



*Your region, your money*

# Annual Report

2010 - 2011



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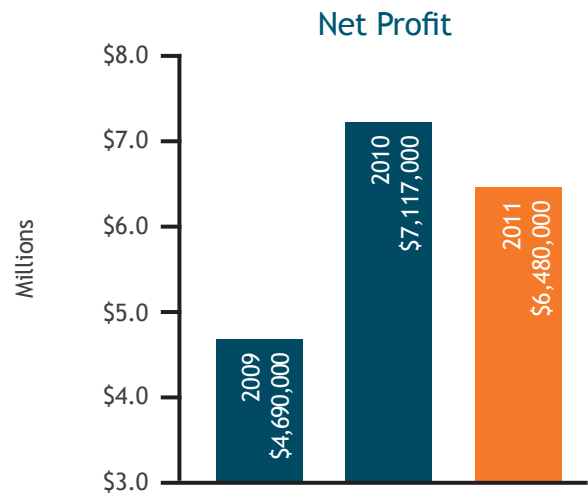
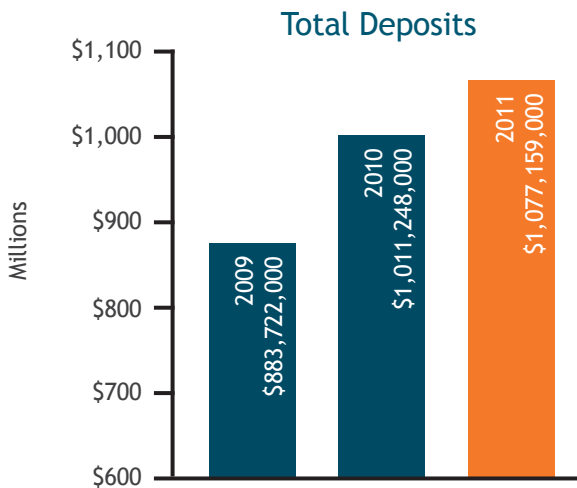
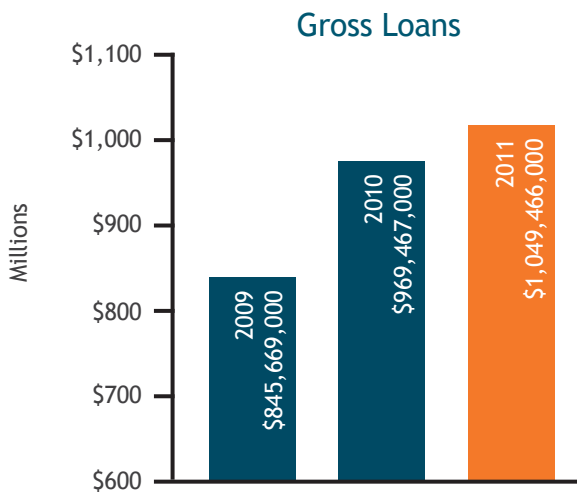
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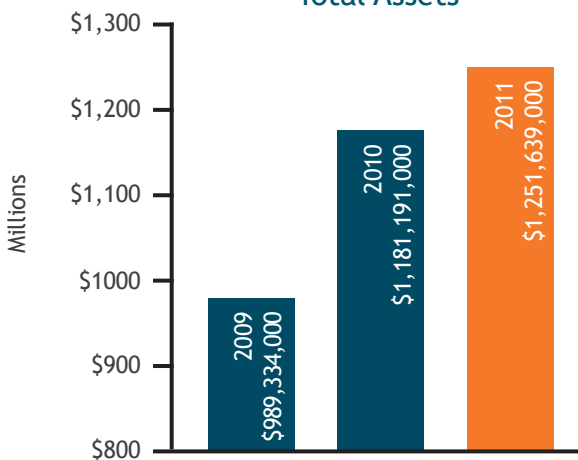
Origins highlighted in Macksville branch

## bcu performance snapshot

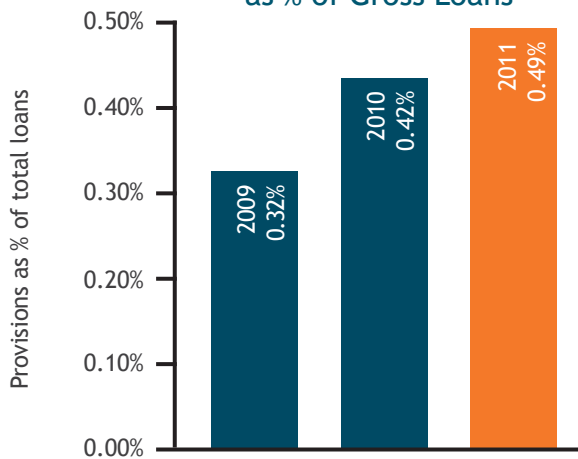




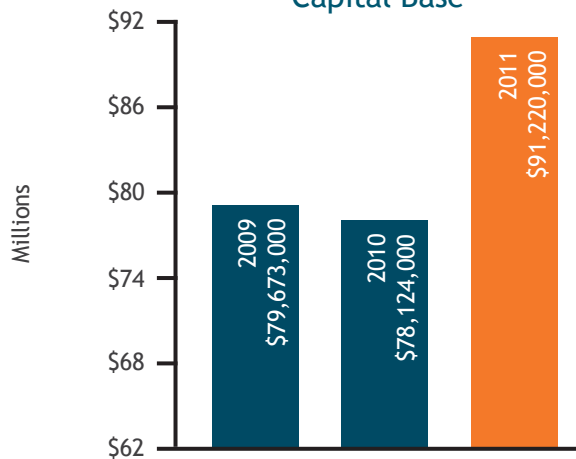
Total Assets



Loan Loss Provisions as % of Gross Loans



Capital Base





John Pool (left) of Tomarata Orchards with his son David. Tomarata was the winner of the bcu Bill Ussher Agricultural Grant in 2010

## Farming grant benefits industry leaders

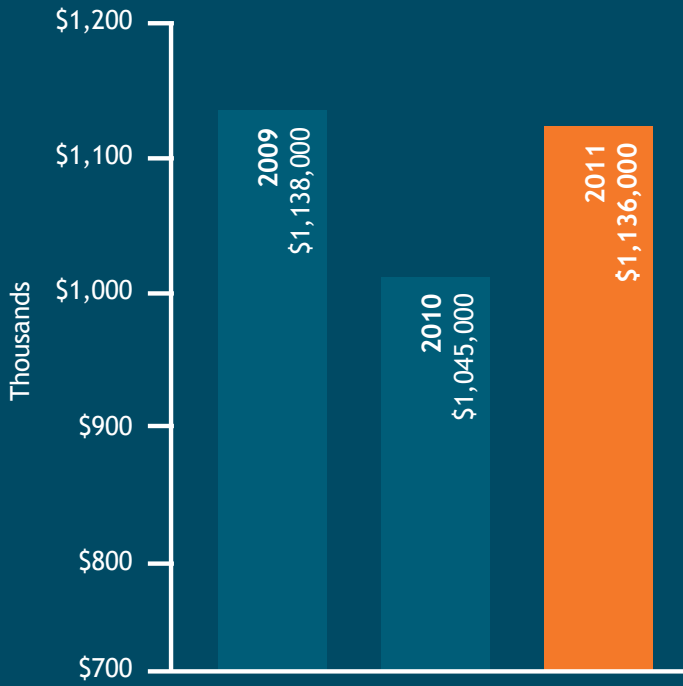
Farming innovation came to the fore this year with the presentation of the 2010 bcu Bill Ussher Agricultural Grant to two of the region's leading producers, lychee growers John and Kerry Pool of Tomarata Orchards from Pomona, and Sandy Beach's Robyn and Geoff McCann, growers of hydroponic vegetables. Both businesses were keen to develop new markets using industry-leading practices, and already both John and Kerry and Robyn and Geoff have passed invaluable information back to their peers to strengthen the region's agricultural industry and open up new opportunities further afield.

Chosen from a strong offering of nominations, the winners showed a drive to forge new business and a passion to succeed despite changing markets and a testing economic climate. bcu proudly presented this year's Grants on the recipient's properties in memory of the lifetime legacy to both bcu and to agriculture on the NSW North Coast by our founding Chairman, Bill Ussher.



Runners up of the 2010 bcu Bill Ussher Agricultural Grant, Robyn and Geoff McCann from Sandy Beach, NSW

# bcu giving back



bcu supporting the Disabled Surfers' Association



Founding bcu members Steve McCudden, Kath McPhail and Malcolm McPhail at bcu's 40th birthday celebrations



bcu International Stadium volunteers



bcu sponsoring the Coffs Coast Cycle Challenge





# Chairman and Chief Executive's Report

## The year in review...

The last 12 months has presented its share of challenges which we have navigated, however there are more ahead to test us. It's been a busy year, so let's look at some of the achievements:

1. bcu had underinvested in IT infrastructure over the years. This was starting to impact on the availability or 'up-time' of our core banking system and *iBank* for members and staff. This was a critical function needing improvement.

We elected to have IT equipment hosted by a specialist IT firm, as it was more effective than bcu investing in new IT infrastructure. In addition, managing IT equipment is a specialist field not within our core business. Importantly, contracting with a firm based in Sydney enables bcu to mitigate the risk of a localised event damaging our ability to operate our systems (e.g. due to floods, fire).

2. The ATM network had been underinvested in for many years with bcu running an aging ATM fleet which was increasingly 'down' with service issues meaning people were unable to readily access their money.

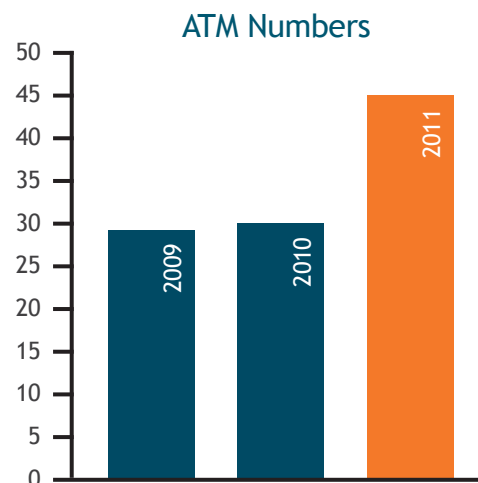
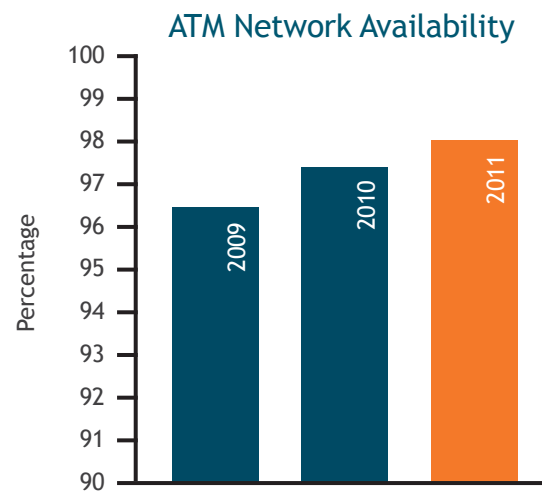
We have replaced 90% of our existing ATMs with new machines to align with bcu's new branding. In addition, bcu has expanded its ATM network, giving bcu greater brand coverage and members greater access to their money across the region. We consider this confirms bcu's commitment to growing and investing in banking services across our region. More ATM installations are planned during 2012.

3. Our branding had become inconsistent over the years with many branches having different signage, branding and fit-out. Additionally, some of our branches were not located in good sites which impacted our ability to promote the bcu brand and provide convenience to members. We had lost sight of bcu's origins in our inconsistent branding, and by rebranding we not only refreshed bcu's brand, but also were able to recognise the origins of bcu.

4. We have updated bcu's uniform with a more modern and professional uniform.

5. We have invested in bcu's traditional regions while balancing our investment in new regions, through refreshed and modern branches, providing better functionality, comfort and safety for members and staff. We have completed the following over the last 12 months:

- Opened a new branch in Pottsville and a lending office in Mudgeeraba
- Relocated and opened 5 existing branches in Murwillumbah, Ballina, Grafton, Nambucca and Macksville
- Refurbished 3 existing branches in Beaudesert, South Tweed Heads and Northside
- Introduced dedicated business banking functionality in several of our larger branches thereby reinforcing the importance of our business offering



## Chairman and Chief Executive's Report

6. We have more trained staff able to assist members with credit card and personal loan applications in our branches, and on average, we have considerably reduced the turn-around time for approval of these loans.
7. We have outsourced mortgage documentation preparation for housing lending to a industry specialist legal firm. We considered this was an important step for bcu given the increasing frequency of changes to legislation, the increasing complexity of compliance requirements and the legal risk placed on bcu. This change initially caused some disruption to the timeliness experienced by members in receiving loan documentation but we have worked to overcome this.
8. While not viewed positively by all, Head Office and associated functions were moved to Coffs Harbour where we are working on consolidating support functions across the region. This decision has been made in the best long-term interest of bcu. bcu is much larger than it was 10 years ago and the regulations governing bcu's operations are far more onerous, which is understandable given what bcu is licensed to do - to provide efficient, effective and secure banking.

Such decisions will not always align with what may be considered to be in the best interests of a community, such as this decision, which was the catalyst for concerns and anger by the Macksville and Nambucca communities, which is understandable given the loss of jobs and history to the region, where the Bananacoast Community Credit Union was founded.

This has been a painful period in bcu history for all impacted staff and members of the community.

9. We have abolished many fees, including charges associated with loan arrears, loan arrears penalty interest rates, credit card over limit fees and we have halved dishonour fees.
10. We have streamlined the member account opening process, improving the experience and speed of account opening for new members and for staff.
11. We have introduced a loyalty discount on personal loans. An existing member may be eligible for a discount of 1% off the carded interest rate and a discounted establishment fee.
12. We introduced a Founding Member Loyalty Program for bcu's founding members (including Big River Credit Union members), which is another way we are honouring our origins and trying to give something back to those people who were instrumental in progressing the Credit Union in the very early days.
13. Our business Line of Credit once again won a top award from *Money* magazine and our transaction saving account also received acknowledgment. We will be reviewing our products and fees over the next 12 months.
14. We have recruited specialist commercial lenders across our network to support businesses that we may not have previously traditionally have been able to service.

### We have heard comments over the last 12 months that are worth responding to:

1. bcu is becoming like a bank. Our response is that yes, in a lot of ways we are. This is in a large part owing to the requests of members. We say this in the context that our members ask us to compete on price with banks and in most cases, expect us to better the banks. Consequently, we are finding that member loyalty is becoming harder to earn and price is becoming an increasingly deciding driving influence for members, which is understandable.

In addition we are regulated under similar prudential standards as the banks. So by default, we are becoming more like a bank however, we must become more efficient than the banks, given banks are much larger and have better economies of scale and cheaper access to funding and capital than bcu does. This is largely the reason that bcu has to grow and become more efficient - to better enable bcu to compete as a business in the long term. We need to ensure bcu grows to offset the increasing costs of doing business including technology and





## Chairman and Chief Executive's Report

compliance requirements from regulators and government, and to counter the reduction in income associated with increasingly aggressive competition.

bcu has a high concentration of deposits and lending geographically concentrated to the Coffs Coast. This is both a strength but also a risk, in terms of bcu's high exposure to regional specific events, such as natural disasters, and the health of regional businesses and economy. From a management and regulatory perspective, this risk needs to be diversified so bcu is less exposed to regional specific events.

In the traditional regions of Nambucca Valley, Bellinger Valley and Coffs Harbour, deposits from members are much greater than loans to members, and we have a greater percentage of members aged older than 50 years. This is a strength, but as bcu generates revenue from lending, bcu needs to lend money to cover the cost of paying members interest on those deposits to cover the cost of bcu's operations, and earn a return for future investment. Accordingly, bcu must grow and lend outside of these traditional regions to ensure bcu continues to grow as a business and thereby securing bcu's future.

Our main challenge as we grow is to make sure bcu has a value differential from the banks.

2. We have also heard feedback that bcu is losing its community feel. New legislation makes it very difficult for bcu to lend money and give advice the way we may have been able to in the past. In addition, we have a legal responsibility to deal with people's money prudently and we must make decisions that are in the best long-term interest for bcu and in line with how bcu is licensed to operate - to provide efficient, effective and secure banking services to people. Accordingly, this may not necessarily always align with what is in the best interests of a local community.

We have heard local business people comment that the credit union should be shopping locally (for cars, for building works, etc). We do shop locally but the whole proposition about being a mutual is that it is a mutually rewarding relationship for both parties. We have the same expectation on us from members.

We will continue to invest in the region but this will focus on those initiatives that deliver tangible benefits to the region. We cannot hand out sponsorships to every cause as we simply cannot afford to do so, and we also cannot afford to increase the administrative support required to manage these requests.

In driving bcu forward we aim to bring a more competitive and viable approach to fair go banking for our members. At the same time, we are developing a more professional and disciplined environment where we are hopeful staff can expand their career opportunities.

We achieved the performance for the financial year ended 30 June 2011 as planned, which is a good result given the significant resources invested in the business and the softening in lending growth and economic conditions during the year.

I thank staff for their hard work and members for their patience during a challenging year. Change is unsettling. We look forward to meeting new challenges with you in the year ahead as we continue to strive to improve the way we do business and serve members with fair go banking.

Gerry Regan  
Chairman

Lyndon Kingston  
Chief Executive





The 2011 bcu Board of Directors, from left, Chairman Gerry Regan, Deputy Chairman Peter Dunstan, John Hoey, Geoffrey Hardaker, David Christy and Grant Wallace.

# Concise Financial Report 2010-11

The Concise Financial Report is an extract from the Full Financial Report for the year ended 30 June 2011. The Financial Statements and specific disclosures included in the Concise Financial Report have been derived from the Full Financial Report. The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position, financing and investing activities of Bananacoast Community Credit Union Ltd (bcu) as the Full Financial Report. Further financial information can be obtained from the Full Financial Report. The Full Financial Report and Auditor's Report will be sent to members on request, free of charge. Please call (02) 6690 3207 and a copy will be sent to you.

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Registered Name: Bananacoast Community Credit Union Ltd  
Registered Office: Level 2, 144-148 West High Street, Coffs Harbour NSW 2450  
Telephone: 1300 228 228  
Internet: [www.bcu.com.au](http://www.bcu.com.au)  
ABN: 50 087 649 750  
AFSL: 241077  
External auditor: BDO Audit (Qld) Pty Ltd, Level 18, 300 Queen St, Brisbane QLD 4000

## Directors' Report 2010-2011

The Directors present their report for Bananacoast Community Credit Union Ltd (bcu) for the financial year ended 30 June 2011.

bcu is a company registered under the *Corporations Act 2001*.

### Directors

The names of the Directors in office at any time during the year or since the end of the year are:

#### Mr Gerald James Regan

##### MAMI

- Chairman
- Independent Non-Executive Director
- Age 73

##### Experience and expertise

Director since 1988. Chairman since 2005. Gerry is a retired engineer and has worked in the cooperative movement all his professional life. He strongly believes that the bcu board has to remain focused on serving the financial needs of members and supporting the local community through the provision of professional and fair banking services and sponsorship. As current Chairman, Gerry is dedicated to setting a strategic direction for the benefit of all members.

##### Special responsibilities

- Chair of the Board
- Chair of the Board Governance Committee
- Member of the Board Audit and Risk Committee

##### Interests in shares

1 redeemable preference share

#### Mr Peter Edward Dunstan

##### DipJustAdmin, MAMI, JP

- Deputy Chairman
- Independent Non-Executive Director
- Age 66

##### Experience and expertise

Director since 1999. Deputy Chairman since June 2010. Peter is a retired Senior Police Officer and is proud to be a part of an organisation that is more than just a financial institution. bcu has a unique make-up and identity that provides exceptional financial services and benefits to all members. As a foundation member, and directly involved in the initial formation of the NSW Police Credit Union, he brings a long-standing belief and commitment to the Credit Union philosophy. He has many years of service to the local community, currently as an active member of Surf Life Saving and the Australian National Servicemen's Association.

##### Special responsibilities

- Deputy Chair of the Board
- Member of the Board Governance Committee
- Member of the Board Audit and Risk Committee

##### Interests in shares

1 redeemable preference share

#### Mr David Hamilton Christy

##### B. Econ, DipFS, AAICD

- Independent Non-Executive Director
- Age 64

##### Experience and expertise

Director since 28 June 2011 and will stand for election at the next Annual General Meeting. David is currently a senior manager with a large, government-owned energy generator. A qualified Economist, he has over 30 years experience within the resource and trading sector, and is responsible for negotiating and managing contracts and relationships with national and multinational stakeholders. A significant component of his position involves spending time in regional towns to understand the impacts of commercial decisions and the resulting impact on the local community. Application of this commercial experience will contribute to the sound, long-term focus and governance of bcu's operations and performance. In addition, having been a small business owner and currently holding commercial real estate within a regional community, David is acutely aware of some of the issues and challenges that bcu encounters.

##### Other current directorships

- Kneale Street Investments Pty Ltd

##### Special responsibilities

- Member of the Board Audit and Risk Committee from 28 June 2011

##### Interests in shares

1 redeemable preference share

#### Mr David Brian Guinness

##### MAMI

- Independent Non-Executive Director
- Age 67

##### Experience and expertise

Director since 1986. Resigned as a Director on 28 June 2011. David is a retired businessman, having operated a local newsagency for 30 years. He is an enthusiastic believer in the Credit Union movement, and is involved



## Directors' Report 2010-2011

in a number of community environmental groups in the Bellingen/Urunga area, such as the Brierfield RiverCare Group, the Bellingen Shire Council Australia Day Committee and The Brierfield Bushfire Brigade.

### Other current directorships

- Solar Saver Pty Ltd

### Special responsibilities

- Member Of The Board Audit And Risk Committee until 28 June 2011

### Interests in shares

1 redeemable preference share

### Mr Geoffrey Keith Hardaker JP

- Independent Non-Executive Director
- Age 60

### Experience and expertise

Director since 28 April 2011 and will stand for election at the next Annual General Meeting. Geoff is a self-employed businessman and Managing Director of Coffs Harbour Office Choice with stores located in Coffs Harbour and Grafton. He has been involved in the office equipment industry for almost 40 years. Geoff sees the opportunity to serve on the Board of bcu as a privilege and has previously served as Chairman of the Westpac Rescue Helicopter, Coffs Harbour. Geoff previously worked in the real estate industry in Coffs Harbour and has owned and still owns commercial properties in the city.

### Other current directorships

- Akatac Pty Limited
- Coffs Office Supplies Superannuation Fund Pty Ltd

### Special responsibilities

- Member of the Board Audit and Risk Committee from 28 April 2011

### Interests in shares

1 redeemable preference share

### Mr John Owen Hoey DipCM, FFIN, FAIM

- Independent Non-Executive Director
- Age 58

### Experience and expertise

Director since 2010. John has over 40 years experience in the banking and finance industry. He brings a wealth of knowledge spanning retail and commercial banking,

insurance and financial services as well as broad experience in the area of customer service. Through his involvement with the Australian Institute of Management as a past Director and Chairman, John also brings insights into best practice, corporate governance and the importance of attracting, developing and retaining talented people to enhance organisational capability.

### Other current directorships

- The Cyber Institute Pty Limited

### Special responsibilities

- Member of the Board Audit and Risk Committee

### Interests in shares

1 redeemable preference share

### Mr Michael John Spear BAGec, MAMI

- Independent Non-Executive Director
- Age 58

### Experience and expertise

Director since 1989. Resigned as a director on 8 July 2010. Michael is a banana grower and beef cattle producer in the Macksville area and is one of the earliest members of bcu, having joined in 1972 shortly after its inception. As a Board member, Michael continued his lifelong interest in the Credit Union movement and brought to the Board his agricultural qualifications and first-hand experience in financial management within a rural context.

### Special responsibilities

- Member of the Board Audit and Risk Committee until 8 July 2010

### Interests in shares

1 redeemable preference share

### Mr Grant Andrew Wallace BBus, CA, FTIA, NTAA

- Independent Non-Executive Director
- Age 50

### Experience and expertise

Director since 2009. Grant brings strong corporate governance and financial management understanding to the Board as a result of 28 years experience in the accounting profession advising medium and large family business coupled with post graduate development in taxation, finance, financial planning and corporate governance. He continues to advise family-owned business in a range of industry sectors such as agriculture, engineering, medical and property.

# Directors' Report 2010-2011

## Other current directorships

- The Wallace Accounting and Financial Group Ltd
- Quintessential Financial Planning Limited
- GWG Securities Pty Ltd
- Erinvale Pty Ltd
- QFP Financial Planning Pty Ltd
- D J McDonald Investments Pty Ltd
- Koolara Investments Pty Ltd
- Erinvale Investments Pty Ltd
- Clam Space (Aust) Pty Ltd
- Carbon Pollution Reduction Pty Ltd
- Carbon Pollution Reduction Solutions Pty Ltd
- Carbon Pollution Reduction Reserve Pty Ltd
- Central Highlands Investments Pty Ltd
- Wallace Family Investments Pty Ltd
- Air-Therm Australia Pty Ltd

## Special responsibilities

- Chair of the Board Audit and Risk Committee
- Member of the Board Governance Committee

## Interests in shares

1 redeemable preference share

## Company Secretary Mr Peter Hunter Waters DipFS, FACUI, JP

Company Secretary since 2008. Peter has considerable finance experience having worked in the finance industry for the past 38 years. Peter has held various positions with bcu over the last 12 years and is currently the Executive Manager Governance which has responsibility for the Company Secretarial duties along with the Internal Audit, Compliance and Operational Risk functions.

## Principal activities

The principal continuing activities of bcu during the year were the provision of financial products and services to members. No significant changes in the nature of these activities occurred during the year.

## Operating results

The profit of bcu for the year after providing for income tax was \$6,480,000 (2010: \$7,117,000).

## Review of operations

The operations and financial position of bcu for the year ended 30 June 2011 were characterised by the following:

- Profit after income tax decreased from \$7,117,000 to \$6,480,000

- Total assets increased from \$1,181,191,000 to \$1,251,639,000
- Gross loans and advances to members increased from \$969,466,000 to \$1,049,466,000
- Deposits from members increased from \$1,011,248,000 to \$1,077,159,000
- Equity increased from \$83,171,000 to \$89,455,000

## Significant changes in state of affairs

There were no significant changes in the state of the affairs of bcu during the year.

## Events subsequent to the end of the reporting period

No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of bcu in subsequent financial years.

## Likely developments and results

bcu will continue to pursue the principal activities of providing financial products and services to members. Further information about likely developments in the operations of bcu and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to bcu.

## Dividends

No dividends have been paid or declared since the beginning of the financial year and no dividends have been recommended or provided for by bcu.

## Options

No options over unissued shares or interests in bcu were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of bcu or interfere in any proceedings to which bcu is a party for the purpose of taking responsibility on behalf of bcu for all or part of those proceedings. bcu was not a party to any such proceedings during the year.





# Directors' Report 2010-2011

## Auditor's independence

The Auditor's independence declaration for the year ended 30 June 2011 forms part of this report and a copy of this declaration is attached.

## Indemnification of Directors, Officers or the Auditor

Insurance premiums have been paid to insure each of the Directors and Officers of bcu, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an Officer of bcu. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the Auditor of bcu.

## Environmental regulation

bcu's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Rounding

The amounts contained in the Financial Statements and the Directors' Report have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/0100. bcu is permitted to round to the nearest one thousand dollars (\$'000) for all amounts except prescribed disclosures that are shown in whole dollars.

## Directors' meetings

The number of meetings of Directors (including Committee meetings) and the number of meetings attended by each director during the financial year were:

Director's Name	Board		Board Audit and Risk Committee		Board Governance Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
G J Regan	11	11	5	5	6	6
P E Dunstan	11	10	5	5	6	6
D B Guinness (1)	11	11	5	5	-	-
G A Wallace	11	11	5	5	6	6
J O Hoey	11	10	5	5	-	-
G K Hardaker (2)	3	3	1	1	-	-
D H Christy (3)	1	1	-	-	-	-

(1) D B Guinness resigned from the Board on 28 June 2011

(2) G K Hardaker was appointed to the Board on the 28 April 2011 and is to stand for election at the next Annual General Meeting

(3) D H Christy was appointed to the Board on the 28 June 2011 and is to stand for election at the next Annual General Meeting

Signed for and on behalf of the Directors in accordance with a resolution of the Board

Gerry Regan  
Chairman

Peter Dunstan  
Deputy Chairman

27 September 2011  
Coffs Harbour





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Australia

**DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF BANANACOAST  
COMMUNITY CREDIT UNION LTD**

As lead auditor of Bananacoast Community Credit Union Ltd for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- any applicable code of professional conduct in relation to the audit.

**T J Kendall**

Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 27 September 2011

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$'000	2010 \$'000
Interest income	87,334	69,836
Interest expense	(55,002)	(38,290)
<b>Net interest income</b>	<b>32,332</b>	<b>31,546</b>
Other revenue and income	8,983	9,608
Employment expense	(14,757)	(14,699)
Occupancy expense	(2,688)	(1,656)
Depreciation and amortisation expense	(1,539)	(1,406)
Net impairment loss on loans and advances	(1,223)	(1,642)
Other expenses	(12,298)	(11,566)
<b>Profit before income tax expense</b>	<b>8,810</b>	<b>10,185</b>
Income tax expense	(2,330)	(3,068)
<b>PROFIT FOR THE YEAR</b>	<b>6,480</b>	<b>7,117</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>		
Net changes in fair value of land and buildings	-	227
Net changes in fair value of cash flow hedge	-	246
Net changes in fair value of available for sale assets	-	-
Income tax on items of other comprehensive income	-	(142)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>-</b>	<b>331</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>6,480</b>	<b>7,448</b>

## Discussion and analysis of the Statement of Comprehensive Income

bcu's operating profit after income tax for the year was \$6.480 million compared to the previous year's profit of \$7.117 million. This represents a \$0.637 million (or 8.95%) decrease.

Despite a decrease in net interest margin, net interest income for the year was higher by \$0.786 million (or 2.49%) compared to the prior year. The favourable result was primarily due to growth in gross loans of \$80.000 million (or 8.25%).

Other revenue and income decreased by \$0.625 million (or 6.50%) compared to the previous year. The decrease was primarily attributable to lower transaction fee income, following reductions in bcu transaction fees and charges, and lower loan related fee income reflecting lower loans growth and reductions in bcu lending fees and charges.

Total non-interest expenses increased by \$1.536 million (or 4.96%) from the previous year. This increase was mainly attributable to increased investment in staff, premises and other initiatives fundamental to the sustainability and ongoing success of bcu. The operating expense to income ratio (excluding impairment losses) increased to 75.72% from 71.26% the previous year.

The net impairment loss on loans and advances decreased by \$0.419 million (or 25.52%) with bcu continuing to increase loan loss provisions during the year, as economic conditions continue to increase the likelihood of greater than expected losses on loans and advances.

# Statement of Financial Position

AS AT 30 JUNE 2011

	2011 \$'000	2010 \$'000
<b>ASSETS</b>		
Cash and cash equivalents	125,647	136,063
Financial assets available for sale	2,695	2,699
Other receivables	4,777	6,844
Financial assets held to maturity	59,245	58,500
Loans and advances	1,043,086	964,084
Property, plant and equipment	13,433	10,266
Net deferred tax assets	1,815	1,756
Intangible assets	282	558
Other assets	659	421
<b>TOTAL ASSETS</b>	<b>1,251,639</b>	<b>1,181,191</b>
<b>LIABILITIES</b>		
Deposits	1,077,159	1,011,248
Other payables	3,411	3,083
Current income tax payable	402	197
Borrowings	72,754	80,908
Subordinated borrowings	5,500	-
Provisions	2,958	2,584
<b>TOTAL LIABILITIES</b>	<b>1,162,184</b>	<b>1,098,020</b>
<b>NET ASSETS</b>	<b>89,455</b>	<b>83,171</b>
<b>EQUITY</b>		
Member bonus shares	3,551	3,747
Reserves	40,028	39,973
Retained earnings	45,876	39,451
<b>TOTAL EQUITY</b>	<b>89,455</b>	<b>83,171</b>

## Discussion and analysis of the Statement of Financial Position

Total assets ended the year at \$1.252 billion representing an increase of \$70.448 million (or 5.96%) for the year. The largest contributor to the asset growth was an \$80.000 million (or 8.25%) increase in gross loans and advances. Investments decreased \$9.671 million (or 4.97%) during the year with funds used for loans and advances. bcu's liquidity ratio decreased from 17.07% to 15.33%. bcu's liquidity ratio was above the minimum prudential requirement.

Total liabilities ended the year at \$1.162 billion representing an increase of \$64.164 million (or 5.84%) on the prior year. This included growth in deposits of

\$65.911 million (or 6.52%), a \$5.500 million increase in subordinated borrowings and a decrease in other borrowings of \$8.154 million.

Total equity increased \$6.284 million to \$89.455 million (or 7.56%) due to the inclusion of the current year's operating profit after income tax in retained earnings. bcu's capital adequacy ratio increased from 11.85% to 13.00% due to an increase in retained earnings, the addition of \$5.500 million of term subordinated borrowings to lower tier 2 capital and slower growth in risk weighted assets. bcu's capital adequacy ratio was above the minimum prudential requirement.

*The accompanying notes form part of this Concise Financial Report*





# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Member Bonus Shares	Redeemed Preference Shares	General Reserve	Reserve for Credit Losses	Revaluation Reserve	Merger Reserve	Cashflow Hedge Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BALANCE AT 30 JUNE 2009</b>	<b>4,018</b>	<b>398</b>	<b>26,728</b>	<b>2,467</b>	<b>2,802</b>	<b>7,359</b>	<b>(172)</b>	<b>32,394</b>	<b>75,994</b>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the year	-	-	-	-	-	-	-	7,117	7,117
<i>Other comprehensive income for the year</i>									
Change in fair value of Land and Buildings, net of tax	-	-	-	-	159	-	-	-	159
Change in fair value of cash flow hedge, net of tax	-	-	-	-	-	-	172	-	172
Transfer from retained earnings to redeemed preference share reserve	-	60	-	-	-	-	-	(60)	-
Transfer from merger reserve to general reserve	-	-	7,359	-	-	(7,359)	-	-	-
Member bonus shares redeemed	(271)	-	-	-	-	-	-	-	(271)
<b>BALANCE AT 30 JUNE 2010</b>	<b>3,747</b>	<b>458</b>	<b>34,087</b>	<b>2,467</b>	<b>2,961</b>	<b>-</b>	<b>-</b>	<b>39,451</b>	<b>83,171</b>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Profit for the year	-	-	-	-	-	-	-	6,480	6,480
<i>Other comprehensive income for the year</i>									
Transfer from retained earnings to redeemed preference share reserve	-	55	-	-	-	-	-	(55)	-
Member bonus shares redeemed	(196)	-	-	-	-	-	-	-	(196)
<b>BALANCE AT 30 JUNE 2011</b>	<b>3,551</b>	<b>513</b>	<b>34,087</b>	<b>2,467</b>	<b>2,961</b>	<b>-</b>	<b>-</b>	<b>45,876</b>	<b>89,455</b>

## Discussion and analysis of the Statement of Changes in Equity

Total equity increased \$6.284 million to \$89.455 million (or 7.56%). The increase was attributable to the inclusion of the current year's operating profit after income tax in retained earnings less \$0.196 million of Member bonus share redemptions.

*The accompanying notes form part of this Concise Financial Report*

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	89,254	69,851
Dividends received	424	335
Fees and commissions received	9,051	9,365
Net proceeds from borrowings	-	40,000
Interest paid	(53,481)	(34,794)
Payments to suppliers and employees	(28,882)	(28,294)
Net movement in loans and advances	(80,175)	(124,129)
Net movement in deposits	64,492	124,630
Net movement in securitised loans	(8,154)	29,698
Net movement in financial assets held to maturity	(745)	14,054
Net movement in subordinated borrowings	5,500	(10,600)
Income taxes paid/(refunded)	(2,769)	(4,531)
<b>Net cash provided by/(used in) operating activities</b>	<b>(5,485)</b>	<b>85,585</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(4,795)	(1,034)
Proceeds from sale of property, plant and equipment	60	7
<b>Net cash provided by/(used in) investing activities</b>	<b>(4,735)</b>	<b>(1,027)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of member bonus shares	(196)	(271)
<b>Net cash provided by/(used in) financing activities</b>	<b>(196)</b>	<b>(271)</b>
<b>Total net increase/(decrease) in cash held</b>	<b>(10,416)</b>	<b>84,287</b>
Cash at the beginning of the financial year	136,063	51,776
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>125,647</b>	<b>136,063</b>

## Discussion and analysis of the Statement of Cash Flows

Cash at the end of the financial year was \$125.647 million representing a decrease of \$10.416 million during the year.

Net cash used in operating activities during the year was \$5.485 million. Net cash provided by operating activities during the previous year was \$85.585 million. The change in cashflows from operating activities was characterised by lower loans growth, lower deposit inflows and reduced borrowing activity.

Net cash used in investing activities increased to \$4.735 million from \$1.027 million the previous year reflecting an increased level of investment in premises and equipment which are fundamental to the sustainability and ongoing success of bcu.

The net cash used in financing activities remained largely consistent with the previous year.

*The accompanying notes form part of this Concise Financial Report*





# Notes to the Concise Financial Report

## FOR THE YEAR ENDED 30 JUNE 2011

The Concise Financial Report was authorised for issue on 27 September 2011 by the Board of Directors.

### Note 1: Basis of preparation of the Concise Financial Report

The Concise Financial Report relates to Bananacoast Community Credit Union Ltd (bcu) as an individual entity for the year ended 30 June 2011. bcu operates within the finance industry within Australia and its principal continuing activities during the year comprised the provision of financial products and services to members.

The Concise Financial Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and *Accounting Standard AASB 1039 Concise Financial Reports*.

The Concise Financial Report has been prepared on an accruals basis and is based on historical costs except for land and buildings, investment property, derivatives and financial assets available for sale that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

Accounting policies have been consistently applied to all years presented, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Note 1 of the Full Financial Report details all accounting policies.

The presentation currency of the Concise Financial Report is Australian Dollars.

bcu has applied the relief available to it under ASIC Class Order 98/0100 and accordingly, amounts in the Concise Financial Report and Directors' Report have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

### Note 2: Statement of Compliance

The Full Financial Report complies with all Australian equivalents to International Financial Reporting Standards in the entirety.

### Note 3: Accounting estimates and judgements

Management has made accounting estimates and judgements when applying bcu's accounting policies. Information about the significant accounting estimates and judgements is detailed in Note 1 of the Full Financial

Report. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on bcu and that are believed to be reasonable under the circumstances.

### Note 4: Dividends and options

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for. No options over issued shares were granted during or since the end of the financial year and there were no options outstanding at the date of the Concise Financial Report.

### Note 5: Events subsequent to the end of the reporting date

No circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of bcu, the results of these operations, or the state of the affairs of bcu in future financial years.

### Note 6: Income

	2011	2010
	\$'000	\$'000
INTEREST INCOME	87,334	69,836
NON-INTEREST INCOME		
Dividend revenue	424	335
Transaction and account fees	5,206	5,647
Loan fees and other commissions	3,256	3,522
Rental income	97	104
TOTAL NON-INTEREST INCOME	8,983	9,608
TOTAL INCOME	96,317	79,444

# Notes to the Concise Financial Report

FOR THE YEAR ENDED 30 JUNE 2011

## Note 7: Profit before income tax

	2011	2010
	\$'000	\$'000
Profit before income tax has been determined after the following items:		
EXPENSES		
Employment expenses	14,757	14,699
General and administration expenses	7,844	7,343
Fees and commission expenses	4,195	4,137
Rental expense on operating leases	1,063	772
Occupancy expenses	1,625	884
Net impairment loss on loans and receivables	1,223	1,642
Depreciation of plant and equipment	737	628
Amortisation of computer software	349	467
Amortisation of leasehold improvements	295	208
Net loss on disposal of property, plant and equipment	259	86
Depreciation of buildings	158	103

## Note 8: Prior period error

bcu notes that an accounting error occurred in prior years which relates to the amount of interest income not expected to be received due to impairment of loans and advances. The data previously used to provide this balance was incorrect and during the current financial year this error was identified. An adjustment has been made against the profit recorded for the year ended 30 June 2010. The aggregate effect of the error on the annual financial statements for the year ended 30 June 2010 is as follows:

	2010	Adjustment	Restated 2010
	\$'000	\$'000	\$'000
<i>Statement of Comprehensive Income</i>			
Interest income	69,474	362	69,836
Net interest income	31,184	362	31,546
Profit / (loss) before income tax	9,823	362	10,185
Income tax expense	(2,960)	(108)	(3,068)
Profit for the year	6,863	254	7,117
Total comprehensive income for the year	7,194	254	7,448
<i>Statement of Financial Position</i>			
ASSETS			
Loans and advances	963,722	362	964,084
TOTAL ASSETS	1,180,829	362	1,181,191
LIABILITIES			
Income tax payable	89	108	197
TOTAL LIABILITIES	1,097,912	108	1,098,020
NET ASSETS			
	82,917	254	83,171
EQUITY			
Retained earnings	39,197	254	39,451
TOTAL EQUITY	82,917	254	83,171



## Directors' Declaration

The Directors of Bananacoast Community Credit Union Ltd declare that:

- (a) The Concise Financial Report of the credit union for the year ended 30 June 2011 is in accordance with *Accounting Standard AASB 1039 Concise Financial Reports*; and
- (b) The financial statements and specific disclosures included in the Concise Financial Report have been derived from and are consistent with the Full Financial Report for the year end 30 June 2011.

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



Gerry Regan  
Chairman



Peter Dunstan  
Deputy Chairman

27 September 2011  
Coffs Harbour



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## INDEPENDENT AUDITOR'S REPORT

To the members of Bananacoast Community Credit Union Limited

### Report on the Concise Financial Report

We have audited the accompanying concise financial report of Bananacoast Community Credit Union Ltd which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and related notes, derived from the audited financial report of Bananacoast Community Credit Union Ltd for the year ended 30 June 2011 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

### Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

### Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bananacoast Community Credit Union Ltd for the year ended 30 June 2011. We expressed an unmodified opinion on that financial report in our report dated 27 September 2011. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bananacoast Community Credit Union Ltd would be in the same terms if it had been given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion, the concise financial report including the discussion and analysis, of Bananacoast Community Credit Union Ltd for the year ended 30 June 2011 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

**BDO Audit (QLD) Pty Ltd**

BDO  


**T J Kendall**  
Director

Brisbane, 27 September 2011





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