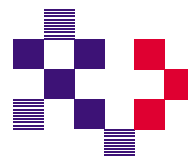




Annual Report 2003



POLICE & NURSES
CREDIT SOCIETY

You're worth more than your money.

Directory

Directors

E L Smith (Chairman)
E J Billing (Deputy Chairman)
F J Compton
P M Gabb
M T Hinton
C A Hynes
E A Manley
S J Melville
A M Rial

Registered Office

Police & Nurses Credit Society Ltd
ABN 69 087 651 876

246 Adelaide Terrace
Perth WA 6000
Telephone 13 25 77

External Auditors

PricewaterhouseCoopers

CEO & Company

Secretary

A E (Fred) Huis

Internal Auditors

KPMG

Five year Financial Highlights

Police & Nurses Credit Society Ltd

	1998/99	1999/00	2000/01	2001/02	2002/03	% Growth
Total Membership	44,430	49,858	54,931	70,844	73,776	4.14%
Members Deposits	\$320,549,617	\$358,682,126	\$428,884,762	\$605,001,588	\$712,022,878	17.69%
Loans Advanced to Members	\$250,316,891	\$328,917,843	\$397,091,379	\$529,122,741	\$611,967,933	15.66%
Total assets under management	\$838,880,158	\$1,000,336,293	\$1,108,772,943	\$1,365,848,814	\$1,470,271,040	7.65%
Net profit after tax	\$4,454,977	\$1,868,360	\$6,960,714	\$15,991,233	\$10,006,632	-37.41%
Reserves	\$51,853,700	\$53,722,061	\$60,682,775	\$76,464,767	\$86,991,399	13.77%

Contents

Chairman's Report	1
CEO's Review	2
Report of the Directors	5
Statements of Financial Performance	9
Statements of Financial Position	10
Statements of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	42
Independent Audit Report	43

Chairman's Report



Chairman, E L Smith

I am proud to present the 2003 Annual Report for Police & Nurses Credit Society.

We have experienced another exciting year at Police & Nurses and faced many challenges from an exceedingly demanding and competitive operating environment. Globally, businesses have endured a faltering world economy that is still recovering from past events. However, Australia's economy has remained resilient despite the added pressure of a devastating drought. One of Australia's major economic drivers has been the housing boom, which has been aided by the Reserve Banks' cautious approach to interest rates, based on their assessment of the uncertain world economy. Accordingly, our Society has recorded encouraging home-lending figures for the past financial year with members benefiting from historically low interest rates.

Though interest rates remained stable during the year, we had to contend with a number of shifts in our regulatory environment. The focus was primarily on risk management and the adequate disclosure and provision of financial services and advice. In particular, the Australian Prudential Regulatory Authority (APRA) has introduced national standards to ensure the prudent management of risk and credit standards.

The Financial Services Reform Act (FSRA) has also presented a number of challenges for financial institutions. Our Society is well prepared to comply with the FSRA and gain our licence, following an intensive process of review, consultation, staff education, and compliance measures. Further regulatory considerations like the Basel II Accord also loom on the horizon, with all the implications for the industry yet to be determined.

The volume of new regulations and standards is not surprising given the current financial climate. Strong housing results aside, a changing society and a volatile environment were evident during the financial year in many ways, including the ever increasing level of consumer debt. In fact, Australian household debt now exceeds total annual income, a worrying statistic that places our economy alongside that of the United States and United Kingdom in this regard.

With so many forces at work in our environment it is little wonder that some consumers experience difficulty in comprehending aspects of financial services. This can contribute to problems such as unmanageable debt. Stringent reporting and disclosure requirements can help to educate consumers and alleviate confusion in the long term. However, individual financial institutions have a responsibility to their customers to provide sound financial advice on all levels. Our Society continues to be genuinely focussed on helping our members through an informative approach to the provision of banking services, and through the provision of sound financial advice.

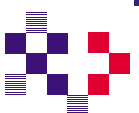
Whilst we must manage our external environment, we also seek to constantly improve internal efficiencies and stability. Internal process reviews to streamline operations and deliver real efficiencies have realised large cost savings for the Society and as such, we have delivered on our promise to reduce transaction fees, that became effective on 1 July. In addition, our Board and the staff have adopted a new set of values that support and align with our strategic purpose of helping people achieve financial freedom. A sound working environment where we are all focussed on the same goals will ensure that our members always receive the highest possible value and standard of service.

The past year has seen a number of significant achievements; these would not have been possible without the dedication of the Society's Chief Executive Officer, Mr Fred Huis, who has celebrated his 20th year with the Society. My fellow directors and I would like to express our sincere appreciation for his contribution. It is testament to the commitment and enthusiasm of Mr Huis, his management team and every employee that the Society continues to be so successful.

I also express my gratitude to my fellow directors for the confidence, assistance and loyalty they have displayed, both to the Society and myself. They have willingly given up their time and been strategic, responsible and accountable in dealing with a range of issues. I am thankful for their support and loyalty, which is important to me in my role as Chairman and to the Society as a whole.

The coming financial year will continue to provide great challenges for the entire financial sector. However, I am certain that Police & Nurses Credit Society will meet these challenges head-on and re-affirm our position as Western Australia's leading credit union.

E.L. Smith
Chairman



CEO's Review



CEO, A E (Fred) Huis

Once again this has been a year of substantial growth in which we have expanded member services, improved productivity and boosted profitability. Overall our success can be attributed to an increase in new memberships with people switching from other financial institutions, the volume of loans arranged, a full year's impact of the Energy Credit merger, cost control measures including a general review of business processes, and the property services division.

With a membership well in excess of 73,000, we are establishing ourselves as an important financial advocate for both our members and the broader community. Through our growth we are also becoming known as a major WA financial institution that is progressive and at the same time prudently managed. Our extensive membership base, combined with the fact that we have more than \$1.47 billion of funds under management, confirms this solid position in the financial marketplace.

Operating in a volatile environment, our balanced approach to spreading risk has served us well in protecting us from cyclical downturns in any one sector. This approach supports our over-arching objective of providing good products and services to our members, and delivering financial stability and success into the future.

An important component of financial stability is effective risk management. Recent national legislation has focused heavily on risk management and we have committed extensive resources to ensuring that an appropriate risk management framework is in place to mitigate potential risks to the Society.

We are also currently reviewing the effects the Basel II Accord will have on the Society's operations and developing strategies to optimise any benefits and minimise adversities this Accord may present.

Review of the Year

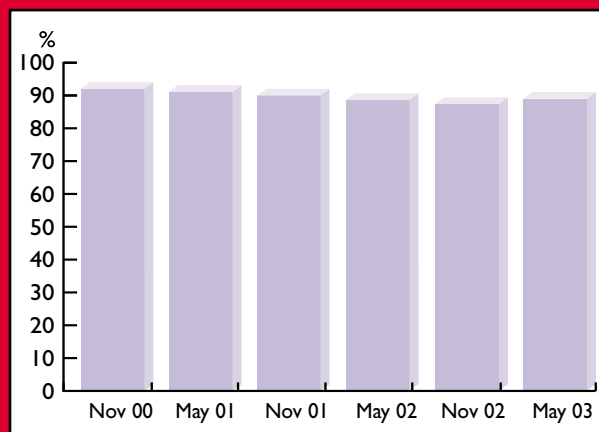
Let us now review the year as it was - our financial results, our achievements - and take a look at some of our future plans.

Our Members

Our membership base continued to grow during 2002/2003 with member numbers now well in excess of 73,000. Given the housing boom and a competitive interest rate environment many members benefited from low interest rates and our loans advanced to members during the year increased by 16% to \$612 million.

The increasing dissatisfaction with traditional financial institutions still remains the primary reason for customers choosing a banking alternative such as ours. Our personal and customer-focused approach sets us apart from other financial institutions and helps us to achieve consistently high satisfaction amongst our members.

Member Satisfaction



Our promise to deliver significant savings to members is one that we continue to keep and is evident in the reductions we have made to savings account transaction fees during this financial year. These reductions are contrary to the practise of most traditional banks who continue to increase fees and charges. The efforts of members working together to reduce costs for the Society, has enabled us to pass on these fee benefits to all members.

GEO's Review

We will continue to help our members achieve their financial goals through the provision of convenient, personalised service and delivery of relevant solutions to meet members' needs.

Our Staff

The past financial year has been a time of great achievement and development by our staff. During the year we have increased our internal efficiencies by instigating improvements to many processes within the Society. To date more than \$1.25 million in cost reductions have been realised through the revision and streamlining of internal procedures.

An important focus has been the implementation of the Financial Services Reform Act. Our Society has worked hard towards implementing the guidelines of this Act and is due to apply for our licence in the coming months. The legislation requires staff to be accredited before giving financial advice therefore extensive training has been undertaken to ensure we meet the required levels. Members can feel secure that the Society has the knowledge and capability to provide financial solutions and assist them with making financial decisions.

It is pleasing to note that our efforts to create a productive and inviting workplace have been recognised through several national award programs. Most notable was our recognition as one of the 'Best Employers to Work for in Australia', a prestigious award in which we were the first-ever finalist from WA. This recognition is testament to the dedication of our staff and management. We were also finalists in the Service Excellence Awards, conducted by the Customer Service Council, and the Australian Human Resource Institute (AHRI) Awards for Excellence in People Management.

Expansion of Services

The Society continued to provide highly relevant and competitive products and services to our members, with an emphasis on new products and improved access for members.

We have expanded our branch network and recently opened a Moneybox in Booragoon. This trend is set to continue with several new branch locations due to open in the coming year. Two new banking products were added to those we already offer: the Easypay personal loan - which provides interest rate discounts to members who make repayments by electronic payroll deductions; and the Achiever Account, a high

interest savings account. Both of these products help members make the most of their finances, whether through borrowing or saving.

2002 also saw the introduction of Police & Nurses Financial Planning, following the establishment of a formal business alliance with IGP Financial Services Pty Ltd. Financial planning will become a cornerstone of our business going forward and help us accomplish our Strategic Purpose of "helping people achieve financial freedom". Naturally this will see us further expand our wealth management services to include advice in key areas like wills and taxation.

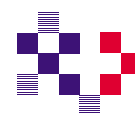
Another exciting development has been Jacaranda Gardens, Police & Nurses' Retirement Village development in Canning Vale. Commitments from prospective residents in Stage 1 have exceeded all expectations. Police & Nurses also has an interest in land developments in Canning Vale, Joondalup and Eagle Bay. These interests will assist in consolidating the success of our Property Development strategy in the year ahead.

Our recent emphasis on the development of e-commerce solutions for members has ensured that we are at the forefront of technology in our industry. Following the redevelopment of our website and the addition of a number of new features we can offer members more convenient online access and information to assist with financial decisions and planning.

We also announced a West Australian "first" in the form of Txtlink, our SMS service which allows members to conveniently receive account information via short messaging service technology.

Our Community

The Society is proud to support community initiatives and organisations that are related to our core membership base. We continue to support The Cancer Foundation and the Relay for Life campaign, Crime Stoppers, Bluey Day, WA Police Officer of the Year Award, State School Teachers' Union of WA, and the Australian Nursing Federation, and we offer four Scholarships to Year 11 and 12 students.



CEO's Review

Financial Performance

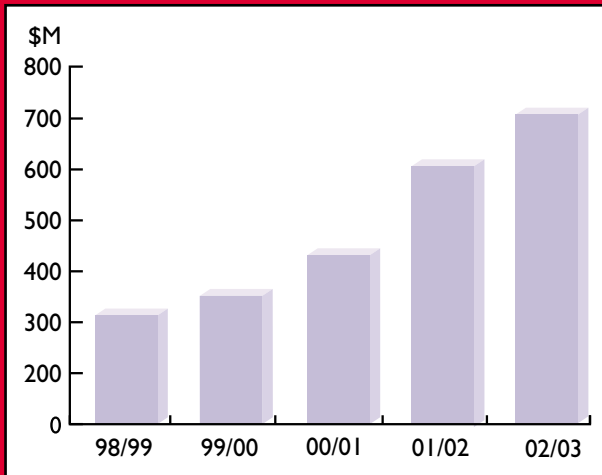
Police & Nurses Credit Society continues to reinforce its strong financial position with the 2002/2003 total assets increasing from \$732 million to \$836 million - a 14% increase from the previous year.

The Society's profitability continues to show impressive results with a before-tax-profit of \$14.4 million. Excluding a once-off \$9.5 million gain from the merger with Energy Credit in 2001/2002, this represents an increase of 56% year on year.

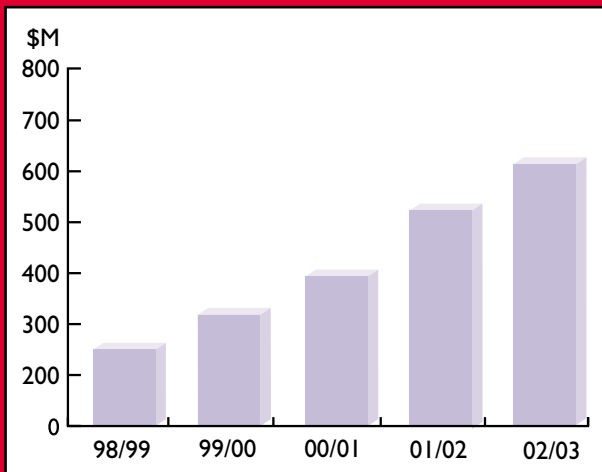
Loans advanced to members also have risen and we have experienced a 16% rise from last year's results to reach \$612 million.

Additionally, with a 4% increase in membership, we have seen growth in members' deposits from \$605 million to \$712 million.

Members Deposits



Loans Advanced to Members



Our Future

While we continue to expand our services and overcome a number of challenges, we have retained our focus on personalised service and our commitment to helping members achieve financial freedom.

In the coming year we will be focussed on improved access and convenience for members and will seek further expansion, as we look to consolidate the successful membership growth and financial results of the past year.

As has been the trend in our industry recently, mergers and acquisitions remain prevalent and we will continue to review opportunities that may benefit our Society. Value for members is essential in a merger situation and as such we will always look closely at a merger partner's organisational culture and operating ethics to ensure compatibility.

This year we successfully launched Nurses First in Victoria and, with early results indicating a wealth of potential, we will look to adopt similar expansion strategies into other interstate markets in the future.

The coming year also will see our retail distribution strategy come under review, with a view to expanding our branch and ATM networks. This review will follow extensive research to ensure new developments are of the greatest benefit to members. We will continue to develop and implement online services that complement existing services and provide true benefits for members.

Acknowledgements

The Society's success and excellent performance during the last financial year is testament to the dedication and commitment of my management team and staff. With their support, and the guidance and confidence afforded by the Board of Directors, we have achieved much.

The excellent performance of the Society in the 2002/2003 period sees us retaining our enviable position as the pre-eminent credit union in Western Australia. My sincere thanks to all who have contributed to this success.

AE (Fred) Huis
Chief Executive

Report of the Directors

Your Directors present their report on the financial statements of Police & Nurses Credit Society Ltd (“the Society”) and Police & Nurses Credit Society Ltd and its controlled entities (“the Group”) for the year ended 30 June 2003.

Corporate Governance

The Board of Directors (“the Board”) is responsible for the Corporate Governance of the Group. To ensure the Board can fulfil its responsibilities, it has established guidelines for the operations of the Board and a framework for ensuring internal control and business risk management processes are adequate and ethical standards are appropriate. Unless otherwise stated, all these practices were in place for the entire financial year.

Operations of the Board of Directors

Corporate Governance responsibilities of the Board include: -

- Contributing to, evaluating, approving and monitoring strategic direction and business objectives as developed by management.
- Monitoring the Group’s progress against agreed performance measures linked to business objectives and strategies, and comparing these with those of peers in the marketplace.
- Contributing to and enhancing the reputation and image of the Group to members/shareholders, the marketplace and the community at large.
- Ensuring required frameworks are in place including risk and capital management policies, internal controls, compliance and public reporting.
- Accepting accountability to members/shareholders and responsibility to other stakeholders in the Group.

Directors

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

Eric Laurence SMITH FAICD (Chairman)



Police Senior Sergeant, Adv Diploma of Business Management, Diploma of Criminal Investigations
9 years service as a Credit Society Director;
27 years service as a Police Officer

Paul Marshall GABB B.Com(Accounting) CPA GAICD



Financial Analyst, Australian Federal Police
5 years service as a Credit Society Director;
17 years service in Law Enforcement

Edward John BILLING APM FAIM MAICD (Deputy Chairman)



Retired Assistant Commissioner of Police (retired 1993), Grad. Australian Police College - Senior Officers’ Course & Senior Executive Police Officers’ Course; 10 years service as a Credit Society Director; 43 years service as a Police Officer

Maureen Teresa HINTON RN B App Sc(Nursing) Grad Dip HSc MPH

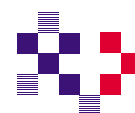


Regional Professional Learning & Development Manager for Mayne - WA Hospitals
16 years service as a Credit Society Director; 38 years service in the nursing/health profession

Frederick James COMPTON FAICD



Retired Police Superintendent; Grad. Australian Police College - Senior Officers’ Course & Senior Executive Police Officers’ Course; 24 years service as a Credit Society Director; 38 years service as a Police Officer



Report of the Directors

Craig Anthony HYNES *B.Com Diploma Fire Eng. Mgmt*
Director Fire Services Country for the Fire and



Emergency Services Authority
Grad. Certificate of Applied Management;
6 years service as a Credit Society Director

Stephen John MELVILLE *B.Bus(Accounting) FCPA*



Manager Customer Services, Alinta Limited
9 years service as a Credit Society Director;
20 years service in accounting, customer
services and marketing

Elizabeth Anne MANLEY *RN RM B App*
Sc(Nursing) MBA FRCNA FAICD



CEO & Director of Nursing; 3 years service
as a Credit Society Director; 32 years
service in the nursing/health profession

Ann Maree RIAL *RN RM ICNC GC FAICD*



Clinical Nurse Manager; 16 years service as a
Credit Society Director; 30 years service in
the nursing/health profession

Each director holds one member share in
the Society

Composition and Meetings of the Board

The Board's composition, its meetings and conduct are determined in accordance with the Society's Constitution, and the following -

- The Board is comprised of 9 non-executive members with an appropriate range of expertise, skills and qualifications.
- Each Board member maintains their own skills relevant to the business of the Society.
- The Board has a process for the evaluation of its own and the individual Board member's performance.

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the year ended 30 June 2003 and the number of meetings attended by each director.

Director	Directors' Meetings		Audit Committee Meetings		Corporate Governance Committee Meetings	
	A	B	A	B	A	B
E L Smith	13	11	4	3	*	*
E J Billing	13	13	2	2	*	*
F J Compton	13	11	*	*	2	1
P M Gabb	13	11	4	4	*	*
M T Hinton	13	13	*	*	2	2
C A Hynes	13	10	*	*	2	2
E A Manley	13	13	4	4	*	*
S J Melville	13	12	4	3	*	*
A M Rial	13	13	2	2	2	2

A - Number of meetings held during the time the director held office or was a member of the committee during the year

B - Number of meetings attended

* - Not a member of the relevant committee

Report of the Directors

Director Induction Program

The Directors have established a comprehensive induction program for newly elected or appointed Directors. The program assists new Directors to gain an understanding of the Group's operations and the financial environment.

Directors' Remuneration

The Board member is remunerated as per the Constitution Division 17. The total remuneration for the Board is determined each year by the shareholders at the Annual General Meeting and divided amongst the Directors in such a manner as the Board determines.

Audit Committee

The Board has established an Audit Committee to assist in the execution of its responsibilities. The Committee comprises five Board members and the Chief Executive Officer. This Committee has written Terms of Reference, which outline its role and responsibilities to enable it to assist the Board in relation to:

- the establishment and maintenance of an internal control framework;
- the establishment and maintenance of a risk management framework; and
- the reliability of financial information for inclusion in financial statements.

The Committee reports to the full Board after each Committee meeting.

Corporate Governance Committee

The Board has established a Corporate Governance Committee to assist in the execution of its corporate governance responsibilities. The Committee comprises four Board members. This is a recently formed Committee which reports to the full Board after each Committee meeting.

Ethical Standards

Board members are expected to act in accordance with any Board approved Code of Conduct.

The Board member who has a material pecuniary or non-pecuniary interest in any matter before the Board will neither be present at the Board meeting while the matter is considered nor vote on the matter.

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

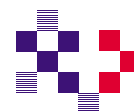
During the financial year, total assets of the Group increased by \$104.1 million to \$836.5 million, members' deposits increased by \$107.0 million to \$712.0 million and loans and advances increased by \$86.7 million to \$722.9 million.

The net profit of the Group and the Society for the financial year after income tax and before outside equity interest was \$10.0 million (2002: \$16.0 million) and \$11.9 million (2002: \$15.0 million) 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.



Report of the Directors

Bad and Doubtful Debts

Before the financial statements 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 impairment and have caused all known bad debts to be written off and adequate provision to be made for impairment.

Assets

Before the financial statements 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 financial statements 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

No 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.

Environmental Regulation

The Group 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 J BILLING
Director

S J MELVILLE
Director

25 August 2003
PERTH WA



Statements of Financial Performance

Year ended 30 June 2003

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
INTEREST REVENUE	2(a)	52,844	48,301	53,643	48,977
INTEREST EXPENSE	2(a)	24,937	24,180	24,925	24,154
NET INTEREST REVENUE		27,907	24,121	28,718	24,823
Loan fee income		10,469	7,367	8,773	5,219
Other fee income		10,475	9,867	10,293	9,786
Insurance commissions		1,022	987	987	892
Other commissions		1,563	2,260	1,326	1,128
Share of net profit of joint venture partnerships	23	-	4	-	-
Share of net profit of associates	22	383	-	-	-
Bad debts recovered		107	86	107	86
Proceeds on sale of plant and equipment		314	371	301	264
Proceeds on disposal of land and buildings		-	64	-	64
Revenue from sale of land & unit development		5,188	7,171	-	-
Dividend income		-	-	2,400	-
Gain on merger	9(c)	-	9,501	-	9,378
Other income		316	1,121	329	585
NON-INTEREST REVENUES		29,837	38,799	24,516	27,402
TOTAL REVENUE FROM ORDINARY ACTIVITIES		57,744	62,920	53,234	52,225
BAD AND DOUBTFUL DEBTS	7(d)	3,124	2,204	3,124	2,204
OTHER EXPENSES FROM ORDINARY ACTIVITIES					
Amortisation		14	108	-	-
Auditor's remuneration	21	252	196	228	178
Borrowing costs		359	296	359	296
Depreciation		2,375	2,574	2,350	2,473
Fees and commissions		6,177	5,276	6,027	5,185
Land & unit development costs	2(b)	3,746	5,738	-	-
Personnel costs		13,335	14,130	12,313	11,833
Other general and admin costs		10,274	10,175	9,655	9,395
Book value of disposed property, plant & equipment		277	446	265	272
Provision for employee entitlements		408	398	381	350
Rental - operating leases		1,716	1,577	1,718	1,541
Superannuation contributions		1,242	1,044	1,166	953
TOTAL EXPENDITURE		43,299	44,162	37,586	34,680
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		14,445	18,758	15,648	17,545
INCOME TAX EXPENSE	3	4,438	2,767	3,780	2,582
NET PROFIT		10,007	15,991	11,868	14,963
NET (PROFIT) / LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST	24	2	(10)	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS		10,009	15,981	11,868	14,963

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



Statements of Financial Position

As at 30 June 2003

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
ASSETS					
Cash and liquid assets	4	6,088	11,432	6,035	11,431
Receivables due from other financial institutions	5	76,500	60,400	76,500	60,400
Other receivables	6	2,445	1,731	1,391	1,080
Loans and advances	7	722,909	636,213	722,909	636,213
Inventories	8	8,961	9,210	-	-
Other investments	9(a)	8,228	5,724	6,471	6,173
Property, plant and equipment	10	8,121	4,929	5,652	4,805
Other	11	3,272	2,796	14,506	11,947
TOTAL ASSETS		836,524	732,435	833,464	732,049
LIABILITIES					
Members' deposits	12	712,023	605,002	712,093	605,178
Accounts payable and other liabilities	13	18,626	17,913	19,873	20,879
Borrowings	14	14,080	29,524	12,166	29,524
Provisions	15	4,804	3,531	4,307	3,311
TOTAL LIABILITIES		749,533	655,970	748,439	658,892
NET ASSETS		86,991	76,465	85,025	73,157
MEMBERS' FUNDS					
Reserves	16	75,276	65,189	75,276	65,189
Retained profits	16(c)	11,283	11,361	9,749	7,968
Outside equity interest in controlled entities	24	432	(85)	-	-
TOTAL MEMBERS' FUNDS		86,991	76,465	85,025	73,157

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

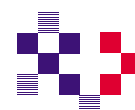


Statements of Cash Flows

Year ended 30 June 2003

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received from loans		46,688	46,701	46,688	46,701
Interest received from investments		3,477	2,713	4,275	3,393
Commissions and other income received		28,086	32,973	21,334	16,764
Borrowing costs - members		(22,798)	(24,023)	(22,798)	(24,023)
Borrowing costs - banks		(1,123)	(5,133)	(1,124)	(5,106)
Payments to employees and suppliers		(37,372)	(43,921)	(31,981)	(29,118)
Income tax paid		(3,716)	(1,669)	(3,484)	(1,416)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17(a)	13,242	7,641	12,910	7,195
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase in loans, advances and other receivables		(86,900)	(1,928)	(86,900)	(1,927)
Cash acquired on merger	9(c)	-	6,561	-	6,560
Proceeds from sale of fixed assets		314	435	301	328
Net movement in interest earning deposits		(16,100)	1,700	(16,100)	1,700
Net movement in other investments		(2,136)	(317)	(136)	(196)
Payments for fixed assets		(5,844)	(1,671)	(3,405)	(1,570)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(110,666)	4,780	(106,240)	4,895
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in member deposits		106,998	100,023	106,891	98,977
Net movement in bank loans		(14,578)	(117,008)	(16,492)	(117,009)
Member shares issued		110	104	110	104
Net movement in loans to controlled entities		-	-	(1,622)	1,463
Net movement in loans to associates		503	(45)	-	20
Member shares redeemed		(87)	(75)	(87)	(75)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		92,946	(17,001)	88,800	(16,520)
		(4,478)	(4,580)	(4,530)	(4,430)
Cash at the beginning of the year		9,900	14,480	9,899	14,329
CASH AT THE END OF THE YEAR	17(b)	5,422	9,900	5,369	9,899

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



Notes to the Financial Statements

Year ended 30 June 2003

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 9) 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. The specific provision for impairment is calculated using a dynamic credit risk system. The credit risk system percentages applied have been determined by both delinquency and write off rates for each loan portfolio.

In addition to the above specific 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. The general provision is also determined using the credit risk system. This approach is in accordance with APRA Credit Quality standard APS 220, which requires the general provision to be prudent and based on a systematic approach to calculation, which is consistent and adequately documented. The credit risk system methodology exceeds the general provision guidelines and recommendations of APRA.

(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:

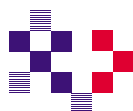
Buildings	40 years
Leasehold Improvements	3 - 7 years
Plant and Equipment	3 - 7 years

(d) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 7 years.

(e) Investments

Interests in unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).



Notes to the Financial Statements

Year ended 30 June 2003

(f) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise.

(g) Recoverable amount of assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining recoverable amounts are not discounted.

(h) 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.

(i) 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 the amounts

expected to be paid when the liabilities are settled.

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", which uses future pay rates and discounted cash flows.

(j) 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.

(k) 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.

(l) Cash

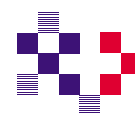
For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(m) Revenue recognition

Interest income is recognised as described in note 1(k).

Commissions and fees are recognised on an accrual basis.

For land and unit development activities, where the outcome of a project can be reliably estimated, revenue and expenses are recognised by applying the percentage of completion method to that proportion of the project represented by the individual lots of property sold, as prescribed under Urgent Issues Group Consensus View Abstract 53. The proportion of the project to which the



Notes to the Financial Statements

Year ended 30 June 2003

percentage of completion method is applied is determined as the ratio of the total expected revenue from the units sold to the total expected project revenue. Percentage of completion is measured by reference to project costs incurred to date as a percentage of estimated total project costs for each development.

Dividends receivable from controlled entities are recognised at the time such dividends are finalised, declared and approved by the controlled entity.

Change in accounting policy for revenue recognition

On 1 July 2002, the company changed its accounting policy in relation to the recognition of dividend income. Prior to 1 July 2002, the company recognised dividends receivable from controlled entities at the time at which the controlled entity raised a provision for the dividend payable. This included provisions raised at the end of a financial year to reflect dividends proposed for payment between the end of the financial year and the date of the financial report.

From 1 July 2002, the company will recognise dividends receivable from controlled entities at the time such dividends are finalised, declared and approved by the controlled entity. This change was made to improve the relevance and reliability of information concerning the company's financial performance and position.

As there was no dividend income recognised in the year to 30 June 2002, the effect of the change in accounting policy on dividends received in the current year is nil.

There is therefore no net cumulative effect of this change in accounting policy on the company's or consolidated entity's statement of financial performance for the year ended 30 June 2003, or statement of financial position at that date.

(n) 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.

(o) Joint ventures

Joint Venture Operations

The proportionate interests in the assets, liabilities, income and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 23.

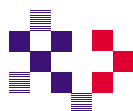
Joint Venture Partnerships

Interests in joint venture partnerships are accounted for using the equity method. Under this method, the share of the profits or losses of the partnerships are recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnerships are set out in note 23.

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.

(p) 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 2003

(q) Acquisition of assets

The purchase method of accounting is used for all assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

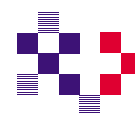
(r) Merger - Energy Credit Union Ltd

The gain arising on the merger with Energy Credit Union Ltd, recognised in the previous financial year, is reflected in the statement of financial performance under the purchase method of accounting. Under this method the gain reflects the excess of the fair value of net assets over the value of shares issued to members and incidental costs directly attributable to the merger. The merger was effected by a transfer of business from Energy Credit Union Ltd in accordance with the Financial Sector (Transfer of Business) Act 1999.

A liability for restructuring costs was recognised as at the date of the merger where there was a demonstrable commitment to a restructuring of the Society and a reliable estimate of the amount of the liability could be made.

(s) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.



Notes to the Financial Statements

Year ended 30 June 2003

2. OPERATING PROFIT

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Monthly averages are used provided they are representative of the Society's operations during the year.

	CONSOLIDATED					
	Average Balance \$'000	2003 Interest \$'000	Average Interest Rate %	Average Balance \$'000	2002 Interest \$'000	Average Interest Rate %
(a) Interest Revenue and Interest Expense						
Interest earning assets						
Deposits and investments	72,878	3,513	4.82%	67,203	2,905	4.32%
Loans and advances	682,991	49,331	7.22%	652,297	45,396	6.96%
	755,869	52,844	6.99%	719,500	48,301	6.71%
Interest bearing liabilities						
Members' deposits	670,198	23,971	3.58%	553,520	19,756	3.57%
Borrowings	18,605	966	5.19%	78,100	4,424	5.66%
	688,803	24,937	3.62%	631,620	24,180	3.83%
Net interest income	27,907			24,121		
Average interest earning assets	755,869			719,500		
	2003			2002		
	%			%		
Net interest margin (1)	3.69%			3.35%		
Spread (2)	3.37%			2.88%		

(1) Net interest margin represents net interest income as a percentage of average interest earning assets.

(2) Spread represents the difference between the average interest rates earned and paid.

(b) Cost of sales of land and unit development

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3,746	5,738	-	-



Notes to the Financial Statements

Year ended 30 June 2003

3. INCOME TAX

Operating profit before income tax

Prima facie income tax calculated at 30%

Tax effect of permanent differences:

Non-deductible expenses

Non-deductible amortisation

Non assessable gain on merger

Rebate on dividend income

Sundry items

Income tax adjusted for permanent differences

Tax effect of timing differences not recognised

(Over)/under provision in previous year

Income tax attributable to operating profit

Franking credits based on a tax rate of 30%

4. CASH AND LIQUID ASSETS

Cash on hand

Cash and deposits at call with banks

Cash and deposits at call with other ADIs

5. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

Interest earning deposits - other ADIs

Maturity Analysis

Not longer than 3 months

Longer than 3 and not longer than 12 months

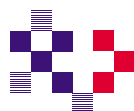
Longer than 1 and not longer than 5 years

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating profit before income tax	14,445	18,758	15,648	17,545
Prima facie income tax calculated at 30%	4,334	5,627	4,694	5,264
Tax effect of permanent differences:				
Non-deductible expenses	50	11	37	11
Non-deductible amortisation	4	25	-	-
Non assessable gain on merger	-	(2,850)	-	(2,813)
Rebate on dividend income	-	-	(720)	-
Sundry items	68	39	(25)	165
Income tax adjusted for permanent differences	4,456	2,852	3,986	2,627
Tax effect of timing differences not recognised	(2)	(37)	-	-
(Over)/under provision in previous year	(16)	(48)	(206)	(45)
Income tax attributable to operating profit	4,438	2,767	3,780	2,582
Franking credits based on a tax rate of 30%	15,775	12,014	15,033	10,497
Cash on hand	3,031	4,598	3,029	4,597
Cash and deposits at call with banks	1,718	4,175	1,668	4,175
Cash and deposits at call with other ADIs	1,339	2,659	1,338	2,659
	6,088	11,432	6,035	11,431
Interest earning deposits - other ADIs	76,500	60,400	76,500	60,400
Maturity Analysis				
Not longer than 3 months	51,500	30,000	51,500	30,000
Longer than 3 and not longer than 12 months	6,000	24,400	6,000	24,400
Longer than 1 and not longer than 5 years	19,000	6,000	19,000	6,000
	76,500	60,400	76,500	60,400

Notes to the Financial Statements

Year ended 30 June 2003

	Notes	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2003 \$	2002 \$	2003 \$	2002 \$
6. OTHER RECEIVABLES					
Interest receivable		691	664	691	664
Debtors from sale of land & unit developments		110	-	-	-
Other		1,644	1,067	700	416
		2,445	1,731	1,391	1,080
7. LOANS AND ADVANCES					
Revolving Credit		102,800	99,779	102,800	99,779
Term Loans		625,419	539,674	625,419	539,674
Related parties	7(a)	845	935	845	935
		729,064	640,388	729,064	640,388
Provision for impairment	7(b), 7(c) 7(d)	(6,155)	(4,175)	(6,155)	(4,175)
Net loans and advances		722,909	636,213	722,909	636,213
<p>During the financial year the Society sold mortgage loans via securitisation programs. The Society continues to manage these loans and derives management fee income. As at 30 June 2003, securitised loans under management amounted to \$377,356,810 (2002 - \$284,705,167).</p>					
(a) Aggregate amounts receivable from related parties:					
Directors and director-related entities		845	935	845	935
Provision for impairment		-	-	-	-
		845	935	845	935
(b) Maturity Analysis					
Not longer than 3 months		18,599	18,707	18,599	18,707
Longer than 3 and not longer than 12 months		55,824	54,590	55,824	54,590
Longer than 1 and not longer than 5 years		161,238	154,568	161,238	154,568
Longer than 5 years		493,403	412,523	493,403	412,523
		729,064	640,388	729,064	640,388
(c) Concentration of Risk					
<p>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:</p>					
WA State government employees		228,067	222,830	228,067	222,830
Other		500,997	417,558	500,997	417,558
		729,064	640,388	729,064	640,388



Notes to the Financial Statements

Year ended 30 June 2003

7. LOANS AND ADVANCES (cont'd)

(d) Provision for impairment

General provision

Opening balance

2,645 1,107 2,645 1,107

Bad debts previously provided for written off during the year

(518) (445) (518) (445)

Bad and doubtful debts provided for during the year

1,424 1,507 1,424 1,507

Provision transferred on merger

- 476 - 476

Closing balance

3,551 2,645 3,551 2,645

Specific provision

Opening balance

1,530 817 1,530 817

Bad debts previously provided for written off during the year

(626) (328) (626) (328)

Bad and doubtful debts provided for during the year

1,700 697 1,700 697

Provision transferred on merger

- 344 - 344

Closing balance

2,604 1,530 2,604 1,530

Total provision for impairment

6,155 4,175 6,155 4,175

Charge to statements of financial performance for bad and doubtful debts comprises:

General provision

1,424 1,507 1,424 1,507

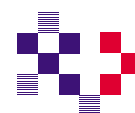
Specific provision

1,700 697 1,700 697

3,124 2,204 3,124 2,204

The specific provision for impairment has been determined in accordance with Board policy set under the prudential standards at 30 June 2003.

The general provision for impairment has been determined in accordance with Board policy set under the prudential standards at 30 June 2003.



Notes to the Financial Statements

Year ended 30 June 2003

7. LOANS AND ADVANCES (cont'd)

(e) Impairment of Loans and Advances

Non accrual loans

Balances with specific provisions for impairment

Specific provision for impairment

Net non accrual loans

Restructured Loans

Past Due Loans - 90 days

The interest and other revenue forgone on impaired loans during the year was \$372,788.

(f) Bad Debts Written Off

Bad debts written off during the year were from the following loan types:

Revolving credit

Personal loans

Housing loans

Commercial loans

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balances with specific provisions for impairment	4,996	1,278	4,996	1,278
Specific provision for impairment	(1,201)	(630)	(1,201)	(630)
Net non accrual loans	3,795	648	3,795	648
Restructured Loans	22	349	22	349
Past Due Loans - 90 days	40	29	40	29
Revolving credit	293	214	293	214
Personal loans	851	555	851	555
Housing loans	-	4	-	4
Commercial loans	-	-	-	-
	1,144	773	1,144	773

8. INVENTORIES

2003

Land held for sale

2002

Land held for sale

	CONSOLIDATED				
	Land Acquisition Costs	Holding Costs	Development Costs	Share of Joint Venture Inventory	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Land held for sale	734	95	730	7,402	8,961
Land held for sale	7,702	219	1,289	-	9,210



Notes to the Financial Statements

Year ended 30 June 2003

9. OTHER INVESTMENTS (cont'd)

(c) Merger - Energy Credit Union Ltd Group

On 1 October 2001, Police & Nurses Credit Society Ltd accepted the merger from Energy Credit Union Ltd under the Financial Sector (Transfers of Business) Act 1999. Energy Credit Union Ltd was deregistered on 21 February 2002 under section 601AA(4) of the Corporations Act 2001 by a resolution of the Board of directors.

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Merger - Energy Credit Union Ltd Group				
Fair value of net assets transferred	-	10,206	-	10,083
Less incidental costs	-	(153)	-	(153)
Less restructuring costs	-	(552)	-	(552)
Total Gain on Merger	-	9,501	-	9,378

The restructuring costs include redundancies, directors' termination payments and leasetails for Energy Credit Union premises.

Fair value of identifiable net assets transferred on merger

Cash	-	6,561	-	6,560
Receivables from financial institutions	-	8,900	-	8,900
Loans to members	-	86,451	-	86,451
Other assets	-	1,649	-	1,786
Members' deposits	-	(76,064)	-	(76,064)
Borrowings	-	(15,000)	-	(15,000)
Other liabilities	-	(2,291)	-	(2,550)
Total fair value of net assets transferred	-	10,206	-	10,083



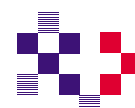
Notes to the Financial Statements

Year ended 30 June 2003

10. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Freehold land				
At cost	1,260	-	-	-
Buildings under construction				
At cost	1,162	-	-	-
	2,422	-	-	-
Leasehold improvements				
At cost	2,136	1,843	2,120	1,841
Provision for amortisation	(1,058)	(810)	(1,056)	(810)
	1,078	1,033	1,064	1,031
Total land and buildings	3,500	1,033	1,064	1,031
Plant and equipment				
At cost	13,335	10,853	13,098	10,482
Provision for depreciation	(8,714)	(6,957)	(8,510)	(6,708)
	4,621	3,896	4,588	3,774
Total property, plant and equipment	8,121	4,929	5,652	4,805

Reconciliation of the carrying amounts of each class of property, plant and equipment	Freehold	Buildings	Leasehold	Plant &	Plant &	Total
	Land	under Construction	Improvements	Equipment	Equipment In Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Carrying amount at 1 July 2002	-	-	1,033	3,660	236	4,929
Additions	1,260	1,162	319	1,299	1,804	5,844
Disposals	-	-	(5)	(272)	-	(277)
Transfers	-	-	-	1,565	(1,565)	-
Depreciation expense	-	-	(269)	(2,106)	-	(2,375)
Carrying amount at 30 June 2003	1,260	1,162	1,078	4,146	475	8,121
Parent entity						
Carrying amount at 1 July 2002	-	-	1,031	3,538	236	4,805
Additions	-	-	305	1,353	1,804	3,462
Disposals	-	-	(5)	(260)	-	(265)
Transfers	-	-	-	1,565	(1,565)	-
Depreciation expense	-	-	(267)	(2,083)	-	(2,350)
Carrying amount at 30 June 2003	-	-	1,064	4,113	475	5,652



Notes to the Financial Statements

Year ended 30 June 2003

11. OTHER ASSETS

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Prepayments	951	1,216	950	1,189
Amounts receivable from controlled entities	-	-	11,252	9,224
Future income tax benefit	2,120	1,511	2,103	1,465
Other	201	69	201	69
	3,272	2,796	14,506	11,947

12. MEMBERS' DEPOSITS

Call deposits	254,411	220,835	254,481	221,011
Term deposits	456,957	383,535	456,957	383,535
Withdrawal shares	655	632	655	632
	712,023	605,002	712,093	605,178

Maturity Analysis

On call	255,066	225,118	255,136	225,294
Not longer than 3 months	342,314	228,199	342,314	228,199
Longer than 3 and not longer than 12 months	107,142	143,805	107,142	143,805
Longer than 1 and not longer than 5 years	7,423	7,798	7,423	7,798
Longer than 5 years	78	82	78	82
	712,023	605,002	712,093	605,178

Concentration of deposits

WA State government employees	141,184	117,829	141,184	117,829
Other entities	570,839	487,173	570,909	487,349
	712,023	605,002	712,093	605,178

The Society's deposit portfolio does not include any deposit which represents 5% or more of total liabilities.



Notes to the Financial Statements

Year ended 30 June 2003

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Trade creditors
Accrued interest payable
Amounts payable to controlled entities
Amounts payable to J.V. partners
Other creditors

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
-	242	-	-
5,434	4,432	5,434	4,432
-	-	1,698	3,636
-	17	-	-
13,192	13,222	12,741	12,811
18,626	17,913	19,873	20,879

14. BORROWINGS

Secured
- Overdrafts from other ADIs
- Loans from other ADIs

666	1,532	666	1,532
13,414	27,992	11,500	27,992
14,080	29,524	12,166	29,524

The securities for borrowings are described in Note 19

Maturity Analysis
- Not longer than 3 months

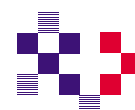
14,080	29,524	12,166	29,524
---------------	---------------	---------------	---------------

15. PROVISIONS

Taxation
Deferred income tax liability
Employee entitlements
Restructuring

2,858	1,770	2,642	1,719
312	68	78	68
1,563	1,496	1,516	1,327
71	197	71	197
4,804	3,531	4,307	3,311

The provision for restructuring was recognised at the date of the merger with Energy Credit Union Ltd. The balance of \$197,098 at 1 July 2002 has been reduced by payments made during the financial year of \$125,920.



Notes to the Financial Statements

Year ended 30 June 2003

16. RESERVES AND RETAINED PROFITS

Reserves

General reserve
Share capital reserve

(a) General reserve

- balance at beginning of year
- transfer from retained profits
- balance at end of year

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
75,000	65,000	75,000	65,000
276	189	276	189
75,276	65,189	75,276	65,189
65,000	55,000	65,000	55,000
10,000	10,000	10,000	10,000
75,000	65,000	75,000	65,000

Nature and purpose of general reserve

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 1 capital and meets the minimum level of capital adequacy as required under Prudential Standards 111 and 110 for Authorised Deposit-Taking Institutions.

(b) Share capital reserve

- balance at beginning of year
- transfer from retained profits
- balance at end of year

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
189	-	189	-
87	189	87	189
276	189	276	189

Nature and purpose of share capital reserve

The share capital reserve reflects the share capital created on redemption of members' withdrawal shares. Under section 254K of the Corporations Act 2001, these redemptions must be made from retained profits. This reserve is also eligible to be included as Tier 1 capital.

(c) Retained profits

Retained profits at the beginning of the financial year
Net profit attributable to members
Total available for appropriation
Aggregate of amounts transferred to reserves
Retained profits at the end of the financial year

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
11,361	5,569	7,968	3,194
10,009	15,981	11,868	14,963
21,370	21,550	19,836	18,157
10,087	10,189	10,087	10,189
11,283	11,361	9,749	7,968



Notes to the Financial Statements

Year ended 30 June 2003

17. NOTES TO THE STATEMENTS OF CASH FLOWS

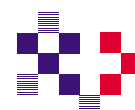
(a) Reconciliation of the operating profit after tax to the net cash flows from operations

	CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating profit after income tax	10,007	15,991	11,868	14,963
(Increase)/decrease in loan interest receivable	(38)	40	(38)	40
Decrease in investment income receivable	11	99	11	99
Increase in fees and commission receivable	(577)	(475)	(284)	(470)
(Increase)/decrease in inventory	249	(50)	-	-
(Decrease)/increase in member interest payable	1,174	(3,832)	1,174	(3,832)
Decrease in other interest payable	(171)	(407)	(171)	(407)
Decrease in accrued expenses and other creditors	(3,085)	(2,255)	(2,883)	711
Depreciation	2,374	2,574	2,350	2,473
Bad and doubtful debts	3,124	2,204	3,124	2,204
Bad debts recovered	(107)	(86)	(107)	(86)
Amortisation - rights - loan portfolios	14	82	-	-
Amortisation - rent roll	-	26	-	-
Gain on merger	-	(9,988)	-	(9,855)
(Gain)/loss on disposal of fixed assets	(37)	10	(36)	(56)
Dividend received	-	-	(2,400)	-
Share of net profit of associates	(383)	-	-	-
Decrease in provision for diminution in investments	-	-	(163)	-
Increase in annual and long service leave provisions	67	121	189	194
Increase in provision for taxation	1,088	1,535	923	1,600
Increase in future income tax benefit	(609)	(232)	(638)	(233)
(Decrease)/increase in deferred income tax	244	(204)	10	(200)
Decrease in other provisions	(126)	-	(126)	-
Net decrease in sundry debtors and prepayments	23	2,488	107	50
Net cash flow from operating activities	13,242	7,641	12,910	7,195

(b) Reconciliation of cash

Cash balance comprises:

- Cash	4	6,088	11,432	6,035	11,431
- Bank overdraft	14	(666)	(1,532)	(666)	(1,532)
Closing cash balance		5,422	9,900	5,369	9,899



Notes to the Financial Statements

Year ended 30 June 2003

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

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
1,846	177	369	176

- (b) Lease expenditure commitments
Operating leases (non-cancellable)
- not later than 1 year
- later than 1 and not later than 2 years
- later than 2 and not later than 5 years
- more than 5 years
Aggregate lease expenditure contracted for at balance date

1,473	1,431	1,473	1,430
1,237	1,114	1,237	1,114
1,518	2,135	1,518	2,135
-	119	-	119
4,228	4,799	4,228	4,798

- (c) Land development commitments
Estimated land development commitments contracted for at balance date but not provided for
- payable not later than one year

458	669	-	-
-----	-----	---	---

The above commitments include land development commitments of \$457,500 relating to the Two Rocks Joint Venture

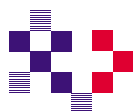
19. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

- (a) Contingent liabilities
Financial guarantees are issued by the Society to guarantee the payment by a subsidiary to a third party.

Guarantees	601	363	601	363
------------	-----	-----	-----	-----

- (b) Credit related commitments

Approved but undrawn loans and credit limits	138,858	111,202	138,858	111,202
--	---------	---------	---------	---------



Notes to the Financial Statements

Year ended 30 June 2003

19. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (cont'd)

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: \$22,000,000 (\$11,500,000 used as at 30 June 2003)
 - Fixed Standby Credit Facility: \$13,000,000 (Unused as at 30 June 2003)
 - Multi Option Wholesale Facility (Uncommitted): \$20,000,000 (Unused as at 30 June 2003)
 - Derivatives Guarantee Facility: \$2,000,000 (\$1,574,000 used as at 30 June 2003)
 - Overdraft: \$2,000,000 (\$665,654 used as at 30 June 2003)

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. The above facilities are subject to annual review and may be drawn at any time with the exception of the Multi Option Wholesale Facility. The facilities may be withdrawn if terms and conditions of the agreements are breached by the Society.

- iv. Bank of Western Australia Limited - fully fluctuating overdraft facility: \$200,000. This facility was unused at 30 June 2003. This facility may be drawn at any time and may be terminated by the bank without notice.
- v. 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.

20. REMUNERATION OF DIRECTORS

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
20 - 30
30 - 40

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003	2002	2003	2002
\$	\$	\$	\$
196,653	237,744	196,653	237,744
2003 No.	2002 No.	2003 No.	2002 No.
-	8	-	8
9	1	9	1
-	2	-	2

The total directors' remuneration for the previous year includes an amount of \$69,144 for termination payments.

Notes to the Financial Statements

Year ended 30 June 2003

21. AUDITOR'S REMUNERATION

(a) 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

(b) Remuneration for other services - auditor of the parent entity - PricewaterhouseCoopers:

- income tax advice
- securitisation transactions advice
- GST advice
- fringe benefits tax advice
- TFN withholding tax advice
- other tax advice
- due diligence advice
- audit of managed entity
- advice in relation to the merger
- other

Total auditors' remuneration

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003 \$	2002 \$	2003 \$	2002 \$
98,305	80,312	91,105	80,312
25,281	50,386	25,281	49,151
10,656	11,470	10,656	11,470
7,154	9,813	7,154	9,813
5,943	6,944	4,521	6,944
47,891	-	47,891	-
13,951	14,104	13,951	14,104
22,106	-	22,106	-
15,280	12,970	-	-
-	2,273	-	2,273
5,314	7,839	5,285	4,391
153,576	115,799	136,845	98,146
251,881	196,111	227,950	178,458



Notes to the Financial Statements

Year ended 30 June 2003

22. INTERESTS IN ASSOCIATES

Name of Associate	Principal Activity	Ownership Interest		CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
		2003	2002	Carrying Amount		Carrying Amount	
		%	%	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
IGP Financial Services Pty Ltd	Financial planning	35.00	-	989	-	1,000	-
Karrinyup Land Finance Unit Trust	Property development	16.67	-	2,394	-	-	-
				3,383	-	1,000	-

The investment in Karrinyup Land Finance Unit Trust is accounted for as an interest in an associate as a controlled entity has significant influence by virtue of participation in the management committee and voting powers held under the trust deed.

Movements in carrying amounts of investment in associates

Carrying amount at the beginning of the financial year
Investments in associates during the financial year
Share of associates' profits
Carrying amount at the end of the financial year

CONSOLIDATED

2003 2002
\$'000 \$'000

- -
3,000 -
383 -
3,383 -

Notional goodwill arising upon consolidation of the investment in IGP Financial Services Pty Ltd is being amortised over 20 years.

Results attributable to associates

Profits from ordinary activities before related income tax
Income tax expense
Profits from ordinary activities after related income tax
Less: dividends received
Share of associates' profits

397 -
(14) -
383 -
- -
383 -

Retained profits attributable to associates

At the beginning of the financial year
At the end of the financial year

- -
383 -

Summary of the performance and financial position of associates

Profits from ordinary activities after related income tax
Assets
Liabilities

2,652 -
15,031 -
712 -

Notes to the Financial Statements

Year ended 30 June 2003

23. INTERESTS IN JOINT VENTURES

Joint venture operations

A controlled entity has entered into the following joint venture operations:

Wanneroo North Joint Venture

The controlled entity has a 14.29% participating interest in this joint venture to develop a subdivision of land for residential housing and is entitled to 14.29% of its output.

Two Rocks Joint Venture

The controlled entity has a 75% participating interest in this joint venture, which is subject to joint control, to develop a subdivision of land for residential housing and is entitled to 75% of its output.

The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(o), under the following classifications:

	CONSOLIDATED	
	2003 \$'000	2002 \$'000
Other receivables	700	-
Inventories (land held for sale)	7,402	-
Share of assets employed in joint ventures	8,102	-

Joint venture partnerships

A controlled entity has entered into two joint venture partnerships called PNJC partnership No.1 and PNJC partnership No.2 to develop properties for residential housing. The controlled entity has a 50% participating interest in each of these joint ventures and is entitled to 50% of their outputs. The consolidated entity's interests in the assets employed in the joint ventures are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(o)



Notes to the Financial Statements

Year ended 30 June 2003

23. INTERESTS IN JOINT VENTURES (cont'd)

Retained profit attributable to the partnerships

At the beginning of the financial year

At the end of the financial year

Movement in carrying amount of investment in partnerships

Carrying amount at the beginning of the financial year

Share of operating profit before tax

Less: Distributions received

Carrying amount at the end of the financial year

Share of partnerships' assets and liabilities

Current assets

Current liabilities

Net Assets

Total share of profit from partnerships

PNJC partnership No.1

PNJC partnership No.2

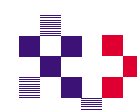
24. OUTSIDE EQUITY INTEREST IN CONTROLLED ENTITIES

Interest in:

Partnership Capital

Partnership Profit/(Loss)

	CONSOLIDATED	
	2003 \$'000	2002 \$'000
Retained profit attributable to the partnerships		
At the beginning of the financial year	218	214
At the end of the financial year	-	218
Movement in carrying amount of investment in partnerships		
Carrying amount at the beginning of the financial year	530	526
Share of operating profit before tax	-	4
Less: Distributions received	(530)	-
Carrying amount at the end of the financial year	-	530
Share of partnerships' assets and liabilities		
Current assets	-	530
Current liabilities	-	-
Net Assets	-	530
Total share of profit from partnerships		
PNJC partnership No.1	-	2
PNJC partnership No.2	-	2
	-	4
24. OUTSIDE EQUITY INTEREST IN CONTROLLED ENTITIES		
Interest in:		
Partnership Capital	434	(95)
Partnership Profit/(Loss)	(2)	10
	432	(85)



Notes to the Financial Statements

Year ended 30 June 2003

25. 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.

26. 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
M T Hinton
C A Hynes
E A Manley
S J Melville
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 2003 amounted to \$845,367 (2002: \$934,630). During the year loan advances amounted to \$652,443 (2002: \$861,987) and repayments amounted to \$744,257 (2002: \$436,405). Interest on loans to directors amounted to \$44,491 (2002: \$43,677). All directors except C A Hynes, S J Melville and E L Smith 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.

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 accounts with the Society under normal commercial terms.

27. EMPLOYEE NUMBERS

Number of employees at reporting date

CONSOLIDATED		POLICE & NURSES CREDIT SOCIETY LTD	
2003	2002	2003	2002
No.	No.	No.	No.
304	304	295	276



Notes to the Financial Statements

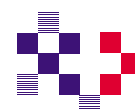
Year ended 30 June 2003

28. SEGMENT INFORMATION

(a) Primary reporting - business segments

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. The consolidated entity is also involved in property development activities.

2003	Services to Members	Property Development	Other	Inter-segment Eliminations\	Consolidated
	\$'000	\$'000	\$'000	Unallocated \$'000	\$'000
Net interest revenue from external customers	27,907	-	-	-	27,907
Intersegment interest revenue	645	-	-	(645)	-
Net interest revenue	28,552	-	-	(645)	27,907
Sales to external customers	-	5,188	-	-	5,188
Shares of net profits of associates and joint ventures partnerships	(10)	393	-	-	383
Other revenue	25,099	1	1,566	(2,400)	24,266
Total segment revenue	53,641	5,582	1,566	(3,045)	57,744
Segment result	15,575	617	943	(2,690)	14,445
Profit from ordinary activities before income tax expense					14,445
Income tax expense					4,438
Profit from ordinary activities after income tax expense					10,007
Segment assets	832,763	12,376	2,903	(11,518)	836,524
Segment liabilities	747,595	11,648	1,935	(11,645)	749,533
Investments in associates and joint venture partnership	989	2,394	-	-	3,383
Acquisitions of property, plant and equipment	3,420	-	2,424	-	5,844
Depreciation and amortisation expense	2,362	-	27	-	2,389
Other non-cash expenses	3,509	15	8	-	3,532



Notes to the Financial Statements

Year ended 30 June 2003

28. SEGMENT INFORMATION (cont'd)

2002	Services to Members	Property Development	Other	Inter-segment Eliminations\ Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
Net interest revenue from external customers	24,121	-	-	-	24,121
Intersegment interest revenue	581	-	-	(581)	-
Net interest revenue	24,702	-	-	(581)	24,121
Sales to external customers	-	7,171	-	-	7,171
Shares of net profits of associates and joint venture partnership	-	4	-	-	4
Proceeds on sale of land and buildings	9,501	-	-	-	9,501
Other revenue	20,150	-	1,973	-	22,123
Total segment revenue	54,353	7,175	1,973	(581)	62,920
Segment result	18,023	546	412	(223)	18,758
Profit from ordinary activities before income tax expense					18,758
Income tax expense					2,767
Profit from ordinary activities after income tax expense					15,991
Segment assets	731,690	9,839	377	(9,471)	732,435
Segment liabilities	658,128	8,980	268	(11,406)	655,970
Acquisitions of property, plant and equipment	1,604	-	71	-	1,675
Depreciation and amortisation expense	2,532	16	134	-	2,682
Other non-cash expenses	2,566	4	32	-	2,602



Notes to the Financial Statements

Year ended 30 June 2003

28. SEGMENT INFORMATION (cont'd)

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(b) Secondary reporting - geographical segments

The consolidated entity operates in Australia.

29. FINANCIAL INSTRUMENTS

(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>(i) Financial assets</i>			
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 4.65% to 4.92%.
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 (CUSCAL)	9	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are declared by the investee.	

Notes to the Financial Statements

Year ended 30 June 2003

29. FINANCIAL INSTRUMENTS (cont'd)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(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 19.
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.
(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 \$81.7 million, on which it pays 4.20% 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 July 2003 and June 2008.



Notes to the Financial Statements

Year ended 30 June 2003

29. FINANCIAL INSTRUMENTS (cont'd)

(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 or repriced 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		Over 5 years				2002		2003		2002		2003	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	%	%	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				
(i) Financial Assets																		
Cash and liquid assets	3,057	6,834	-	-	-	-	-	-	3,031	4,598	6,088	11,432	N/A	N/A				
Due from other financial institutions	-	-	76,500	54,400	-	6,000	-	-	-	-	76,500	60,400	4.78	4.98				
Unlisted shares - investment in CUSCAL	-	-	-	-	-	-	-	-	4,813	5,678	4,813	5,678	N/A	N/A				
Loans and advances*	563,711	450,980	134,013	150,119	28,203	35,613	3,137	3,676	-	-	729,064	640,388	7.02	6.93				
Other receivables	-	-	-	-	-	-	-	-	2,445	1,731	2,445	1,731	N/A	N/A				
Interest rate swaps	81,695	84,621	(59,725)	(52,006)	(21,970)	(29,075)	-	(3,540)	-	-	**	**	**	**				
Total financial assets	648,463	542,435	150,788	152,513	6,233	12,538	3,137	136	10,289	12,007	818,910	719,629	-	-				
(ii) Financial Liabilities																		
Bank overdrafts	666	1,532	-	-	-	-	-	-	-	-	666	1,532	N/A	N/A				
Deposits	251,186	225,118	452,681	371,372	7,423	7,798	78	82	655	632	712,023	605,002	3.46	3.38				
Due to other financial institutions	1,057	-	12,357	27,992	-	-	-	-	-	-	13,414	27,992	5.14	5.29				
Trade creditors and accruals	-	-	-	-	-	-	-	-	18,626	17,913	18,626	17,913	N/A	N/A				
Total financial liabilities	252,909	226,650	465,038	399,364	7,423	7,798	78	82	19,281	18,545	744,729	652,439	-	-				
N/A	not applicable for non interest bearing financial instruments.																	
*	provisions for impairment of \$6.155 million (2002: \$4.175 million) have been made against total loans and advances																	
**	the disclosure of effective interest rates is not applicable to derivative financial instruments.																	

Notes to the Financial Statements

Year ended 30 June 2003

29. FINANCIAL INSTRUMENTS (cont'd)

(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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial assets				
Cash and Liquid Assets	6,088	11,432	6,088	11,432
Due from other financial institutions	76,500	60,400	76,500	60,400
Unlisted shares	4,813	5,678	4,813	5,678
Loans and Advances	722,909	636,213	728,558	639,533
Other receivables	2,445	1,731	2,445	1,731
Total financial assets	812,755	715,454	818,404	718,774
Financial liabilities				
Bank overdrafts	666	1,532	666	1,532
Deposits	712,023	605,002	711,957	605,052
Due to other financial institutions	13,414	27,992	13,414	27,992
Trade creditors and accruals	18,626	17,913	18,626	17,913
Interest rate swaps	*	*	(566)	(155)
Total financial liabilities	744,729	652,439	744,097	652,334

* 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 are determined as the difference in present value of the future interest cash flows.



Notes to the Financial Statements

Year ended 30 June 2003

29. FINANCIAL INSTRUMENTS (cont'd)

(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 swap contracts is limited to the net fair value of the swap agreement at balance date, being \$566,213 (2002: \$154,626).

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.

Concentrations of credit risk on loans receivable arise in the following categories:

Industry	Maximum credit risk exposure(*) for each concentration			
	Consolidated			
	Percentage of total loans receivable (%)		\$'000	
	2003	2002	2003	2002
WA State government employees	31.3%	34.8%	228,067	222,830
Other non-concentrated	68.7%	65.2%	500,997	417,558
	100.0%	100.0%	729,064	640,388

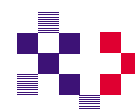
Credit risk in loans receivable is managed in the following ways:

- 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.

(e) Hedging instruments

As disclosed above, Police & Nurses Credit Society Ltd has entered into interest rate swaps during the financial year for the specific hedging of fixed interest rate loans of up to 7 years. These derivative contracts swap fixed rate receivables of up to 7 years into 90 or 180 day BBSW floating rate receivables.



Directors' Declaration

The directors declare that the financial statements and notes set out on pages 9 to 41:

- (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 2003 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.

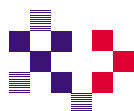
This declaration is made in accordance with a resolution of the Board of Directors.

E J BILLING
Director

S J MELVILLE
Director

25 August 2003

PERTH WA



Independent Audit Report

Independent Audit Report To the Members of Police & Nurses Credit Society Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Police & Nurses Credit Society Limited (the Company) for the financial year ended 30 June 2003 included on Police & Nurses Credit Society Limited's web site. The Company's directors are responsible for the integrity of the Police & Nurses Credit Society Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report of Police & Nurses Credit Society Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Police & Nurses Credit Society Limited and the Police & Nurses Credit Society Group (defined below) as at 30 June 2003 and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Police & Nurses Credit Society Limited (the Company) and the Police & Nurses Credit Society Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

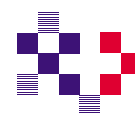
Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

John O'Connor
Partner

Perth
25 August 2003



Location Guide

Moneyboxes

BOORAGOON
Shop 10, Riseley Corporate Centre
135 Riseley Street

BUNBURY
Shop 21A Bunbury
Forum Shopping Centre
Sandridge Road

CANNINGTON
Shop 1003, Westfield Carousel
Shopping Centre
1382 Albany Highway

MADDINGTON
Shop 33, Maddington
Shopping Centre
Attfield Street

MANDURAH
Shop 54A, Mandurah Forum
Shopping Centre
Mandurah Bypass Road

MIDLAND
Shop 25, Midland Centrepont
Shopping Centre
Great Eastern Highway

MIRRABOOKA
Shop 91A, Mirrabooka Square
Shopping Centre
43 Yirrigan Drive

ROCKINGHAM
Shop 48, Rockingham City
Shopping Centre
Read Street

WARWICK
Shop 49, Warwick Grove
Shopping Centre
Cnr Beach & Erindale Roads

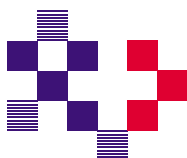
WHITFORDS
Shop 158, Whitford City
Shopping Centre
Corner Whitfords & Marmion Avenue

Branches

PERTH
246 Adelaide Terrace
PO Box 6132, East Perth WA 6892

FREMANTLE
Shop 18, 35 William Street

MORLEY
2A Progress Street



POLICE & NURSES
CREDIT SOCIETY

13 25 77

www.pncs.com.au