935,532	4,811,740	5,518,930
Total property, plant and equipment	\$6,273,524	\$8,148,920	\$5,979,322	\$7,732,318

(a) Valuations

Land and buildings recorded in these accounts at a written down value of \$52,836 have been valued by the directors at \$75,000 as at 30 June 2001 on the basis of their open market value. In determining this value, no allowance has been made for capital gains tax or discounting future cash flows.

(b) Disposal of land and buildings

Land and buildings located at 246 Adelaide Terrace, Perth were disposed of during the year for \$4.15 million resulting in a net profit of \$3.26 million. These premises have been leased back for approximately 6.5 years to 30 September 2007 on arm's length terms and conditions.

(c) Reconciliation of the carrying amounts of each class of property, plant and equipment

	Freehold Land	Buildings	Leasehold Improvements	Plant & Equipment	In Progress	Total
Consolidated	\$	\$	\$	\$	\$	\$
Carrying amount at 1 July 2000	396,933	475,868	1,340,587	5,753,397	182,135	8,148,920
Additions	-	-	24,466	1,234,601	274,022	1,533,089
Disposals	(381,504)	(419,551)	(4,796)	(142,627)	-	(948,478)
Depreciation expense	-	(18,910)	(245,511)	(2,195,586)	-	(2,460,007)
Carrying amount at 30 June 2001	\$15,429	\$37,407	\$1,114,746	\$4,649,785	\$456,157	\$6,273,524
Parent entity	\$	\$	\$	\$	\$	\$
Carrying amount at 1 July 2000	396,933	475,868	1,340,587	5,336,795	182,135	7,732,318
Additions	-	-	24,466	1,204,297	274,022	1,502,785
Disposals	(381,504)	(419,551)	(4,796)	(112,949)	-	(918,800)
Depreciation expense	-	(18,910)	(245,511)	(2,072,560)	-	(2,336,981)
Carrying amount at 30 June 2001	\$15,429	\$37,407	\$1,114,746	\$4,355,583	\$456,157	\$5,979,322

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
11. Other Assets				
Prepayments	778,264	604,537	720,909	567,955
Amounts receivable from controlled entities	-	-	9,656,811	5,400,245
Amounts receivable from joint venture partners	-	11,388	19,629	22,776
Future income tax benefit	996,084	713,780	949,659	678,185
Other	429,033	258,684	473,137	258,685
	\$2,203,381	\$1,588,389	\$11,820,145	\$6,927,846
12. Members' Deposits				
Call deposits	123,836,237	104,537,482	125,058,770	105,996,546
Term deposits	304,517,485	253,668,844	304,517,485	253,668,844
Withdrawal shares	531,040	475,800	531,040	475,800
	\$428,884,762	\$358,682,126	\$430,107,295	\$360,141,190
Maturity Analysis				
On call	177,629,436	111,444,735	178,851,969	112,903,798
Not longer than 3 months	142,665,740	166,555,216	142,665,740	166,555,216
Longer than 3 and not longer than 12 months	102,923,389	74,336,046	102,923,389	74,336,046
Longer than 1 and not longer than 5 years	5,666,197	6,346,129	5,666,197	6,346,130
	\$428,884,762	\$358,682,126	\$430,107,295	\$360,141,190
Concentration of Deposits				
State government employees	90,864,223	77,484,910	90,864,223	77,484,910
Other entities	338,020,539	281,197,216	339,243,072	282,656,280
	\$428,884,762	\$358,682,126	\$430,107,295	\$360,141,190
The Society's deposit portfolio does not include any deposit which represents 5% or more of total liabilities.				
13. Accounts Payable and Other Liabilities				
Trade creditors	166,095	147,311	-	-
Accrued interest payable	7,594,641	4,706,133	7,594,641	4,706,134
Amounts payable to controlled entities	-	-	2,262,008	1,838,815
Amounts payable to J.V. partners	62,758	-	-	-
Other creditors & deferred income	7,068,247	5,652,208	3,620,491	3,925,350
	\$14,891,741	\$10,505,652	\$13,477,140	\$10,470,299

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
14. Borrowings				
Secured				
- Overdrafts from SSP	819,355	845,031	819,355	845,031
- Bills of exchange - secured	130,000,015	165,000,013	130,000,015	165,000,013
	\$130,819,370	\$165,845,044	\$130,819,370	\$165,845,044
The securities for borrowings are described in Note 20				
Maturity Analysis				
Not longer than 3 months	80,819,370	90,845,044	80,819,370	90,845,044
Longer than 3 months and not longer than 12 months	50,000,000	75,000,000	50,000,000	75,000,000
	\$130,819,370	\$165,845,044	\$130,819,370	\$165,845,044
15. Provisions				
Taxation	116,474	496,360	-	172,095
Deferred income tax liability	158,478	108,490	154,968	107,438
Employee entitlements	1,076,929	989,348	879,109	807,050
	\$1,351,881	\$1,594,198	\$1,034,077	\$1,086,583
16. Reserves				
General				
- balance at beginning of year	50,000,000	50,000,000	50,000,000	50,000,000
- transfer from retained profits	5,000,000	-	5,000,000	-
	\$55,000,000	\$50,000,000	\$55,000,000	\$50,000,000
Nature and purpose of reserves				
The general reserve ensures that sufficient capital is retained by the Society to comply with the capital adequacy requirements set by the Australian Prudential Regulation Authority. The reserve is eligible to be included as Tier I capital and meets the minimum level of capital adequacy as required under Prudential Standards III and II0 for Authorised Deposit-Taking Institutions.				

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD		
	2001 \$	2000 \$	2001 \$	2000 \$	
17. Notes to the Statements of Cash Flows					
a) Reconciliation of the operating profit after tax to the net cash flows from operations					
Operating profit after income tax	6,960,714	1,868,360	6,220,083	1,350,128	
Increase in loan interest receivable	(69,995)	(119,589)	(68,638)	(119,589)	
(Increase)/decrease in investment income receivable	644,011	(590,202)	644,011	(590,202)	
Increase in fees and commission receivable	(13,283)	151,635	(91,154)	297,463	
(Decrease)/increase in member interest payable	3,214,171	953,890	3,214,171	953,890	
Increase in other interest payable	(250,056)	524,192	(250,056)	524,192	
Increase in accrued expenses and other creditors	(570,138)	2,063,868	(326,010)	1,345,711	
Depreciation	2,460,007	1,836,794	2,336,981	1,704,421	
Bad debts written off	551,579	609,365	551,579	609,365	
Bad debts recovered	(37,475)	(14,991)	(37,475)	(14,991)	
Provision for doubtful debts	749,955	(129,365)	749,955	(129,365)	
Amortisation - rights - loan portfolios	17,916	23,888	-	-	
Amortisation - rent roll	77,876	77,880	-	-	
Gain on disposal of fixed assets	(3,230,523)	94,871	(3,243,404)	82,274	
Increase/(decrease) in annual and long service leave provisions	87,582	132,001	72,059	188,362	
Decrease in provision for taxation	(380,957)	(193,214)	(217,558)	(209,731)	
Decrease/(increase) in future income tax benefit	(282,304)	39,050	(271,474)	38,075	
(Decrease)/increase in deferred income tax	49,987	(33,039)	47,530	(27,434)	
Net (increase)/decrease in sundry debtors and prepayments	(2,711,664)	83,062	(472,846)	353,045	
Net cash flow from operating activities	\$7,267,403	\$7,378,456	\$8,857,754	\$6,355,614	
b) Reconciliation of cash					
Cash balance comprises:					
- Cash	4	15,299,233	10,924,599	15,147,924	10,861,094
- Bank overdraft		(819,355)	(845,031)	(819,355)	(845,031)
Closing cash balance		\$14,479,878	\$10,079,568	\$14,328,569	\$10,016,063

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD		
	2001 \$	2000 \$	2001 \$	2000 \$	
18. Expenditure Commitments					
(a) Capital expenditure commitments Estimated capital expenditure contracted for at balance date but not provided for - payable not later than one year	\$343,390	\$1,644,751	\$343,390	\$1,642,101	
(b) Lease expenditure commitments Operating leases (non-cancellable)					
- not later than 1 year	1,068,166	559,480	1,013,062	506,794	
- later than 1 and not later than 2 years	1,058,057	605,552	1,020,854	552,866	
- later than 2 and not later than 5 years	2,086,179	1,459,528	2,076,750	1,420,167	
- more than 5 years	450,430	-	450,430	-	
- aggregate lease expenditure contracted for at balance date	\$4,662,832	\$2,624,560	\$4,561,096	\$2,479,827	
(c) Land development commitments Estimated land development commitments contracted for at balance date but not provided for - payable not later than one year	\$794,659	\$2,814,147	-	-	
19. Employee Entitlements and Superannuation Commitments					
Employee Entitlements					
The aggregate employee entitlement liability is comprised of:					
Provisions	15	\$1,076,929	\$989,348	\$879,109	\$807,050
Employee Numbers					
Number of employees at balance date		299	282	221	203

Superannuation Commitments

Superannuation plans in existence during the financial year were:

- Credit Union Industry Superannuation Scheme
- Norwich Life Superannuation Trust
- BT Lump Sum Super Fund

All superannuation plans provide accumulation benefits for their members. There is no obligation to meet any unfunded amounts, with minimum contributions set at a level to comply with the Superannuation Guarantee Charge.

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
20. Contingent Liabilities and Credit Commitments				
(a) Contingent liabilities Financial guarantees are issued by the Society to guarantee the payment by a subsidiary to a third party. Guarantees	-	-	\$363,000	\$363,000
(b) Credit related commitments Approved but undrawn loans and credit limits	\$71,156,680	\$55,994,642	\$71,156,680	\$55,994,642

The Society has entered into the following arrangements with:

i. Credit Union Services Corporation (Australia) Limited and VISA International Services Association to participate in the "VISA Card Programme".

ii. Credit Union Services Corporation (Australia) Limited to participate in the "Redinet Scheme".

iii. Credit Union Services Corporation (Australia) Limited to participate in the:

- Standby Credit Facility: \$20,000,000 (Unused as at 30 June 2001)
- Pre Approved Loan Facility (Uncommitted): \$4,000,000 (Unused as at 30 June 2001)
- Multi Option Credit Facility: \$6,000,000 (Unused as at 30 June 2001)
- Multi Option Wholesale Facility (Uncommitted): \$20,000,000 (Unused as at 30 June 2001)
- Derivatives Guarantee Facility: \$2,000,000 (Partly used as at 30 June 2001)
- Overdraft: \$2,000,000 (Partly used as at 30 June 2001)

Under the terms of the above agreements, the Society has executed an equitable mortgage of a fixed and floating charge over all its assets and undertakings except for those assets provided as security for the borrowing facilities set out below. The charge is to secure all monies owing by the Society to the above named organisations.

iv. Waratah Receivables Corporation Pty Limited to participate in a wholesale funding facility comprising an available facility of \$150,000,000 which is drawn to the extent of \$130,000,000 with the undrawn amount of \$20,000,000 being made available subject to the Society selling an equitable interest in mortgages.

v. Bank of Western Australia Limited - fully fluctuating overdraft facility: \$200,000. Security for this facility is by way of a Set Off Agreement over term deposits lodged with the bank to the value of \$200,000. This facility was fully drawn at 30 June 2001.

vi. Credit Union Financial Support System Limited - with effect from 1 July 1999, Police & Nurses Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all Credit Unions who are affiliated with Credit Unions Services Corporation (Australia) Limited (CUSCAL) have agreed to participate in. CUFSS is a company limited by guarantee, each Credit Union's guarantee being \$100. As a member of CUFSS, the Credit Union:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

(c) Income Tax - Repatriation of Credit Union Contingency Fund

Under Section 98 of the Financial Institutions (Western Australia) Code, the Society was required to contribute to the Credit Union Contingency Fund. The amount contributed was based on a formula determined by the State Supervisory Authority (SSA) and was shown as a non-current asset. On 1 July 1999 the Financial Institutions (Western Australia) Code was repealed and the whole amount of the Contingency Fund contribution was paid back to the Society under the Financial Sector Reform (Western Australia) Bill 1999.

On 19 May 2000, the Society, through CUSCAL, received advice that the Australian Taxation Office (ATO) was of the view that the repatriated amount of the Contingency Fund should be treated as assessable income under section 15-10 of the Income Tax Assessment Act.

In preparing the financial statements for 1998/1999, the directors, supported by independent advice, took the view that the repatriated amount of the Contingency Fund of \$1,548,555 was in the nature of a refund of the Society's own non-current asset, and therefore not subject to income nor capital gains tax. The directors are still of this view. No claim has been made for tax deductions from the contribution made to the Contingency Fund. If the ATO's position is correct then the Society would incur an estimated tax liability of \$557,480, plus possible additional penalties, which have not been brought to account in the 2000/2001, or prior year, financial statements.

Notes to the Financial Statements

Year ended 30 June 2001

Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2001 \$	2000 \$	2001 \$	2000 \$
21. Remuneration of Directors				
(a) Directors' remuneration				
The number of directors of Police & Nurses Credit Society Ltd whose income (including superannuation contributions) falls within the following bands is:				
	\$'000			
	10 - 20			
	\$158,751	\$158,196	\$158,751	\$158,196
	2001 No.	2000 No.	2001 No.	2000 No.
	9	9	9	9
	2001 \$	2000 \$	2001 \$	2000 \$
	\$72,691	\$77,729	\$50,341	\$48,144
22. Auditors' Remuneration				
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
- auditor of the parent entity - PricewaterhouseCoopers				
	\$72,405	\$43,591	\$72,405	\$41,491
Remuneration for other services:				
- auditor of the parent entity - PricewaterhouseCoopers				

23. Assets and Liabilities of the Approved Deposit Fund

Police & Nurses Nominees Pty Ltd acts as trustee for the Police & Nurses Approved Deposit Fund. The fund was wound up with effect from 31 May 2000. The assets and liabilities of the Police & Nurses Approved Deposit Fund as disclosed in the financial statements of the Fund as at 31 May 2000, are as follows:

Investments at net market value

Other assets

Total assets

Current liabilities

Total liabilities

Net assets available to pay benefits

Represented by:

Liability for accrued benefits

2001 \$	2000 \$
-	-
-	47,891
-	47,891
-	47,891
-	47,891
\$ -	\$ -
\$ -	\$ -

Notes to the Financial Statements

Year ended 30 June 2001

26. Economic Dependency

Normal trading activities are economically dependent on:

Credit Union Services Corporation (Australia) Limited ("CUSCAL")

This related party enables the Society to supply the following financial services:

- Automatic teller machines (ATMs)
- Visa Cards
- Redicards
- Member Chequing

CUSCAL also supplies and maintains the application software utilised by the Society.

27. Related Party Disclosures

The directors of Police & Nurses Credit Society Ltd at any time during the financial year were:

E J Billing
F J Compton
P M Gabb
W P Gardiner
M T Hinton
M A Kimber
E A Manley
W T Neville
A M Rial
E L Smith

As members of the Society, the directors and director-related entities have available to them all of the services under normal member terms and conditions. Total loans outstanding to directors and their spouses as at 30 June 2001 amounted to \$465,371 (2000: \$566,760). During the year loan advances amounted to \$433,616 (2000: \$748,994) and repayments amounted to \$581,940 (2000: \$414,766). Interest on loans to directors amounted to \$46,935 (2000: \$35,825). All directors had loans with the Society during the year.

The terms and conditions in respect of all loans to directors and their spouses have not been breached. All directors have also placed deposits with the Society during the year under normal member terms and conditions.

Each director holds one member share in the Society and in addition W T Neville holds one share in each of PCU Trading Pty Ltd, Members Holding Company Pty Ltd and Police Employees Travel Pty Ltd in trust for the Society.

The Society charges its controlled entities for occupancy and other costs.

The Society acts as banker for some of the subsidiaries in the wholly owned group, with cash transactions being undertaken on behalf of the subsidiaries and adjusted for through amounts payable/receivable to/from the Society. All inter company balances are non interest bearing. Some subsidiaries maintain separate deposit account with the Society under normal commercial terms.

Loans advanced to:

Associates

2001	2000
\$	\$
\$1,372	\$1,316,948

28. Segment Information

The consolidated entity operates predominantly in the finance industry within Australia. The operations comprise the acceptance of deposits and the provision of loans. Specific segmentation of loans and deposits are set out in Notes 7 & 12.

Notes to the Financial Statements

Year ended 30 June 2001

29. Financial Instruments

29(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Loans and Advances	7	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Short-term deposits	5	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.	Short-term deposits have a maturity of less than 180 days and effective interest rates of 4.71% to 5.25%.
Other receivables	6	Other receivables are carried at the lower of cost or recoverable amount.	Receivables are short term in nature and dependent on the terms & conditions of the related contract, where one exists.
Investments in unlisted shares (SSP)	8	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are declared by the investee.	
(ii) Financial Liabilities			
Bank overdrafts	14	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's benchmark rate. Details of the security over the bank overdrafts are set out in note 20.
Due to other financial institutions	14	The borrowings are carried at the principal amount. Interest is charged as an expense as it accrues.	Amounts due to other financial institutions are interest bearing with interest charged at the financial institution's floating rate.
Trade creditors and accruals	13	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.
Deposits	12	Deposits are recorded at the principal amount.	Details of maturity terms are set out in note 12. Interest is calculated on the daily balance outstanding.
Bills of exchange	14	Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.	Bills of exchange have a maturity of less than 180 days with effective interest rates of 5.24% to 6.13%.
(iii) Unrecognised Financial Instruments			
Interest Rate Swaps		The Society enters into interest rate swap agreements that are used to convert its fixed rate loans and advances to variable interest rates. It is the Society's policy not to recognise assets or liabilities in relation to interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.	At balance date, the Society has interest rate swap agreements with a notional amount of \$68.1 million, on which it pays 4.67% to 7.26% interest and receives Bank Bill Swap rate calculated on the notional amount. The swaps are used to protect the Society from exposure to increasing interest rates. The swaps in place cover a proportion of the fixed rate loans and advances at balance date. The swaps expire between December 2001 and February 2006.

Notes to the Financial Statements

Year ended 30 June 2001

29. Financial Instruments (cont'd)

29(b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
			1 year or less		Over 1 year to 5 years							
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 %	2000 %
(i) Financial Assets												
Cash and liquid assets	11,483	5,472	-	-	-	-	3,816	5,453	15,299	10,925	N/A	N/A
Due from other financial institutions	-	-	45,200	44,200	8,000	5,000	-	-	53,200	49,200	5.07	6.24
Unlisted shares - investment in SSP	-	-	-	-	-	-	4,493	4,344	4,493	4,344	N/A	N/A
Loans and advances	430,036	402,220	93,377	94,553	20,047	13,009	-	-	543,460	509,782	7.40	7.80
Loans approved but undrawn	71,157	55,995	-	-	-	-	-	-	***	***	N/A	N/A
Other receivables	-	-	-	-	-	-	4,226	2,491	4,226	2,491	N/A	N/A
Interest rate swaps	68,115	13,226	(52,898)	-	(15,217)	(13,226)	-	-	***	***	****	****
Total financial assets	580,791	476,913	85,679	138,753	12,830	4,783	12,535	12,288	620,678	576,742	-	-
(ii) Financial Liabilities												
Bank overdrafts	819	845	-	-	-	-	-	-	819	845	N/A	N/A
Deposits	177,630	111,445	245,589	240,891	5,666	6,346	-	-	428,885	358,682	4.31	4.60
Bills of exchange	-	-	130,000	165,000	-	-	-	-	130,000	165,000	5.64	6.72
Trade creditors and accruals	-	-	-	-	-	-	14,892	10,506	14,892	10,506	N/A	N/A
Total financial liabilities	178,449	112,290	375,589	405,891	5,666	6,346	14,892	10,506	574,596	535,033	-	-

N/A Not applicable for non interest bearing financial instruments.

*** Not applicable since financial instruments are not recognised in the financial statements.

**** The disclosure of effective interest rates is not applicable to derivative financial instruments.

Notes to the Financial Statements

Year ended 30 June 2001

29. Financial Instruments (cont'd)

29(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Financial assets				
Cash and Liquid Assets	15,299	10,925	15,299	10,925
Due from other financial institutions	53,200	49,200	53,200	49,200
Unlisted shares	4,493	4,344	4,493	4,344
Loans and Advances	543,460	509,782	543,234	509,376
Other receivables	4,226	2,491	4,226	2,491
Total financial assets	\$620,678	\$576,742	\$620,452	\$576,336
Financial liabilities				
Bank overdrafts	819	845	819	845
Deposits	428,885	358,682	428,891	358,680
Bills of exchange	130,000	165,000	130,000	165,000
Trade creditors and accruals	14,892	10,506	14,892	10,506
Interest rate swaps	**	**	(66)	(133)
Total financial liabilities	\$574,596	\$535,033	\$574,536	\$534,898

** Not applicable since financial instruments are not recognised in the financial statements.

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

Recognised financial instruments

Cash and liquid assets and due from other financial institutions: The carrying amount approximates fair value because of their short-term to maturity or are receivable on demand.

Trade payables and due to other financial institutions: The carrying amount approximates fair value as they are short term in nature.

Short-term borrowing and deposits: The carrying amount approximates fair value because of their short-term to maturity.

Loan and advances and deposits: The fair values of loans receivable excluding impaired loans, are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Long-term deposits: The fair values of long-term deposits are estimated using discounted cash flow analysis, based on current incremental deposit rates for similar types of deposit arrangements.

Unrecognised financial instruments

Interest rate swap agreements: The fair values of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

Notes to the Financial Statements

Year ended 30 June 2001

29. Financial Instruments (cont'd)

29(d) Credit risk exposures

The consolidated entity's maximum exposures* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The consolidated entity's maximum credit risk exposure in relation to interest rate forward start swap contracts - which is limited to the net fair value of the swap agreement at balance date, being \$66,388 (2000: \$132,699).

Concentrations of credit risk

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified category. However, the majority of customers are state government employees. Concentrations of credit risk on loans receivable arise in the following categories:

Industry	Maximum credit risk exposure(*) for each concentration			
	Consolidated		\$'000	
	Percentage Total loans receivable (%)			
	2001	2000	2001	2000
State government employees	42.2%	48.1%	229,306	245,269
Other non-concentrated	57.8%	51.9%	314,154	264,513
	100.0%	100.0%	\$543,460	\$509,782

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all customers; and
- credit insurance is obtained for high risk customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

29(e) Hedging instruments

As disclosed above, Police & Nurses Credit Society Ltd has entered into forward start interest rate swaps during the financial year for the specific hedging of 1, 3 and 5 year fixed interest rate loans. These derivative contracts swap a 1, 3 and 5 year fixed rate receivable into a 90 or 180 day BBSW floating rate receivable.

30. Events Occurring After Reporting Date

On 2 August 2001, approval was given at a general meeting of members to accept the transfer of business of Energy Credit Union Ltd under the Financial Sector (Transfers of Business) Act 1999 Transfer Rules No. 1. Energy Credit Union Ltd had total assets of \$125.9 million and net assets of \$10.9 million as at 30 June 2001.

The financial effect of the above transaction has not been brought to account at 30 June 2001. The operating results and assets and liabilities of Energy Credit Union Ltd will be included from 1 October 2001.

Directors Declaration

Year ended 30 June 2001

The directors declare that the financial statements and notes set out on pages 8 to 31:

- (a) comply with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Society and Group's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due;

as far as they concern the members of the Society.

This declaration is made in accordance with a resolution of the Board of Directors.

E L SMITH
Director

E J BILLING
Director

Date 24 September 2001

PERTH WA

Independent Audit Report

Independent Auditor's Report To the Members of Police & Nurses Credit Society Limited

Scope

We have audited the financial report of Police & Nurses Credit Society Limited (the Society) for the financial year ended 30 June 2001 as set out on pages 8 to 32. The Society's directors are responsible for the financial report which includes the financial statements of the Society and the consolidated financial statements of the consolidated entity comprising the Society and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Society.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia, so as to present a view which is consistent with our understanding of the Society's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of the Society is in accordance with:

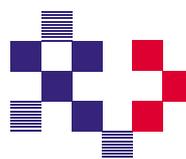
- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Society's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

PricewaterhouseCoopers
Chartered Accountants

John O'Connor
Partner

Date 27 September 2001

PERTH WA



POLICE & NURSES
CREDIT SOCIETY

Location Guide

Moneyboxes

CANNINGTON
Shop 1003, Westfield Carousel
Shopping Centre
1382 Albany Highway
Telephone: 13 25 77

CURRAMBINE
Shop 1, Currambine Marketplace
Shopping Centre
Cnr Marmion & Shenton Avenues
Telephone: 13 25 77

MADDINGTON
Shop 33, Maddington
Shopping Centre
Attfield Street
Telephone: 13 25 77

MANDURAH
Shop 54A, Mandurah Forum
Shopping Centre
Mandurah Bypass Road
Telephone: 13 25 77

MIDLAND
Shop 25, Midland Centrepoint
Shopping Centre
Great Eastern Highway
Telephone: 13 25 77

MIRRABOOKA
Shop 91A, Mirrabooka Square
Shopping Centre
43 Yirrigan Drive
Telephone: 13 25 77

ROCKINGHAM
Shop 48, Rockingham City
Shopping Centre
Read Street
Telephone: 13 25 77

WARWICK
Shop 49, Warwick Grove
Shopping Centre
Cnr Beach & Erindale Roads
Telephone: 13 25 77

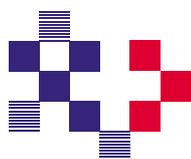
Branches

PERTH
246 Adelaide Terrace
Perth WA 6000
PO Box 6132, East Perth WA 6892
Telephone: 13 25 77

BULLCREEK
Shops 1 & 2,
Parry Place, Parry Avenue
Telephone: 13 25 77

FREMANTLE
Shop 18, 35 William Street
Telephone: 13 25 77

MORLEY
2A Progress Street
Telephone: 13 25 77



POLICE & NURSES
CREDIT SOCIETY