

*Let's talk banking*



## Annual Report 05







Grafton Artfest

# BCU-Supporting the Community

Nambucca Surf Lifesaving Club



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# The Glenreagh Mountain Railway

"BCU are a community credit union in the truest sense of the word," says the Glenreagh Mountain Railway President, Colin Sambrook. "Over the years BCU have assisted us in many ways. They sponsored the printing of the Glenreagh Mountain Railway book, which was published last year, they lend us the BCU marquee for events and help us fund raise on open days."

GMR have been BCU Members since 1989 and initially joined because it was seen as important by the GMR Board to 'keep things local'.

The Glenreagh Mountain Railway is a non-profit, community based organisation, run entirely by volunteers. It currently has members from all walks of life who possess many different skills. However, they all share the common desire to see steam trains on the Glenreagh to Dorrigo railway line once again.



# Chairman's Report 2004-2005

## Financial Performance

As one of my first tasks since taking over as Chairman, I am pleased to report that our Credit Union has again performed very well during the past financial year and is in a strong financial position to continue to expand into new markets and deliver improved products and services to Members.

Whilst Membership levels have remained fairly constant this year both loans and deposits have increased by more than 11%. Total assets this financial year increased by 13.05% (\$73.9 million) to \$640 million.

In the financial year 2004/2005 total deposits increased by 11.29% (\$58.8 million) to \$580 million. Most of the increase was in term deposits which resulted in a higher cost of funds. The growth can be attributed to a renewed consumer focus on short term investments.

Overall loans grew by 11.77% or \$57.3 million in the past financial year. Our Credit Union is still seen as a leader in the industry for commercial lending, which this year increased by \$27.3 million. Commercial loans represent almost 30% of our loans book, home loans made up 62.68% of total loans, and increased by 8.30% or \$26.2 million. Personal loans represent only 7.54% of our loan book, however, we did see a growth of 10.28% or \$3.8 million. This growth in loans generally was achieved despite strong competition and a flattening of the housing market.

Retirement Savings Accounts grew by more than \$2 million to \$12.5 million in the past financial year and are proving popular as a result of new Super Choice legislation.

With the move from CGU to Allianz insurance, non interest income from insurance commissions amounted to \$664,000 in the 2004/2005 financial year. Insurance sales were strong towards the end of the year and this is expected to continue into this financial year.

Annual net profit for the financial year 2004/2005 was reported at \$5.4 million, slightly down on the previous financial year's figure of \$5.6 million. This was due to increased pressure on margins as a result of competition, merger costs and the full amortisation of subordinated debt expenses in the financial year.

Branches in our traditional markets continue to perform well with strong growth reported in northern NSW.

## Benefits to Members

Our Credit Union was pleased to be able to return \$1.7 million in Bonus Share Dividends for the 2004/05 financial year – yet another example of our Credit Union's focus on Members and how we differ from other financial institutions.

Members have not only benefited through this dividend scheme but also from ongoing investment to improve and expand our extensive range of products and services.

Our branch and ATM network continues to expand across the region. The Lismore branch, including a business and agri-banking centre, opened its doors in March and three new ATMs were installed at Lismore, Boambee Shopping Village and Coffs Harbour Regional Airport. With more than 30,000 aircraft movements and over 260,000 passengers a year, the Mayor of Coffs Harbour welcomed the installation of an ATM at the airport as an important service to the community.

# Westport High School Canteen

"We chose to bank with BCU because they're local and offer community organisations a bank account with no account keeping fees," says Canteen Manager, Kym Peir. "With a branch just down the road I can easily do my banking. It's also handy for when we run out of change, which is fairly often, but the branch staff never seem to mind and are just so wonderfully helpful."

Westport High School in Port Macquarie was established in 1981 as a co-educational comprehensive high school. The School has a very supportive and active P & C that is responsible for, amongst other things, the school canteen.

The canteen, run by a team of dedicated volunteer parents, serves the school's 852 students at breakfast, recess and lunch with a range of hot meals, salads rolls, wraps, juices and desserts.

Pictured below: Westport Highschool canteen volunteers having fun on the job.



# Chairman's Report cont.

In June Members of both Big River Credit Union Ltd. and Bananacoast Community Credit Union Ltd. voted resoundingly in favour of a merger. This will see the extension of the BCU network to 23 branches and agencies between Port Macquarie and Tweed Heads with more than 26 ATMs.

Whilst around 57% of Members regularly enjoy the personal service at branches, more and more are choosing to embrace our flexible delivery options with almost 32% of Members now registered for iBank internet banking compared with 21% last year. On average 36,835 iBank transactions are conducted per month and phone banking is continuing to prove popular with around 75,000 member enquiries a year.

## Community Focus

As a community credit union we remain focused on servicing the needs of our Members and supporting the communities in which they live. Many schools, sporting groups, local events and initiatives benefited from sponsorships across the region.

Housing, Employment and Education Committees, established by the Board, continue to address the issues facing the growth of sustainable rural communities and to work with strategic partners in the area.

Significant sponsorships over the past financial year included the BCU Bachelor of Business Scholarship, which was offered to a student starting studies in 2005. It was awarded on academic achievement, personal maturity and social responsibility. Over the past three years BCU has actively supported the education and employment of youth in this region through traineeships. This important initiative will help attract and retain the region's best and brightest students in the field of business. The Scholarship, which was hotly contested across the region, was awarded to Mitchell Tate from the small NSW town of Manilla. Mitchell is now studying Marketing and Law at the Lismore campus of Southern Cross University.

In addition to the sponsorship of a number of regional Business Awards to support local business growth and employment, BCU was this year the major sponsor on the North Coast of the 2005 NSW Group Training Awards. These awards not only acknowledge the contribution made by local employers in training our youth but celebrate the achievement of some very talented individuals. The Awards promote the benefit of employing trainees and apprentices.

Research into issues facing aged care services in the region will be a focus of Dr. Colleen Cartwright, appointed to the "BCU Neville Spear Chair of Aged Services" at Southern Cross University. This position, named in honour of our founding General Manager, was sponsored by BCU and is the first professorial chair to be sponsored at the University. With Dr Cartwright's extensive research and teaching experience in the field of public health and aged care it is planned to not only provide opportunities for education and employment in our region but to find solutions to aged care issues, which can be implemented throughout Australia.

In many areas between Port Macquarie and Tweed Heads the cost of housing is putting home ownership out of the reach for many of our Members. BCU has commissioned Southern Cross University to conduct research into the issues confronting people trying to enter the housing market and a pilot project will be announced in the 2005/2006 financial year.

## The Future

Whilst maintaining focus on Member service, community, family and business banking, it is the Board's aim over the next five years to almost

# The Australian Volunteer Coast Guard

“Having a local manager on-site, who has taken the time to understand how we operate is a huge advantage. We are not just a number. The staff at BCU know us all by name and always go out of their way to help;” says Flotilla Commander, Mr. Doug Smith.

Formed in 1961 to promote safety in the operation of small craft, The Australian Volunteer Coast Guard is an organisation composed entirely of volunteers. It guards the coast through education, example and, most importantly, by search and rescue. The Australian Volunteer Coast Guard has been stationed at Iluka in the Clarence Valley since about 1987 and services an area from Evans Head to Wollli.

Pictured right:  
Flotilla Commander,  
Mr. Doug Smith.



# Chairman's Report cont.

treble our funds under management. This will ensure BCU remains a viable alternative to the major banks for a greater number of rural communities.

To achieve this in today's market is a serious challenge, particularly in light of economic forecasts, increasing reliance on technology, cost of legal compliance and increasing national and international competition.

The importance of retaining money locally to support the local economy and communities will be critical. The ongoing and increased support of Members in take up of our products and services will be paramount .....whether it be loans, savings, term deposits, insurance, financial planning or any other new product offering.

In addition to opening new branches, mergers will be instrumental in creating a stronger capital base that will underpin BCU's future expansion plans - not only in NSW but Queensland too. Following the recent merger with Big River Credit Union, BCU is now one of the largest regional Community Credit Unions in Australia employing around 250 staff.

Our success in the past has come from our ability to maintain a community focus, deliver personal service, provide Members with value, plus offer a comprehensive range of products and services. BCU commits to retain this focus in the future and will continue to invest in new branches, employing local staff focused on Member service.

We acknowledge however that many Members choose to do their banking electronically at a time and place to suit them. In view of this we will be increasing our investment in Information Technology to \$3.8 million in the forthcoming year and plan to launch a new service ..... BCU Direct.

## **Close**

After 14 years on our Board, seven of those as Chairman, Bill Singleton decided to stand down to focus on 'more relaxing activities' believing it time to move on and 'leave the hard work to the younger members of the Board to continue'.

As the new Chairman, I have big shoes to fill taking over from Bill, but I'm confident I can carry on the good work that he has achieved. The Deputy Chair position, which I vacated, has been filled by long-time BCU Board Member, Geoff Johnson.

I would also like to acknowledge the contribution of past Director, Roley Palmer. Being a Member of the Banana Growers Federation District Council, Roley always felt an affinity with the Credit Union and during his 23 years saw BCU grow to enhance the lives of many in the area.

Two new Directors from the Grafton area, Peter Ellis and Peter Dougherty, both of whom previously sat on the Board of Big River, have joined the BCU Board.

This is an exciting time for BCU in terms of growth, and over the next few years the new Board plans to ensure BCU's position at the forefront of the credit union industry.

In closing I would like to thank my fellow Directors, our CEO (Ray Battle), our Deputy CEO (David Bevan), the Management Team and all BCU Staff for their ongoing commitment to making BCU a credible force in the finance industry and a credit union we can all justifiably be proud to be Members of.

Gerry Regan  
Chairman  
20th September 2005

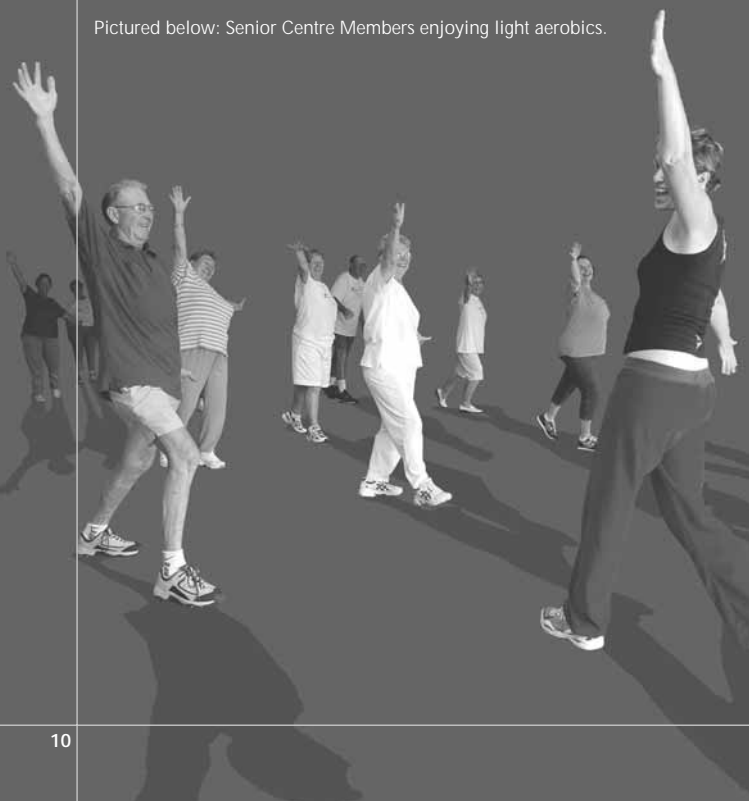
# The Woolgoolga Seniors' Centre

"We've been with BCU since we opened in 2004 and in that time we've experienced nothing but wonderful service. Without BCU's help and huge donation of \$30,000 to complete the building of our centre I don't know what we would have done..."

Every day the Woolgoolga Seniors' Centre offers a different activity geared towards seniors, including computer training, gentle exercise, life ball, cards, coffee mornings, indoor bowls, country dancing, senior education and most importantly friendship.

Ron Whelan, the Centre's President says; "BCU has been part of our community for over 15 years. Not only do staff in the local branch provide a great service but BCU helps this community in so many ways".

Pictured below: Senior Centre Members enjoying light aerobics.



# Directors' Report

Your Directors present their report for the year ended 30 June 2005.

## Directors

The names of the Directors of the company in office at the date of this report are:

### **Mr G J Regan - Chairman**

Director since 1988

Member Executive Committee

Retired Engineer

1 Redeemable Preference Share held

### **Mr M J Spear**

Director since 1989

Member Audit Committee

Member Risk Management Committee

Banana Grower

1 Redeemable Preference Share held

### **Mr D G Jones**

Director since 1994

Milk Distributor

1 Redeemable Preference Share held

### **Mr G C Johnson - Deputy Chairman**

Director since 1997

Member Executive Committee

Investor

1 Redeemable Preference Share held

### **Mr D B Guinness**

Director since 1986

Member Audit Committee

Member Risk Management Committee

Investor

1 Redeemable Preference Share held

### **Mr P E Dunstan**

Director since 1999

Retired

1 Redeemable Preference Share held

# Directors' Report cont.

Mr P J Wardman

Director since 2004

Solicitor

1 Redeemable Preference Share held

Mr P J Dougherty

Director since 2005

Member Audit Committee

Retired Project Maintenance Engineer

1 Redeemable Preference Share held

Mr P J Ellis

Director since 2005

Grazier and Primary Producer

Member Risk Management Committee

1 Redeemable Preference Share held

Mr W J Singleton O.A.M and Mr R H Palmer were Directors from the beginning of the financial year and resigned as directors on the 30th June 2005.

## Directors' Meetings

The number of Directors' Meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Credit Union during the financial year were:-

### Directors' Meetings

Directors	Meetings Attended	Meetings Held
W J Singleton	13	13
G J Regan	13	13
D B Guinness	13	13
D G Jones	13	13
R H Palmer	13	13
M J Spear	13	13
G C Johnson	13	13
M J Martin*	6	13
P E Dunstan	13	13
P J Wardman**	7	13

# Directors' Report cont.

## Audit Committee Meetings

### Audit Committee Meetings

Directors	Meetings Attended	Meetings Held
W J Singleton	2	2
G J Regan	1	2
D B Guinness	2	2
D G Jones	-	-
R H Palmer	-	-
M J Spear	2	2
G C Johnson	-	-
M J Martin*	-	-
P E Dunstan	-	-
P J Wardman**	-	-

\* **Mr M J Martin** was a director from the beginning of the financial year and ceased to be a director on 29th November 2004.

\*\* **Mr P J Wardman** was appointed a director on 29th November 2004.

The role of the Audit, Compliance & Risk Management Committee is to give the Board of Directors additional assurance regarding the review of financial information, policies and procedures, auditing processes and formulation and periodic review of the disaster recovery plan. Since the 30th June 2005 this Committee has been separated into two and now comprises the Audit Committee and the Risk Management Committee.

## Principal Activities

The Credit Union operates as a community based Credit Union providing the normal account keeping facilities, loan and other member services of such a financial institution. There were no significant changes in the nature of those activities during the financial year.

## Review of Operations

The profit of the Credit Union after providing for income tax amounted to \$5,409,960 (2004: \$5,623,742). Assets of the Credit Union increased by \$73,893,204 or 13.05 %.

Loans increased by \$57,339,039 or 11.77%, and deposits grew by \$58,594,421 or 11.24%. The capital adequacy ratio at 30 June 2005 was 13.96 %.

## Dividends

A dividend of \$1,686,935 was approved by the Board and paid on 16th March 2005. The dividend has been paid in the form of Bonus Shares as prescribed in Note 25.

## Significant Changes in the State of Affairs

Significant changes in the state of affairs of the company during the financial year were as follows:

Issue of \$5 million Floating Rate Subordinated Medium Term Notes on 30th November 2004

Issue of \$5 million Floating Rate Subordinated Medium Term Notes on 24th June 2005

Repurchase of Bonus Shares during the year amounting to \$304,829.

## Matters Subsequent to the End of the Financial Year

On the 1 July 2005, the Australian Prudential Regulation Authority approved the total transfer of all assets and liabilities of Big River Credit Union Ltd to the company.

The net assets of Big River Credit Union Ltd at the date of transfer amounted to \$7,388,222.

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operation of the Credit Union, the results of those operations or the state of affairs of the Credit Union in the subsequent financial year.

## Likely Developments and Expected Results

The company expects reduced interest rate margins from increasing the mix in term lending and further competition for retail deposits. Non re-current costs associated with merging Big River Credit Union Ltd with the company and software upgrade are likely to affect the results in 2005-2006.

The Directors do not expect any other significant changes in the operations or services of the Credit Union which will affect the results of the Credit Union in future years.

## Insurance of Officers

During the financial 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, secretary and employees.

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

No insurance cover has been provided for the benefit of auditors of the company.

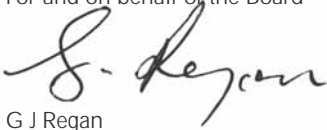
## Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001. A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

## Acknowledgements

The Directors wish to acknowledge the support from Members which has ensured the continued growth and success of the organisation. The Directors also express their appreciation to Management and Staff for their efforts during the financial year.

For and on behalf of the Board



G J Regan  
Director

Dated at Macksville this 20th day of September 2005

## Auditors' Independence Declaration

As lead auditor for the audit of Bananacoast Community Credit Union Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bananacoast Community Credit Union Ltd during the period.



D N Kelly  
Partner  
PricewaterhouseCoopers

Brisbane  
20th September 2005

# Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

## BOARD OF DIRECTORS AND ITS COMMITTEES

### Role of the Board

The Board is responsible for the overall Corporate Governance of the Credit Union including its strategic direction, establishing goals for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit, Compliance & Risk Management Committee. The Board has also established a framework for the management of the Credit Union including a system of internal control and the establishment of appropriate ethical standards. Since 30th June 2005 this Committee has been separated in two and now comprises the Audit Committee and the Risk Management Committee.

### Composition of the Board

The Credit Union Board consists solely of non-executive directors. The names of the directors in office at the date of this Statement are set out in the Directors' Report.

### Responsibilities of the Board

The responsibilities of the Board include:

- providing strategic guidance to the company including contributing to the development of, and approving, the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring;
  - organisational performance and the achievement of the Credit Union's strategic goals and objectives
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments

# Corporate

## Governance Statement cont.

- monitoring financial performance including approval of the annual financial reports and liaison with the Credit Union's auditors;
- ensuring there are effective management processes in place and approving major corporate initiatives; and
- enhancing and protecting the reputation of the organisation.

### **Audit, Compliance and Risk Management Committee**

The role of this Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Credit Union. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial reports. The Committee also reviews the performance of the external auditors on an annual basis.

This Committee is elected by the Board, and includes the Internal Auditor as Secretary. The external auditors, the Chief Executive Officer, the General Manager Finance and Administration and the General Manager Operations are invited to Audit Committee meetings at the discretion of the Committee.

The responsibilities of the Audit, Compliance and Risk Management Committee include:

- reviewing financial reports and other information distributed externally;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual statutory audits are conducted in an effective manner;

# Corporate Governance Statement cont.

- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Law and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and Australian Prudential Regulation Authority;
- reviewing reports on any major defalcations, fraud and theft from the Credit Union
- reviewing the adequacies of compliance programs;
- reviewing the adequacies of risk management processes;
- improving the quality of the accounting function; and
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities.

## **INTERNAL CONTROL FRAMEWORK**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies, guidelines, job descriptions and organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

The Board reviews and approves the Annual Budget, which is drawn from a comprehensive budgeting system, and actual performance is monitored and compared against the budget.

## **ETHICAL STANDARDS**

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Credit Union.

Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

# Corporate

## Governance Statement cont.

### THE ROLE OF MEMBERS

The Board of Directors aims to ensure that the members are informed of all major developments affecting the Credit Union's state of affairs. Information is communicated to members as follows:

- the annual report is made available to all members entitled to vote at and attend the Annual General Meeting. The Board ensures that the annual report includes relevant information about the operations of the Credit Union during the year, changes in the state of affairs of the Credit Union and details of future developments, in addition to the other disclosures required by the Corporations Law;
- proposed major changes in the Credit Union which may impact on the constitution are submitted to a vote of members;
- the Credit Union's newsletter, "Insight", which discusses all issues of interest to members and is issued three times per year; and
- the Credit Union's Internet website.

The Board encourages full participation of members at the Annual General Meeting to ensure a high level of accountability and identification with the Credit Union's strategy and goals. Important issues are presented to the members as single resolutions.

The members are responsible for voting on the appointment of directors.

### PRIVACY, CONFIDENTIALITY AND ACCOUNTABILITY

The Credit Union respects the privacy of individuals and the confidentiality of the commercial information owned by its members and its licensees. The Credit Union equally adheres to the principles of open and accountable administration of its own affairs.

# Statement of Financial Performance

For the Year Ended 30 June 2005

	Note	2005 (\$)	2004 (\$)
Interest revenue	2	43,396,208	37,586,604
Interest expense	2	(22,884,014)	(17,838,882)
<b>Net interest revenue</b>		<b>20,512,194</b>	<b>19,747,722</b>
Other revenue from ordinary activities	3	8,652,274	8,300,910
Bad debts expense	12(b)	(152,057)	(209,481)
Doubtful debts expense	12(b)	-	-
Employee benefits expense	4(a)	(9,952,602)	(8,836,493)
Occupancy expense		(732,644)	(776,524)
Depreciation & amortisation expense	4(a)	(1,517,997)	(1,563,274)
Borrowing costs expense	4(a)	(166,000)	-
Other expenses from ordinary activities	4(a)	(8,822,993)	(8,462,806)
Profit from ordinary activities before income tax expense		7,820,175	8,200,054
Income tax expense relating to ordinary activities	5	(2,410,215)	(2,576,312)
Profit from ordinary activities after related income tax expense		5,409,960	5,623,742

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

# Statement of Financial Position

As at 30 June 2005

	Note	2005 (\$)	2004 (\$)
<b>ASSETS</b>			
Cash and liquid assets	8	28,318,524	9,844,371
Receivables due from other financial institutions	9	59,795,303	62,251,899
Accrued receivables	10	1,101,544	960,134
Loans and advances	11	540,048,175	482,709,136
Other investments	13	1,495,500	1,416,400
Property, plant and equipment	14	7,055,490	7,018,112
Deferred tax assets	15	2,035,862	1,843,828
Other assets	16	86,686	-
<b>TOTAL ASSETS</b>		<b>639,937,084</b>	<b>566,043,880</b>
<b>LIABILITIES</b>			
Deposits	17	579,726,465	521,132,044
Payables and other liabilities	18	1,498,635	1,360,736
Tax liabilities	19	955,345	1,066,086
Provisions	20	1,166,029	999,535
Interest Bearing Liabilities	21	10,000,000	-
<b>TOTAL LIABILITIES</b>		<b>593,346,474</b>	<b>524,558,401</b>
<b>NET ASSETS</b>		<b>46,590,610</b>	<b>41,485,479</b>
<b>EQUITY</b>			
Reserves	22	26,727,648	26,727,648
Retained profits	23	14,107,403	10,384,378
Members Shares	24	5,755,559	4,373,453
<b>TOTAL EQUITY</b>		<b>46,590,610</b>	<b>41,485,479</b>

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

# Statement of Cash Flow

For the Year Ended 30 June 2005

	Note	2005 (\$)	2004 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		43,230,387	37,859,212
Fees and commissions received		8,638,085	8,319,608
Interest Paid		(21,878,159)	(17,779,285)
Payments to suppliers and employees		(19,509,136)	(17,605,011)
Income taxes paid		(2,868,685)	(2,509,894)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>34(c)</b>	<b>7,612,492</b>	<b>8,284,630</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in investment securities with other financial institutions (including clearing accounts)		2,415,530	21,734,518
Net movement in Member loans		(57,491,096)	(80,597,871)
Payments for property, plant and equipment		(1,710,184)	(1,866,958)
Proceeds from sale of property, plant and equipment		197,636	140,386
<b>NET CASH PROVIDED FROM INVESTING ACTIVITIES</b>		<b>(56,588,114)</b>	<b>(60,589,925)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in Member deposits and clearing accounts		57,449,775	47,957,666
Subordinated debt issue		10,000,000	-
<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>		<b>67,449,775</b>	<b>47,957,666</b>
Total Net increase/(decrease) in cash held		18,474,153	(4,347,629)
Cash at the beginning of the financial year		9,844,371	14,192,000
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>34(a) &amp; 8</b>	<b>28,318,524</b>	<b>9,844,371</b>

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

# Financial Notes

*Notes to & forming part of the accounts as at 30 June 2005*

## NOTE 1: Summary of Significant Accounting Policies

The financial report of the Credit Union is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Prudential Standards set down by Australian Prudential Regulation Authority (APRA).

The financial report covers Bananacoast Community Credit Union Ltd as an individual entity. Bananacoast Community Credit Union Ltd is a company limited by shares, incorporated and domiciled in Australia.

This financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values nor, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. Except where stated, the accounting policies have been consistently applied.

The following is a summary of the material accounting policies adopted by the credit union in the preparation of the financial report.

### **(a) Income Tax**

Tax effect accounting is applied by the Credit Union whereby the income tax expense shown in the Statement of Financial Performance is based on the profit from ordinary activities before tax adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account either as a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no

# Financial Notes cont.

adverse change will occur in income tax legislation and the anticipation that the credit union will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## **(b) Receivables Due from other Financial Institutions**

Receivables from other financial institutions are primarily settlement account balances due from banks, building societies and other credit unions and exclude call and term deposits with other ADIs. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of Financial Performance when earned.

## **(c) Revenue**

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the Members' loan account on the last day of each month.

Loan interest is not brought to account when the Credit Union is informed that the Member has deceased or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the Member are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Loan fees are brought to account as income in the year of receipt up to the amount of costs recouped. Loan fees in excess of costs are brought to account as income over the period of the loan or 5 years, whichever is the lesser.

Investment Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and commissions are recognised upon the rendering of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

## **(d) Loans to Members**

Loans and advances to Members are recognised at recoverable amount, after assessing required provisions for impairment.

# Financial Notes cont.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

The amount provided for impairment of loans is determined by Management and the Board. The Prudential Standards issued by APRA require a minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. In addition, the Board makes a provision for loans in arrears where the collectibility of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

The various components of impaired assets are as follows:

“Non-accrual loans” are loans and advances:

- a) for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement; or
- b) which do not meet the definition of a restructured loan only because it yields less than the entity’s average cost of funds,

and includes category two loans, category three loans and category four loans, in accordance with harmonised Prudential Standard Guidance Note AGN 220.3.

“Restructured loans” are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the Member or group of Members.

A restructured facility must be earning a rate of interest that is equal to or greater than the Credit Union’s average cost of funds at the date of the restructuring.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

“Past-due loans” means a loan or similar facility in arrears which has not been operated within its key terms by the borrower for

# Financial Notes cont.

at least 90 days and which is not an impaired loan and includes category one loans in accordance with harmonised Prudential Standard Guidance Note AGN 220.3 that are in arrears for at least 90 days.

## **(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

### **Property**

Freehold land and buildings are carried on the cost basis. It is the policy of the Credit Union to have an independent valuation every three years to ensure the cost value is not greater than fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

### **Plant and Equipment**

Plant and equipment are measured on a cost basis.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets' employment and subsequent disposal. The decrement in the carrying amount is recognised as an expense in the net profit or loss from ordinary activities in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis. Summaries of the rates used are:

Buildings	2.5 %
Computer Software	33.3 %
Office Furniture and Equipment	20.0 %
Leasehold Improvements	20.0 %
Motor Vehicle	25.0 %
Computer Hardware	25.0 %

# Financial Notes cont.

## **(f) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## **(g) Members' Deposits**

Members' deposits are brought to account at the gross value of the outstanding balance. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as part of Members deposits.

## **(h) Employee Entitlements**

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Present values are discounted using rates for Commonwealth Government guaranteed securities having terms to maturity that match, as closely as possible, the terms of the related liabilities. Future increases in remuneration rates are taken into account in estimating future cash outflows.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

## **(i) Dividends**

Provision is made for the amount of any dividend determined by the directors on or before the end of the financial year but not distributed at balance date, as well as any dividends paid out of retained profits at the end of the financial year where the dividend was declared between the end of the financial year and the completion of the financial report.

The current dividend policy of directors is that the dividends be paid by the issuing of bonus shares.

Payment of dividends is subject to the following conditions:

- (a) the declaration and payment of the dividend is permitted by APRA;
- (b) the declaration and payment of the dividend will not result in any breach by the company of any capital adequacy requirements of APRA;

# Financial Notes cont.

- (c) dividends are paid out of profits of the company;
- (d) a dividend must only be paid to a person who has been a Member continuously for 12 months before the date of the declaration of the dividend; and
- (e) a dividend must not be paid on bonus shares.

## **(j) Member Shares**

The bonus shares:

- (a) will have an issue price of \$1.00 and will be issued fully paid;
- (b) will be non-voting;
- (c) will not confer any rights to further distributions of income or capital of the company, whether on winding up or otherwise (ie. no further dividends can be declared on bonus shares);
- (d) will not be transferable but transmissible in the event of death, bankruptcy or mental incapacity.

The bonus shares may be redeemed (effectively, converted into cash of \$1.00 per bonus share) if;

- (a) the redemption is permitted by APRA;
- (b) the redemption does not result in the company breaching its capital adequacy requirements;
- (c) the Member has repaid all outstanding financial accommodations and discharged all other obligations to the company;
- (d) the Member ceases to be a Member of the company, and twelve months have expired since that cessation, and requests that the member's bonus shares be redeemed by the company; and
- (e) the redemption is approved by the company.

## **(k) Securitisation**

The Credit Union conducts a loan securitisation programme whereby housing mortgage loans are sold as securities to the Trinity Mortgage Origination Trust No 1, thus removing the asset from the Credit Union's Statement of Financial Position. The Credit Union receives various fee income for services provided to the securitisation programme. Fee income is recognised on an accrual basis in relation to the reporting period in which the costs of providing the services are incurred.

The Trustee of the securitisation programme has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Credit Union. The Credit Union does not guarantee the capital value or performance of securities, or the assets of the Trust. The Credit Union does not guarantee the payment of interest or the repayment of principal due on the securities.

# Financial Notes cont.

## (I) Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the company's financial statements for the year ending 30 June 2006.

In November 2004, the Australian Prudential Regulation Authority (APRA) issued an Overview Paper, *Adoption of International Financial Reporting Standards – Prudential Implications*, in which it indicated that it would consult extensively with regulated institutions to better understand the quantitative impact of AIFRS. APRA's objective in its approach to AIFRS is to align its prudential and reporting standards with Australian accounting standards and principles to the extent practicable, as the latter provide a widely accepted basis for the recognition and measurement of assets, liabilities, equity, revenue and expenses. In certain circumstances, however, APRA's prudential framework will depart from accounting standards.

In February 2005 APRA released a discussion paper *Adoption of International Financial Reporting Standards: Prudential Approach: 1 Fair Value and other issues*. APRA indicated in this discussion paper that further discussion papers will be issued covering Tier 1 Capital instruments and securitisation.

The company has analysed all of the AIFRS and has identified the accounting policy changes that will be required in accordance with AIFRS and APRA's prudential framework.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out under (ii) below.

The adjustments shown in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, which may change. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

# Financial Notes cont.

There will be minor changes in the disclosure of the financial statements including terminology changes (ie. Statement of Financial Performance = Income Statement, the Statement of Financial Position = Balance Sheet) and inclusion of Statement of Changes in Equity

## **(i) First Time Adoption**

All changes required as a result of first time adoption will be recognised directly in retained earnings as at 1 July 2004 except for changes relating to AASB 132 and AASB 139 which will be adjusted in retained earnings at 1 July 2005.

The company has elected to take advantage of the transition provisions included within of AIFRS and will apply AASB 132 and AASB 139 from 1 July 2005 rather than from 1 July 2004. This allows the Company to apply its existing accounting policies to the comparative information within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report. AASB 132 and AASB 139 govern the measurement and presentation of financial instruments including derivatives.

## **(ii) Changes applicable from 1 July 2004**

### **Income tax**

Under AASB 112 Income taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The entity will be reviewing its calculation of deferred tax assets and deferred tax liabilities to determine whether the changes in criteria for recognition will lead to any changes in the amounts to be reported.

An increase in deferred tax asset at 30 June 2005 would have been recognised comprising:

(i) recognition of a deferred tax asset in the statement

# Financial Notes cont.

- of financial position relating an increase in employee benefits
- (ii) recognition of a deferred tax asset in the statement of financial position relating to the provision for write down to recoverable amount of shares in non listed companies
- (iii) recognition of a deferred tax asset in the statement of financial position in relation to depreciation for land and buildings

## Property, Plant and Equipment

AASB 116 Property, Plant and Equipment prescribes the accounting treatment for the tangible assets property, plant and equipment including their recognition, determination of their carrying amounts, depreciation and recognition of impaired assets. AASB 1 grants a 'first-time adopter' optional exemptions which provide additional Accounting Policy options.

The entity is still considering whether to measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date or use a previous GAAP revaluation of an item of property plant and equipment at; or before, the date of transition as deemed cost at the date of the revaluation.

## Employee Benefits

Employee benefits payable (other than long service leave) were previously measured at their nominal amount expected to be paid out irrespective of the expected date of payment. Under AIFRS, all employee benefits payable in excess of 12 months will be discounted.

The revised standard on Employee entitlements will require the recognition of the accumulated sick leave entitlements, which while not able to be paid on termination, are carried for up to 10 years. The recognised value of any past entitlements available and expected to be consumed in the next 12 months will be reflected in the balance sheet as a liability. This is not expected to result in a material change in the reported results.

The entity does not have a defined benefits superannuation plan and therefore will not be required to recognise actuarial gains and losses relating to such plans in the statement of financial performance.

An increase in the provision for employee entitlements at 30

# Financial Notes cont.

June 2005 would have been recognised.

## **(iii) Changes applicable from 1 July 2005**

### **Effective Interest Method**

Transaction costs on loans are currently recognised as an expense unless it is recouped from the borrower at the time the loan is disbursed. The entity will be reviewing its processes to confirm that the relevant direct costs of establishing the loan do not exceed the recoverable amount. If costs are found to be in excess of the recovered amount, to the extent that they will result in a material change to the effective interest rate being earned, they will be required to be deferred and reflected as expenses over the expected life of the loan. This would increase the level of net income being reported in the year of loan inception and decrease the net income in subsequent years as the deferred expense is recognised.

### **Recognition of Loan Fees**

The entity currently recognises all fees on loans as revenue at the time the fee is charged to the borrower. The entity will be reviewing its process to confirm that the relevant fees do not exceed the costs of establishing the loan. If fees are found to be in excess of costs to the extent that they result in a material change to the effective interest rate being earned, they will be required to be deferred and reflected as revenue over the expected life of the loan. This would reduce the level of net income being reported in the year of the loan inception and increase the net income in subsequent years as the deferred income is recognised.

### **Loan Provisioning**

The amount identified under APRA's Prudential Standards as the general provision is not able to be taken up as a provision under the proposed AASB 139 Measurement of Financial Instruments, and will need to be written back. The portion of the provision identified as the specific provision will need to be re-evaluated to meet the revised provisioning criteria under AASB 139. At present the specific provision is calculated in accordance with a formula mandated by APRA as part of the Prudential Standards. As this formula is based on a percentage applied to loan categories that fall in arrears, a review of its appropriateness will be necessary. This assessment will take place annually to reflect the potential losses as at the balance date.

# Financial Notes cont.

## Securitisation of Loans

All loans securitised have been sold to the Trinity Mortgage Origination Trust No. 1 and are not recognised as an asset in the statement of financial position. The contractual arrangements with the trust are being evaluated to assess if they will meet the new criteria for transferring assets off balance sheet. If they do not assets previously derecognised would come back onto the Company's balance sheet. There would be no profit impact.

## Investments

Under the new standards all investments in equity instruments where a market value can be determined will be required to be measured at fair value in the balance sheet, with all changes in value being recognised in the income statement. For investments in instruments which do not have any trading market, additional information will need to be obtained to determine the appropriate details to be reported. The entity does not expect the current values recognised for these shareholdings to change by a material amount.

## (m) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with the changes in the presentation of financial statements in the current year.

# Financial Notes cont.

## NOTE 2: Interest Revenue And Interest Expense

The following tables show the average balance of each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Weekly or month-end averages are also used provided they are representative of the entity's operations during the period.

	Average Balance (\$)	Interest (\$)	Average Rate (%)
<b>INTEREST REVENUE 2005</b>			
Cash and Liquid Assets	16,848,111	718,180	4.26
Receivables from other financial institutions	58,745,941	3,225,899	5.49
Loans and advances	517,445,496	39,452,129	7.62
	<b>593,039,548</b>	<b>43,396,208</b>	<b>7.32</b>
<b>INTEREST EXPENSE 2005</b>			
Member Deposits	553,892,232	22,669,945	4.09
Interest Bearing Liabilities	3,461,538	214,069	6.18
	<b>557,372,319</b>	<b>22,884,014</b>	<b>4.11</b>
<b>INTEREST REVENUE 2004</b>			
Cash and Liquid Assets	15,544,464	577,056	3.71
Receivables from other financial institutions	87,143,613	4,557,276	5.23
Loans and advances	436,891,464	32,452,272	7.44
	<b>539,579,541</b>	<b>37,586,604</b>	<b>6.97</b>
<b>INTEREST EXPENSE 2004</b>			
Member Deposits	507,402,305	17,838,882	3.52
	<b>507,402,305</b>	<b>17,838,882</b>	<b>3.52</b>

# Financial Notes cont.

## NOTE 3: Revenue From Ordinary Activities

	2005 (\$)	2004 (\$)
<b>INTEREST REVENUE</b>	<b>43,396,208</b>	<b>37,586,604</b>
<b>NON-INTEREST REVENUES</b>		
Proceeds on sale of property, plant and equipment	197,636	140,386
Fees and Commissions	8,088,975	7,891,768
Bad Debts Recovered	90,225	87,200
Income from property (rents)	76,396	89,621
Dividends received	199,042	91,935
<b>TOTAL NON-INTEREST REVENUE</b>	<b>8,652,274</b>	<b>8,300,910</b>
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	<b>52,048,482</b>	<b>45,887,514</b>

## NOTE 4: Profit From Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

	2005 (\$)	2004 (\$)
<b>(a) EXPENSES</b>		
<b>INTEREST EXPENSE</b>	<b>22,884,014</b>	<b>17,838,882</b>
<b>NON-INTEREST EXPENSE</b>		
Depreciation on property, Plant and equipment		
- Building	147,657	205,472
- Plant and equipment	1,370,340	1,357,802
Borrowing costs	166,000	-
Rental expense on operating leases	179,045	224,447
Employee benefit expenses	9,952,602	8,836,493
General and administration	9,221,781	8,881,142
Other operating expenses	306,868	343,222
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>21,344,293</b>	<b>19,848,578</b>
<b>(b) REVENUE AND NET GAINS</b>		
Net gain on disposal of non-current assets:		
<b>Property, plant and equipment</b>	<b>42,825</b>	<b>6,645</b>

# Financial Notes cont.

## NOTE 5: Income Tax

	2005 (\$)	2004 (\$)
<b>(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax provided in the financial report as follows:</b>		
<b>The prima facie tax payable on profit from ordinary activities</b>		
Activities before income tax at 30% (2004: 30%)	2,257,227	2,430,561
Tax on RSA fund	90,000	77,330
<b>Tax effect on Permanent Difference</b>		
Non-deductible expenses	62,988	67,936
Permanent difference arising upon sale of land and buildings	-	485
<b>Income tax expense attributable to profit from ordinary activities before income tax</b>	<b>2,410,215</b>	<b>2,576,312</b>
<b>(b) The income tax expense comprises amounts set aside as:</b>		
Income tax payable on current year profits	2,409,041	2,527,952
Under/over provision for income tax in prior year	(88,826)	(29,455)
Provision for deferred income tax	-	-
Future income tax benefit	-	485
Tax on RSA fund	90,000	77,330
	<b>2,410,215</b>	<b>2,576,312</b>

# Financial Notes cont.

## NOTE 6: Auditors' Remuneration

	2005 (\$)	2004 (\$)
Amounts received or due and receivable by the auditor for:		
Auditing or reviewing the accounts	74,250	68,970
Other services	77,640	48,714
	<b>151,890</b>	<b>117,684</b>

## NOTE 7: Directors

### (a) Directors

The names of the Directors of the Credit Union who have held office during the financial year are:

Mr W J Singleton  
 Mr G J Regan  
 Mr D B Guinness  
 Mr D G Jones  
 Mr R H Palmer  
 Mr M J Spear  
 Mr R A Stone  
 Mr G C Johnson  
 Mr M J Martin  
 Mr P E Dunstan  
 Mr PJ Wardman

### (b) Remuneration

	2005 (\$)	2004 (\$)
<b>The aggregate remuneration of directors for the year</b>	<b>146,600</b>	<b>72,000</b>

The number of Directors receiving remuneration were within the following bands:

<b>\$0 - \$9,999</b>	<b>10</b>	<b>10</b>
<b>\$10,000 - \$19,999</b>	<b>1</b>	<b>1</b>

Remuneration includes all payments to directors and benefits, but excludes reimbursement of out of pocket expenses. All remuneration of directors was approved by the members at the previous Annual General Meeting of the Credit Union.

There are no amounts paid in connection with the retirement of a director to a superannuation plan except for amounts payable in accordance with Superannuation Guarantee Legislation. Superannuation payments made are on the same terms and conditions as for employees of the Credit Union generally.

# Financial Notes cont.

## NOTE 7: Directors cont.

### (c) Directors' Loans/Overdrafts

All loans and overdrafts made, guaranteed or secured by the Credit Union to Directors and all related parties of such Directors have been made on normal terms and conditions.

The terms and conditions in respect of all loans and overdrafts to directors have not been breached.

	2005 (\$)	2004 (\$)
Aggregate amount of loans/overdrafts outstanding at balance date	457,022	278,133
Aggregate amount of overdraft limits at balance date	46,000	46,000
Aggregate amount of loans funded/ overdrafts approved during financial year	277,002	249,900
<i>Directors concerned: Mr M J Martin</i>		
Aggregate amount of loan repayments received during the financial year	101,510	46,379
<i>Directors concerned: Mr D G Jones, Mr M J Martin</i>		

### (d) Other Transactions of Directors

Directors have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.

# Financial Notes cont.

## NOTE 8: Cash and Liquid Assets

	2005 (\$)	2004 (\$)
Cash on hand	5,964,322	5,343,370
Deposits with Authorised Deposit Taking Institutions	22,354,202	4,501,001
	<b>28,318,524</b>	<b>9,844,371</b>

## NOTE 9: Receivables Due From Other Financial Institutions

	2005 (\$)	2004 (\$)
Bank receivables	44,366,622	53,084,899
Other Authorised Deposit Taking Institution receivables	15,428,681	9,167,000
	<b>59,795,303</b>	<b>62,251,899</b>
<b>Maturity Analysis</b>		
At call	-	-
Not longer than 3 months	49,645,468	58,314,899
Longer than 3 and not longer than 12 months	10,149,835	3,937,000
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
No maturity specified	-	-
	<b>59,795,303</b>	<b>62,251,899</b>

## NOTE 10: Accrued Receivables

	2005 (\$)	2004 (\$)
Sundry Debtors	130,506	168,540
Accrued Income	971,038	791,594
	<b>1,101,544</b>	<b>960,134</b>

# Financial Notes cont.

## NOTE 11: Loans And Advances

	Note	2005 (\$)	2004 (\$)
Overdrafts		34,149,913	28,989,890
Credit cards		1,900,745	1,888,665
Term loans		508,005,291	456,004,708
Other		397,226	230,873
<b>Gross loans and advances</b>		<b>544,453,175</b>	<b>487,114,136</b>
Specific provisions for impairment	12(a)	(559,365)	(796,593)
<b>General provisions for impairment</b>	<b>12(a)</b>	<b>543,893,810</b>	<b>486,317,543</b>
		<b>(3,845,635)</b>	<b>(3,608,407)</b>
<b>Net loans and advances</b>		<b>540,048,175</b>	<b>482,709,136</b>
<b>Maturity Analysis</b>			
At call		397,226	230,873
Overdrafts		34,149,913	28,989,890
Not longer than 3 months		13,055,363	10,469,053
Longer than 3 and not longer than 12 months		39,194,627	40,083,158
Longer than 1 and not longer than 5 years		186,790,390	181,783,615
Longer than 5 years		270,865,656	225,557,547
<b>Gross loans net of specified provisions for impairment</b>		<b>544,453,175</b>	<b>487,114,136</b>

# Financial Notes cont.

## NOTE 12: Impairment of Loans and Advances

	2005 (\$)	2004 (\$)
<b>(a) Provisions for Doubtful Debts</b>		
<b>Specific provisions for impairment</b>		
Opening balance	796,593	1,024,982
Increases (reductions) in specific provisions	(230,911)	(227,174)
Bad debts written off	(6,317)	(1,215)
<b>Closing balance</b>	<b>559,365</b>	<b>796,593</b>
<b>General provision for impairment</b>		
Opening balance	3,608,407	3,380,018
Additional amounts provided for (written back)	237,228	228,389
Bad debts written off	-	-
<b>Closing balance</b>	<b>3,845,635</b>	<b>3,608,407</b>
<b>(b) Bad and Doubtful Debts Expense</b>		
Specific provisions for impairment	-	-
General provisions for impairment	-	-
Bad Debts written off directly	152,057	209,481
	<b>152,057</b>	<b>209,481</b>
<b>(c) Impaired loans, assets acquired and past due loans</b>		
<b>Non-accrual loans</b>		
Balance with specific provisions	879,349	865,535
Specific provisions for impairment	(559,365)	(759,858)
	<b>319,984</b>	<b>105,677</b>
<b>Past due loans</b>	-	-
<b>Balance</b>	<b>7,629</b>	<b>249,780</b>

# Financial Notes cont.

## NOTE 12: Impairment of Loans and Advances cont.

	2005 (\$)	2004 (\$)
<b>(d) Interest and other Revenue recognised and foregone</b>		
Interest revenue recognised on non-accrual and restructured loans	116,203	150,805
Interest foregone on non-accrual and restructured loans	4,941	28,735
<b>(e) Fair value of assets acquired</b>		
Assets acquired through the enforcement of security	-	115,500

## NOTE 13: Other Investments

	2005 (\$)	2004 (\$)
Shares in Authorised Deposit Taking Institutions	650,500	571,400
Other investments	270,000	270,000
	<b>920,500</b>	<b>841,400</b>
Shares in Non Listed Companies at cost	875,000	875,000
Less: Provision for write down to recoverable amount	(300,000)	(300,000)
	<b>575,000</b>	<b>575,000</b>
<b>TOTAL</b>	<b>1,495,500</b>	<b>1,416,400</b>

# Financial Notes cont.

## NOTE 14: Property, Plant and Equipment

### (a) Property, plant and equipment

	2005 (\$)	2004 (\$)
<b>Land</b>		
At cost	1,303,999	1,303,999
	<b>1,303,999</b>	<b>1,303,999</b>
<b>Buildings</b>		
At cost	4,106,219	4,095,547
Accumulated depreciation	(1,611,415)	(1,463,757)
	<b>2,494,804</b>	<b>2,631,790</b>
<b>Leasehold improvements</b>		
At cost	1,115,303	944,244
Accumulated amortisation	(374,697)	(182,651)
	<b>740,606</b>	<b>761,593</b>
<b>TOTAL LAND &amp; BUILDING</b>	<b>4,539,409</b>	<b>4,697,382</b>
<b>Plant and Equipment</b>		
At cost	6,726,255	5,635,284
Accumulated depreciation	(4,210,144)	(3,314,554)
<b>TOTAL PLANT &amp; EQUIPMENT</b>	<b>2,516,081</b>	<b>2,320,730</b>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>7,055,490</b>	<b>7,018,112</b>

# Financial Notes cont.

## NOTE 14: Property, Plant and Equipment cont.

### (b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Land (\$)	Buildings (\$)	Plant & Equipment (\$)	Leasehold Improvement (\$)	Total (\$)
Balance at the beginning of the financial year	1,303,999	2,631,790	2,320,730	761,593	7,018,112
Additions	-	10,672	1,528,454	171,060	1,710,186
Disposals	-	-	(154,811)	-	(154,811)
Transfers	-	-	-	-	-
Depreciation Expenses	-	(147,658)	(1,178,292)	(192,047)	(1,517,997)
<b>Carrying amount at the end of the financial year</b>	<b>1,303,999</b>	<b>2,494,804</b>	<b>2,516,081</b>	<b>740,606</b>	<b>7,055,490</b>

(c) Valuations of land and buildings were carried out by North Coast Valuation Service Pty Ltd (P M Strom Reg. No 26294) in June 2003. The stated fair value at that date was in excess of the carrying value of the assets by \$1,457,508. The increase in value over cost has not been brought to account in the Statement of Financial Position.

The valuations have been made in accordance with a regular policy to assess the land and buildings every three years. No capital gains tax has been taken into account in determining re-valued amounts.

# Financial Notes cont.

## NOTE 15: Deferred Tax Assets

	2005 (\$)	2004 (\$)
Future income tax benefits - timing differences	2,035,862	1,843,828
	<b>2,035,862</b>	<b>1,843,828</b>

## NOTE 16: Other Assets

	2005 (\$)	2004 (\$)
Prepayments	86,686	-

## NOTE 17: Deposits

	2005 (\$)	2004 (\$)
Member Call Deposits (including withdrawable shares)	261,301,428	261,923,365
Member Retirement Savings Accounts	12,267,917	9,916,404
Member Term Deposits	306,157,120	249,292,275
	<b>579,726,465</b>	<b>521,132,044</b>
<b>Maturity Analysis</b>		
At call	273,569,345	271,839,769
Not longer than 3 months	143,914,154	119,730,581
Longer than 3 and not longer than 12 months	153,601,103	121,400,491
Longer than 1 and not longer than 5 years	8,641,862	8,161,203
Longer than 5 years	-	-
	<b>579,726,465</b>	<b>521,132,044</b>

### Concentration of Deposits

The deposit portfolio of the Credit Union comprises no deposits which are 10% or more of the total liabilities (2004: nil)

# Financial Notes cont.

## NOTE 18: Payables and Other Liabilities

	2005 (\$)	2004 (\$)
Accrued expenses	999,575	871,455
Other liabilities	499,060	489,281
	<b>1,498,635</b>	<b>1,360,736</b>

## NOTE 19: Tax Liabilities

	2005 (\$)	2004 (\$)
Provisions for income tax	955,345	1,066,086
Provisions for deferred tax liability	-	-
	<b>955,345</b>	<b>1,066,086</b>

## NOTE 20: Provisions

	2005 (\$)	2004 (\$)
Provisions for employee entitlements	1,166,029	999,535
	<b>1,166,029</b>	<b>999,535</b>

Average number of employees  
(full time equivalents) during the  
financial year

178	166
-----	-----

## NOTE 21: Interest-Bearing Liabilities

	2005 (\$)	2004 (\$)
Sub-ordinated Debt	10,000,000	-
	<b>10,000,000</b>	<b>-</b>
<b>Maturity Analysis</b>		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 and not longer than 12 months	-	-
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	10,000,000	-
	<b>10,000,000</b>	<b>-</b>

# Financial Notes cont.

## NOTE 22: Reserves

	2005 (\$)	2004 (\$)
<b>General Reserve</b>		
Opening balance	26,727,648	26,727,648
Transfer from Retained Profits	-	-
Transfer to Retained Profits	-	-
<b>Closing Balance</b>	<b>26,727,648</b>	<b>26,727,648</b>

The general reserve records funds set aside for future expansion of the company.

## NOTE 23: Retained Profits

	2005 (\$)	2004 (\$)
Retained profits at the beginning of the financial year	10,384,378	6,634,664
Net profit attributable to Members	5,409,960	5,623,742
Transfer from General Reserves	-	-
Transfer to General Reserves	-	-
Payment of share bonus dividend	(1,686,935)	(1,874,028)
<b>Retained profits at the end of the financial year</b>	<b>14,107,403</b>	<b>10,384,378</b>

## NOTE 24: Member Shares

	Note	2005 (\$)	2004 (\$)
Total Equity at the beginning of the financial period		4,373,453	2,725,598
Dividend paid in the form of Bonus Shares	1(j)	1,686,935	1,874,028
Dividends repurchased		(304,829)	(226,173)
<b>Total Equity at the end of the financial period</b>		<b>5,755,559</b>	<b>4,373,453</b>

# Financial Notes cont.

## 25: Dividends

	2005 (\$)	2004 (\$)
<b>Bonus Shares</b>		
Dividends paid by issue of 1,686,935 shares of \$1.00 each fully paid for the year ended 30 June 2005	1,686,935	1,874,028

The 2005 dividends were franked at 30%

### Franked Dividends

The franked portion of the dividends paid on 16th March, 2005 will be franked out of existing franking credits arising from the payment of income tax in the year ending 30 June 2005 and prior years.

	2005 (\$)	2004 (\$)
<b>Franking Account</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%)	13,706,370	11,436,016

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

# Financial Notes cont.

## NOTE 26: Commitments

	2005 (\$)	2004 (\$)
<b>(a) Operating Lease Commitments</b>		
Non cancellable operating leases contracted for but not capitalised in the accounts, payable:		
Not longer than 1 year	198,317	170,046
Longer than 1 & not longer than 2 years	174,444	174,901
Longer than 2 & not longer than 5 years	90,897	234,610
	<b>463,659</b>	<b>579,557</b>
<b>(b) Outstanding Loan Commitments</b>		
Loan and credit facilities approved but not funded or drawn at the end of the financial year:		
Loans approved but not funded	16,293,755	16,996,975
Undrawn overdraft, line of credit and VISA	31,857,533	30,873,095
	<b>48,151,288</b>	<b>47,870,070</b>
<b>(c) Future Capital Commitments</b>		
The Credit Union has entered into a contract for the purchase of various items of plant & equipment which have not been recognised as a liability and are payable as follows:		
Not longer than 1 year	44,952	64,820
Longer than 1 & not longer than 2 years	-	-
Longer than 2 & not longer than 5 years	-	-
	<b>44,952</b>	<b>64,820</b>

## NOTE 27: Contingent Liabilities

### Equitable Mortgage

As at the 30th June 2005 the CreditLink Group held an equitable mortgage over the assets of the Credit Union for services provided such as banking, member chequeing, investment and ATM settlements.

## NOTE 28: Segmental Reporting

The Credit Union operates predominantly in the retail financial services industry within New South Wales. The operations comprise the acceptance of deposits and the making of loans to Members.

# Financial Notes cont.

## NOTE 29: Interest Rate Risk

The following table summarises interest rate risk. Financial instruments are classified by the date at which the applicable interest rate will next be reset.

2005	FIXED INTEREST MATURING IN:							Notes
	Floating Rate (\$)	1 year or less (\$)	Over 1 year to 5 years (\$)	Non Interest Sensitive (\$)	Total (\$)	Weighted Average Effective Interest Rate (%)		
<b>Financial Assets</b>								
Cash and liquid assets	22,354,202	-	-	5,964,322	28,318,524	4.26	8	
Receivables due from other financial institutions	-	59,795,303	-	-	59,795,303	5.49	9	
Accrued receivables	-	-	-	1,101,544	1,101,544	-	10	
Loans and advances	410,483,762	39,639,145	89,773,341	151,927	540,048,175	7.62	11	
Other investments	-	-	-	1,495,500	1,495,500	-	13	
<b>TOTALS</b>	<b>432,837,964</b>	<b>99,434,448</b>	<b>89,773,341</b>	<b>8,713,293</b>	<b>630,759,046</b>	<b>7.32</b>		
<b>Financial Liabilities</b>								
Deposits	273,148,358	297,515,258	8,641,862	420,987	579,726,465	4.09	17	
Payables and other liabilities	-	-	-	1,498,635	1,498,635	-	18	
Long Term Borrowings	-	-	10,000,000	-	10,000,000	6.18	21	
<b>TOTALS</b>	<b>273,148,358</b>	<b>297,515,258</b>	<b>18,641,862</b>	<b>1,919,622</b>	<b>591,225,100</b>	<b>4.11</b>		
<b>Net Financial Assets (Liabilities)</b>	<b>159,689,606</b>	<b>(198,080,810)</b>	<b>71,131,479</b>	<b>6,793,671</b>	<b>39,533,946</b>			

# Financial Notes cont.

## NOTE 29: Interest Rate Risk cont.

	FIXED INTEREST MATURING IN:					Total (\$)	Weighted Average Effective Interest Rate (%)	Notes
	Floating Rate (\$)	1 year or less (\$)	Over 1 year to 5 years (\$)	Non Interest Sensitive (\$)				
<b>2004</b>								
<b>Financial Assets</b>								
Cash and liquid assets	4,501,001	-	-	5,343,370	9,844,371	3.71	8	
Receivables due from other financial institutions	-	62,251,899	-	-	62,251,899	5.23	9	
Accrued receivables	-	-	-	960,134	960,134	-	10	
Loans and advances	372,417,925	55,353,720	54,679,450	258,041	482,709,136	7.43	11	
Other investments	-	-	-	1,416,400	1,416,400	-	13	
<b>TOTALS</b>	<b>376,918,926</b>	<b>117,605,619</b>	<b>54,679,450</b>	<b>7,977,945</b>	<b>557,181,940</b>	<b>6.97</b>		
<b>Financial Liabilities</b>								
Deposits	271,604,064	241,131,072	8,161,203	235,705	521,132,044	3.52	17	
Payables and other liabilities	-	-	-	1,360,736	1,360,736	-	18	
<b>TOTALS</b>	<b>271,604,064</b>	<b>241,131,072</b>	<b>8,161,203</b>	<b>1,596,441</b>	<b>522,492,780</b>	<b>3.52</b>		
<b>Net Financial Assets (Liabilities)</b>	<b>105,314,862</b>	<b>(123,525,453)</b>	<b>46,518,247</b>	<b>6,381,504</b>	<b>34,689,160</b>	<b>-</b>		

# Financial Notes cont.

## NOTE 29: Interest Rate Risk cont.

### Reconciliation of Net Financial Assets to Net Assets

	Note	2005 (\$)	2004 (\$)
<b>Net financial assets/(liabilities)</b>		<b>39,533,946</b>	<b>34,689,160</b>
<b>Non-financial assets &amp; liabilities</b>			
Property, plant and equipment	14	7,055,490	7,018,112
Deferred tax assets	15	2,035,862	1,843,828
Other assets	16	86,686	-
Tax liabilities	19	(955,345)	(1,066,086)
Provisions	20	(1,166,029)	(999,535)
<b>Net assets per balance sheet</b>		<b>46,590,610</b>	<b>41,485,479</b>

### Interest Rate Risk

As a measure of longer-term interest rate sensitivity, the Credit Union uses historical simulation Value-at-Risk (VaR) and parallel yield shift measures to manage market risk. This analysis measures the potential adverse change in the net present value of assets and liabilities where repricing dates do not match.

These measures are independently calculated and monitored on a monthly basis. VaR is a statistical estimate of a potential loss that could be incurred if the Credit Union's position was maintained for a pre-defined time period. A 99% confidence level and a 20-day holding period are used for the simulation.

The figures in the following table represent the net present value of any change in future earnings of existing assets and liabilities under the above scenario.

	Note	2005 (\$)	2004 (\$)
Average monthly exposure		623,144	438,921
High month exposure		695,326	615,753
Low month exposure		550,019	244,516

# Financial Notes cont.

## NOTE 30: Credit Risk

### (a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is generally the carrying amount of those assets as indicated in the Statement of Financial Position, net of any provisions for doubtful debts.

### (b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit Risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk on loans greater than 10% of capital currently are nil (2004: nil).

## NOTE 31: Fair Value of Financial Instruments

The net fair value estimates were determined by the following methodologies and assumptions:

### Liquid assets and receivables from other financial institutions

The carrying value of cash, liquid assets and receivables due from other financial institutions approximate their net fair value as they are short term in nature or are receivable on demand.

### Loans and advances

The carrying value of loans, advances and other receivables is net of general and specific provisions for impairment.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2005.

### Deposits and amounts due to other financial institutions

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature.

The net fair value of non interest bearing, call and variable rate deposits and fixed rate deposits repriced within twelve months is the carrying value as at 30 June 2005.

# Financial Notes cont.

## NOTE 31: Fair Value of Financial Instruments cont.

	2005 (\$)		2004 (\$)		Note
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value	
<b>Assets</b>					
Cash and liquid assets	28,318,524	28,318,524	9,844,371	9,844,371	8
Receivables due from other financial institutions	59,795,303	59,795,303	62,251,899	62,251,899	9
Loans and advances	540,048,175	540,048,175	482,709,136	482,709,136	11
Other investments	1,495,500	1,495,500	1,416,400	1,416,400	13
Accrued receivables	1,101,544	1,101,544	960,134	960,134	10
<b>TOTAL</b>	<b>630,759,046</b>	<b>630,759,046</b>	<b>557,181,940</b>	<b>557,181,940</b>	
<b>Liabilities</b>					
Deposits	579,967,592	579,987,411	521,132,044	521,158,117	17
Payables & other liabilities	1,257,508	1,257,508	1,360,736	1,360,736	18
Long Term Borrowings	10,000,000	10,000,000	-	-	21
<b>TOTAL</b>	<b>591,225,100</b>	<b>591,244,919</b>	<b>522,492,780</b>	<b>522,518,853</b>	
<b>Off Balance Sheet Instruments</b>					
Loans approved not funded	16,293,755		16,996,975		
Undrawn overdrafts, line of credit and VISA	31,857,533		30,873,095		
<b>TOTAL</b>	<b>48,151,288</b>		<b>47,870,070</b>		

## NOTE 32: Superannuation Commitments

A superannuation plan has been established by the Credit Union for the provision of benefits to employees on retirement or death. Benefits provided under the plan are based on contributions for each employee. The credit union makes contributions in respect of employees to a superannuation fund consistent with remuneration agreements and industrial awards based on a percentage of their gross income. There is no legally enforceable obligation on the Credit Union to contribute to any shortfall in the superannuation fund's assets to meet payments to employees.

As the fund is an accumulation fund, adequate funds are held to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination or retirement of each employee.

# Financial Notes cont.

## NOTE 33: Economic Dependency

The Credit Union has an economic dependency on the following suppliers of service:

**(a) CreditLink Group**

This entity supplies the Credit Union rights to Visa Card in Australia and provides services in the form of settlement with Bankers for ATM, Visa Card and member chequing transactions and the production of Visa Cards and CueCards for use by members.

**(b) FDR Limited**

This company operates the switching computer used to link CueCards and Visa Cards operated through ATM and EFTPOS suppliers to the Credit Unions computer systems.

## NOTE 34: Statement of Cash Flows

**(a) Reconciliation of Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and at call Deposits, net of overdrafts, with other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Positions as follows:

	2005 (\$)	2004 (\$)
Cash on hand	5,964,322	5,343,370
At call receivables due from other financial institutions	22,354,202	4,501,001
At call payables to other financial institutions	-	-
	<b>28,318,524</b>	<b>9,844,371</b>

**(b) Cash Flows Presented on a Net Basis**

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (a) customer deposits in and withdrawals from savings, money market and other deposit accounts;
- (b) sales and purchases of dealing securities;
- (c) sales and purchases of maturing certificates of deposits;
- (d) short-term borrowings; and
- (e) provision of member loans and the repayments of such loans

# Financial Notes cont.

## NOTE 34: Statements of Cash Flows cont.

### (c) Reconciliations of Cash Flow from Operations with Profit

	2005 (\$)	2004 (\$)
Operating profit after income tax	5,409,960	5,623,742
Increase/(decrease) in prepaid income	(566)	(333)
Increase/(decrease) in provision employee entitlements	166,494	31,972
Increase/(decrease) in interest payable	1,005,855	59,597
Increase in provision for loan impairment	-	-
(Gain)/loss on sale of investment assets	(42,826)	(6,645)
Bad Debts written off	152,057	209,481
Depreciation	1,517,997	1,563,274
Increase/(decrease) in provision for tax	(266,435)	122,671
Increase/(decrease) in deferred taxes payable	-	(3,367)
Increase/(decrease) in accrued expenses	128,120	270,485
Write-down of investments to recoverable amount	-	175,000
Increase/(decrease) in future income tax benefit	(192,034)	(52,886)
Increase/(decrease) in prepaid expenses	(86,686)	-
Increase/(decrease) in accrued income	(179,444)	291,639
<b>Net cash provided by operating activities</b>	<b>7,612,492</b>	<b>8,284,630</b>

## NOTE 35: Securitised Loans

	2005 (\$)	2004 (\$)
During the year the Credit Union sold a further \$15,500,210 housing mortgage loans in to the Trinity Mortgage Origination Trust No. 1		
Securitised loan balances	19,926,102	8,122,162

## NOTE 36: Company Details

The registered office of the company is:  
 Banacoast Community Credit Union Ltd  
 14 Cooper Street  
 Macksville NSW 2447  
 Australia

# Financial Notes cont.

## NOTE 37: Events Occuring After Reporting Date

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On 1 July 2005 the Australian Prudential Regulation Authority approved the total transfer of the assets and liabilities of Big River Credit Union Ltd to the Company. The net assets transferred at that date amounted to \$7,388,222.

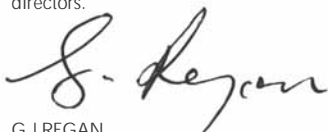
# Directors' Declaration

The Directors declare that the financial statements and notes set out on page 21 to 57:

- (a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the company's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'G. J. Regan', written in a cursive style.

G J REGAN  
Director

Macksville  
20 September 2005

# Audit Report

## PricewaterhouseCoopers

Independent audit report to the Members of Bananacoast Community Credit Union Ltd.

### AUDIT OPINION

In our opinion, the financial report of Bananacoast Community Credit Union Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Bananacoast Community Credit Union Ltd as at 30 June 2005, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial 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 Bananacoast Community Credit Union Ltd (the company), for the year ended 30 June 2005.

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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>

# Audit Report cont.

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 financial position, and its performance as represented by the results of its 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.

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*. <sup>(10)(11)</sup>

## PricewaterhouseCoopers



D N Kelly  
Partner

Brisbane  
20th September 2005



#### **DIRECTORS**

G J Regan (Chairman)  
G C Johnson (Deputy Chairman)  
D B Guinness  
D G Jones  
P E Dunstan  
M J Spear  
P J Wardman  
P J Dougherty  
P J Ellis

#### **MANAGEMENT**

R A Battle (Chief Executive Officer)  
D S Bevan (General Manager Finance and Administration)  
G A French (General Manager Marketing)  
W A Rainnie (General Manager Operations)

#### **AUDITORS**

PRICEWATERHOUSECOOPERS  
1 Eagle Street  
Brisbane

#### **SOLICITORS**

MURRAY BACKHOUSE TURNER  
Grafton Street  
Coffs Harbour

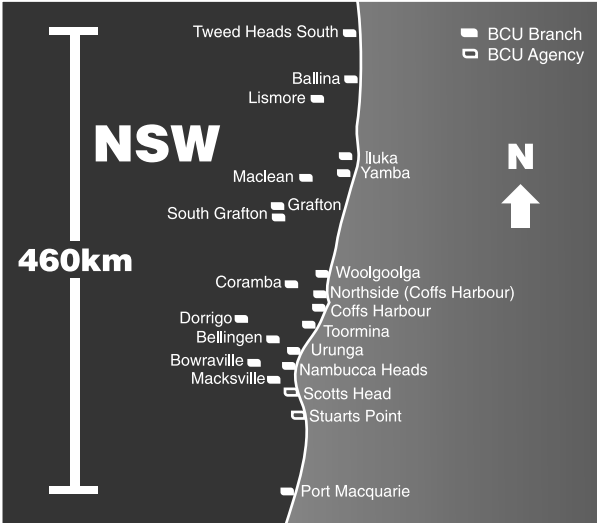
#### **BANKERS**

CREDITLINK SERVICES  
Centralised Banking Scheme with Westpac Banking Corporation Ltd,  
Indooroopilly  
QLD

#### **REGISTERED OFFICE**

Credit Union House  
14 Cooper St  
Macksville NSW 2447  
Phone: (02) 6568 1622

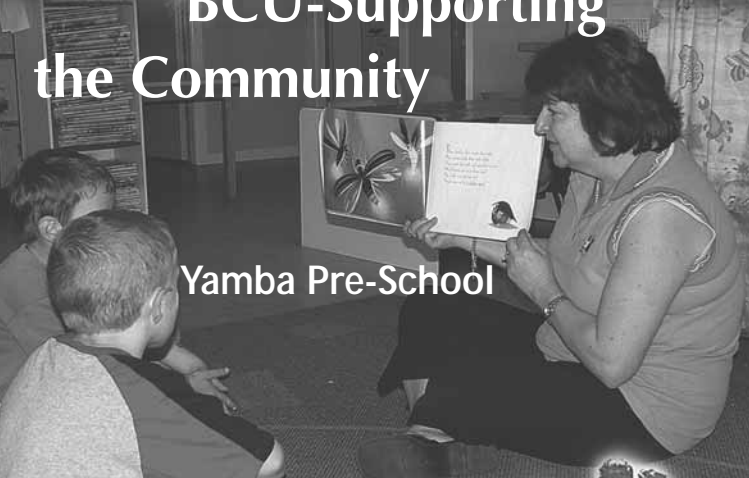
# Branch Map





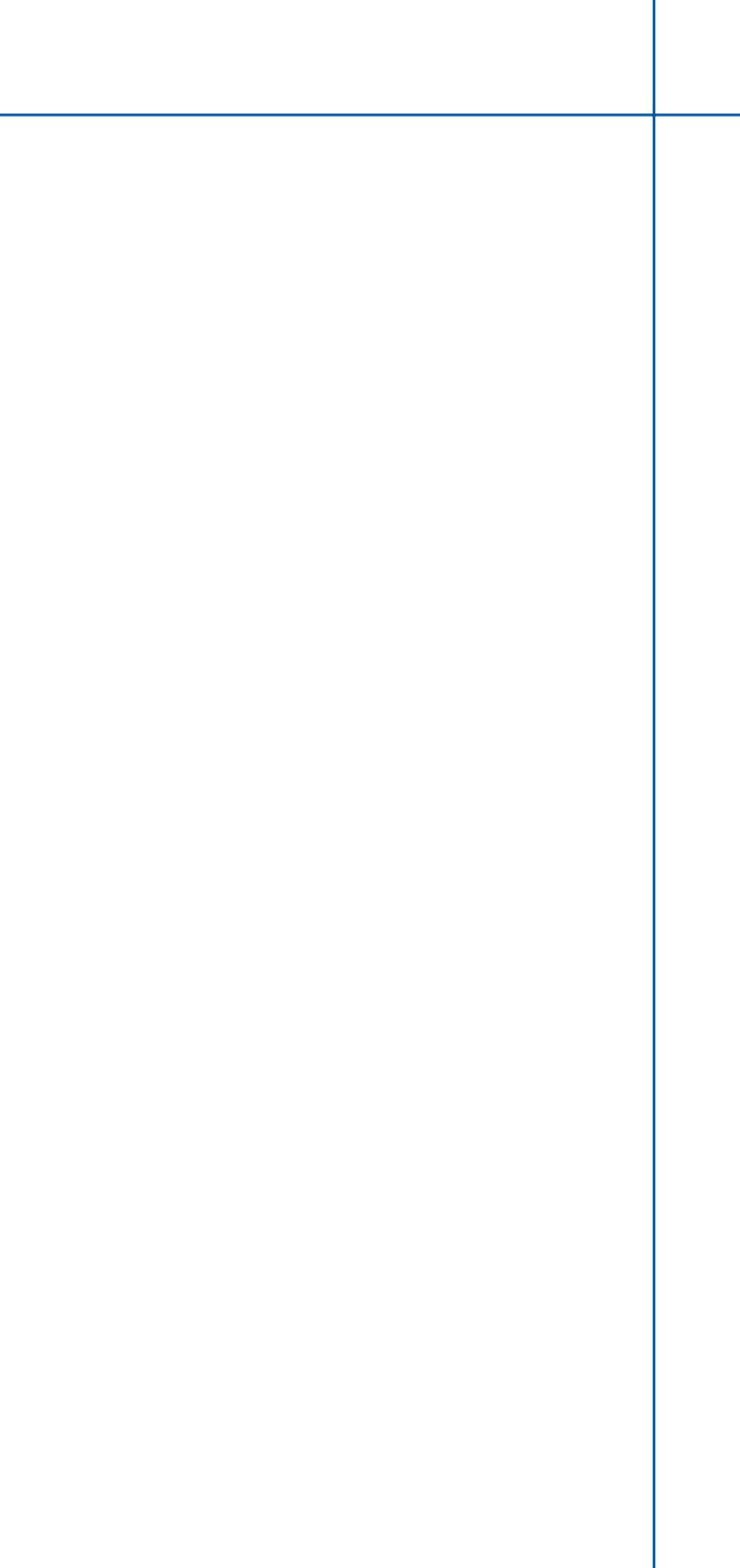
Lakeside Christian Community College

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ABN 50 087 649 750 AFSL No. 241077