

2014  
2015



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our  
region



# We continue to put the fair go into banking

During the year, we introduced features and processes to enhance the overall banking experience, making it simpler for our members to manage their finances, transact on their products, while still providing support and great customer service.

The competitiveness of the banking landscape shows no signs of abating, and bcu, as a regional player, is up against tough competition from the banks and large mutuals, in addition to the online players who have no physical branch or store presence enabling them to price their products aggressively given their low overheads. It becomes critical for us to deliver enhanced functionality and features to ensure we remain in the race and continue to remain a viable, banking alternative.

To ensure we deliver on our promise, we continued work on enhancements to our website, iBank and mobile banking platforms, with new functionality and features introduced to improve the online experience. We also continue to invest in our store network through refurbishing existing stores and continued investment in upgrading and increasing our atm network to ensure members have access to modern, functional banking services.



# We continue to invest in our community

We remain committed to continually improving our products and services and beyond that we also continue to reinvest back in to the community through sponsorships and financial initiatives to benefit the people who live and work across our region.

During 2015, bcu supported many groups and initiatives across the region, from local sporting clubs and organisations, to large regional events.

- Macksville Gift Carnival
- bcu Bill Ussher Enterprise and Innovation Awards and Scholarships
- CSA donations
- Sportz Central, Coffs Harbour
- The Cancer Council
- Community Transport
- Coffs Business Women's Networking Association
- [REC] Ya Shorts Youth Film Festival
- Coffs Comets Pink Silks Charity Match
- Luke Hartsukyer Charity bike ride





our  
region

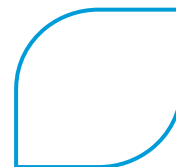
## Saving for the future with Scoot

bcu junior customers continue to save for a brighter future with Scoot's super savers, our children's banking program teaching positive savings habits and the importance of financial literacy to the next generation of savers and investors.

We're happy to report Scoot's super savers numbers continue to grow across the region, with more children joining Scoot on the journey to being money-wise adults every day. Scoot kept busy this year, visiting schools, day care centres and community events, promoting the benefits of being a super saver, with a particularly memorable appearance at the 2015 bcu Coffs Kids TRI.

Scoot was more than happy to get involved and cheer all the kids competing across the finish line.





# 2015 bcu Bill Ussher Enterprise and Innovation Awards and Scholarships

The 2015 bcu Bill Ussher Enterprise and Innovation Awards and Scholarships continue the legacy of bcu's founding Chairman, Mr Bill Ussher, who dedicated much of his life to ensuring local businesses and communities prosper and remain sustainable. These Awards and Scholarships support growth across our region through providing financial assistance to support students with career development and businesses in creating local employment opportunities, all of which bcu is extremely passionate about.

## 2015 bcu Bill Ussher Award winners

We are proud to support the following businesses with \$10,000 towards the wages of a new trainee or apprentice over a year.

### North Coast Academy of Sport

Established in 1989, the NCAS is a community-based, not-for-profit organisation, facilitating the identification and development of our region's talented junior athletes, providing them with development pathways and opportunities, otherwise not necessarily available to regionally-based athletes. The NCAS plays an important role in binding rural and regional communities through sport, which in turn assists in the development of our region's youth. We are pleased to be able to support the NCAS with a 2015 bcu Award.

### Work Smart Uniforms Australia

An established locally-owned wholesale uniform supplier based in Murwillumbah, providing a range of quality uniforms to key industries and organisations, including schools, businesses and healthcare providers. Ms Ciesla, owner of Work Smart Uniforms Australia, has visions to expand her business through B2B wholesale operations and online retail, providing uniforms that are professional, practical, cool and comfortable. We are pleased to support Work Smart Uniforms Australia, as an Award recipient that demonstrates enterprising spirit and seeks growth opportunities, with a sound plan in place to ensure future growth.

## 2015 bcu Bill Ussher Scholarship winners

bcu awarded \$16,000 worth of Scholarships to students across our region, to assist with costs incurred in pursuit of their career goals.

### Congratulations to our winners

Alyssa Cameron, Brayden van Meurs, Daniel Ridge, Elora Allman, Isabella Dobbin, Jacob Wicken, Jake Fittler, Kiara Edwards, Kyel Monro, Latesha Graham, Lia Grosvenor, Marc McDermott, Mia Williams, Timothy Eddy, Tobias Rose and Zac Donald.

We once again thank everyone who nominated for the 2015 bcu Bill Ussher Awards and Scholarships and we look forward to continuing this great initiative in memory of our founding Chairman.



## our region

## bcu Coffs TRI

The 2015 bcu Coffs TRI proved a success in its third year, bringing more than 700 spectators and competitors out for the weekend to enjoy Coffs Harbour's picturesque Jetty foreshores.



bcu takes great pride in being the event's major sponsor and it was exciting to see a record number of entrants over the weekend, with numbers up across the children, enticer, team and Olympic distance events. The Olympic distance event brought with it some serious athletes who made the most of the world-class course and set a cracking pace for competitors, who were hot on their heels.

Organisers were thrilled with the response and Village Sports co-director Sinclair Black said the increase in numbers showed how far this event had come since its inception in 2013.

"Above all we've had a huge increase in the number of kids taking part," he said. bcu are proud to support an event with such positive outcomes, encouraging more and more children to stay active and get involved in community events year.

We'd like to give a special mention to our fantastic staff, who continued the bcu volunteer & competitor legacy of the TRI, out in force again this year competing, cheering, assisting in the transition zone, and handing out much needed refreshments at the finish line. It was a great atmosphere, and feedback from all in attendance was incredibly positive.

The bcu Coffs TRI brings with it many positive benefits for the whole community, showcasing our region and boosting the local economy with competitors travelling from outside the Coffs Coast, and also promoting a healthy and active lifestyle.





# bcu Brand Ambassadors

**Celebrating our people, their passions and achievements.**

bcu Brand Ambassador Harley Ingleby claimed his second ASP World Longboard Title at the GoPro World Longboard Championships in China. Harley Ingleby has been a bcu customer since 1998 and we are thrilled to have him on board as a bcu brand ambassador. Harley is a positive role model and also mentor to many young surfers, including our junior brand ambassadors.

We put the spotlight on our talented junior ambassadors and kicked off our #bcupeeps campaign with videos promoting and sharing the lifestyle of our ambassadors, cherished by many of our members on the coast.



*Congratulations to  
Harley Ingleby on his  
second ASP World  
Championship*



the year  
in review

## Chief Executive's Report

**The Australian economy has remained weak with the impact continuing from the end of the resources boom in Australia and weakening economic growth in China. Our own domestic economic growth cut by a general lack of confidence from businesses and consumers to spend and invest, though growth has been experienced associated with a pick-up in housing construction activity.**

Many business segments outside of those associated with or part of the resource and mining sector continue to experience difficult conditions resulting from soft consumer confidence, weakening demand for Australian commodities in conjunction with households tightening their budgets.

Government agencies continue to closely monitor the banking sector, notably investment housing lending. Recent announcements by the Australian Prudential Regulation Authority (the regulator of the Australian banking industry) to increase the capital requirements of the major Australian banks is a positive and should contribute to supporting long term diversity and competition within the banking industry, notably throughout regional Australia. This however ultimately means that all mutual banking institutions have to continue to become more profit-focused, which in part is contrary to the tradition of mutual industry.

bcu has to comply to legislation and more onerous reporting and operating requirements, and consequently decisions regarding the management of bcu may sometimes seem at odds with the origins of the credit union and expectations of the communities we operate in. However, we must reinforce that at the core of our decisions is the importance of building a sustainable business so bcu can continue the work of bcu's founders to work to provide a fair go banking alternative.





# The future

Australia's economy very much hinges on the economies of overseas trading nations, and also how long the Australian dollar remains relatively high compared to other currencies. Notwithstanding this cautionary outlook, there are signs for people to take confidence.

With another financial year behind us, we thank all of our loyal members for their ongoing support and our fantastic staff for their hard work and resilience in facilitating the changes needed to continue providing a competitive, sustainable banking alternative.

We remain as committed as ever in putting the fair go into banking and will deliver new initiatives to further improve bcu's service and convenience to everyone across our region.

**Lyndon Kingston**  
Chief Executive





our  
region







# Concise Financial Report 2014-2015

The concise financial report is an extract from the full financial report for the year ended 30 June 2015. 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 the consolidated entity, being Bananacoast Community Credit Union Ltd (bcu) and its controlled entities, 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 3266 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

**Australian Credit Licence Number:** 241077

**External auditor:**  
BDO Audit Pty Ltd, Level 10,  
12 Creek St, Brisbane QLD 4000

# Directors' Report 2014-2015

The Directors present their report for the consolidated entity, being Bananacoast Community Credit Union Ltd (bcu) and its controlled entities, for the year ended 30 June 2015.

## Non-Executive Directors

**Independent Non-Executive Directors in office at any time during the year or since the end of the year are:**

### Mr Grant Andrew Wallace

*BBus, GAICD, CA, CTA, FTIA, NTAA*

- Chairman
- Chairman Board Governance Committee
- Member Board Audit Committee
- Member Board Risk Committee

#### Experience and expertise

Director since 2009. Chairman of the Board Audit and Risk Committee from June 2010 to July 2012. Chairman of the Board since 31 July 2012 and Chairman of the Board Governance Committee since 31 July 2012.

Grant brings strong corporate governance and financial management understanding to the Board as a result of 32 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, mining services, medical and property. He also holds Directorships and committee roles with organisations within the private and public sector.

#### Interests in shares

- 1 redeemable preference share

### Mr John Owen Hoey

*DipCM, FFIN, FAIM*

- Deputy Chairman
- Chairman Board Audit Committee
- Chairman Board Risk Committee
- Member Board Governance Committee

#### Experience and expertise

Director since 2010. Deputy Chairman from July 2012. Chairman of the Board Audit Committee from 28 October 2014 and

Chairman of the Board Risk Committee from 28 October 2014.

John has over 40-years' experience in the Banking and Finance industry with a wealth of knowledge spanning retail banking, 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.

#### Interests in shares

- 1 redeemable preference share

### Mr David Hamilton Christy

*BEcon (UQ), DipFS, Cert of Real Estate Practices (Qld), MAICD*

- Member Board Audit Committee
- Member Board Risk Committee

#### Experience and expertise

Director since June 2011. Chairman of the Board Audit and Risk Committee from 31 July 2012 till 28 October 2014 and Member of the Board Governance Committee from 31 July 2012 till 27 January 2015.

David held the position of Group Resources Manager with a large, government-owned energy generator until his retirement in September 2012. A qualified Economist, he has over 30-years' experience within the resources and trading sector, including responsibility for negotiating and managing multi-billion dollar long-term contracts and relationships with national and multinational resource companies. A significant component of his professional activity involved spending time in regional towns to understand the manner in which commercial decisions affected local communities. Application of David's commercial experience contributes to the sound, long term focus and governance of bcu's operations. In addition, having also been a small business owner and currently holding commercial real estate within regional communities, David is acutely aware of the issues and challenges facing bcu.

#### Interests in shares

- 1 redeemable preference share

## Directors' Report 2014-2015 Cont.

### Mr Geoffrey Keith Hardaker

JP

- Member Board Audit Committee
- Member Board Risk Committee
- Member Board Governance Committee

#### Experience and expertise

Geoff is a self-employed businessman and Managing Director of Coffs Harbour Office Choice, Coffs Harbour. 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.

#### Interests in shares

- 1 redeemable preference share

### Mr Michael Wayne Gould

B Eng (Hons), GDEME, AMP173, CPEng, FAICD

- Member Board Audit and Risk Committee

#### Experience and expertise

Director since 26 March 2013. Resigned as a Director on 30 September 2014.

Mike's experience of more than 35 years in the private sector on projects throughout Australia covers strategic planning, design, procurement, delivery and asset performance for public and private infrastructure. He brings to the board this experience in the building and construction industry along with corporate governance understanding from his work on board and advisory positions on a number of companies.

#### Interests in shares

- 1 redeemable preference share

### Mr Sinclair Denis John Black

Dip Bus and Mkt, Dip Retail Bus Mgt, Dip Film

- Member Board Audit Committee
- Member Board Risk Committee

#### Experience and expertise

Director since 27 January 2015.

With more than 18 years of advertising, marketing and sales experience, Sinclair has a proven track record of marketing brands and businesses. He runs a small media/advertising business working with a large range of regional and national clients. Sinclair has a unique mix of strategic expertise; brand building and small business skills. Sinclair is also a Director of Village Sports Coffs Harbour, which runs three major community sporting events annually. Village Sports donates profits back to local charities and community groups. Sinclair has also held many community committee roles.

#### Interests in shares

- 1 redeemable preference share

## Executive Directors

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

### Mr Lyndon Allen Kingston

MCom, BBus, GradDipFin, GradDipBus, FFin, ACA

- Executive Director since 29 May 2012.

#### Experience and expertise

Chief Executive since 2008 after having served as bcu's Chief Financial Officer.

A Chartered Accountant and Fellow of the Financial Services Institute of Australasia with over 25 years' experience within the banking, finance and commercial sector, Lyndon came to bcu from the Australian Prudential Regulation Authority, the organisation responsible for overseeing the prudential operation of banks, credit unions, building societies, insurers and superannuation entities.

#### Interests in shares

- 1 redeemable preference share

All directors have held their office from 1 July 2014 to the date of this report, unless otherwise stated.

## Company Secretary

Company Secretaries at any time during the year or since the end of the year are:

### Mr Peter Hunter Waters

*DipFS, FACUI, JP*

- Company Secretary Since 2008

Peter has considerable finance experience having worked in the industry for the past 40-years. Peter is the Company Secretary and was previously the Executive Manager Governance, responsible for managing the Internal Audit, Compliance and Operational Risk functions. He assumed the role of Executive Manager Risk in January 2015 which has responsibility for bcu's Enterprise Wide Risk Management. He attends all Board, Board Audit Committee, Board Risk Committee and the Board Governance Committee meetings.

## Principal activities

bcu is a company registered under the Corporations Act 2001 and is domiciled in Australia. The principal continuing activities 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.

## Review of operations and financial position

bcu's profit for the year was \$7.674m compared to the previous year's profit of \$4.512m. The increase of \$3.162m (or 70.1%) was mainly due to net interest income, which was higher by \$3.254m (9.7%) when compared to the prior year. The increase was due to asset growth and management of loan and deposit rates in the wake of monetary policy easing by the Reserve Bank of Australia. Other favourable variances included a decline of \$0.480m in the impairment of loans and a reduction in occupancy expenses of \$0.322m. The operating expense to income ratio (excluding impairment losses) decreased to 71.3% from 79.2% the previous year.

The impairment loss on loans and advances decreased by \$0.480m (or 39.5%) when compared to the prior year.

Prudent increases to the collective provision in the previous year took this provision in excess of its required level, with a resulting \$0.550m reduction in its provision expense. This was partially offset by a small increase in the provision expense for prescribed and specific provisions.

While employment expenses remained stable, depreciation and amortisation expense increased by \$0.177m (or 8.9%) following a review of the useful life of commercial fit outs, new premises and capitalisation of computer software enhancements.

The decline in other expenses of \$0.323m (or 2.5%) included savings through the take up of electronic statements and decline in the use of cheque books by members. Occupancy expenses decreased by \$0.322m (or 8.9%) following the termination of leases relating to bcu's store network. Overall, total expenses (including impairment losses) are down \$1.039m on the prior year.

Total assets ended the year at \$1.463b representing an increase of \$43.562m (or 3.1%) for the year. This was primarily due to loans and advances which grew \$47.033m (or 4.1%). The majority was in housing loans. This was offset by a small decline in investments (cash and cash equivalents and financial assets held to maturity) of \$1.968m.

Total liabilities ended the year at \$1.353b representing an increase of \$35.896m (or 2.7%) on the prior year. This included growth in deposits of \$40.891m (or 3.2%) and a decrease in borrowings of \$5.547m (or 15.6%). The decrease in borrowings was largely attributable to the amortisation of loans supporting securitised borrowings.

Total equity increased by \$7.666m (or 7.6%) to \$109.184m. The main contributor was the inclusion of the \$7.674m profit for the year.

## Business strategies and prospects for future

bcu intends to continue to pursue the principal activities of providing financial products and services to members. bcu's activities expose it to a variety of risks, including: credit risk; liquidity risk; market risk; and operational risk. Management of these risks is critical to bcu's prospects for future financial years.

Please refer to the notes to the financial statements for information on bcu's risk management policy and objectives. Further information about business strategies and prospects for future financial years has not been included in this report because disclosure of the information is likely to result in unreasonable prejudice to bcu.

## Directors' Report 2014-2015 Cont.

### Significant changes in state of affairs

Apart from disclosures elsewhere in this report, 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.

### 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.

No shares have been issued as a result of the exercise of an option.

### 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.

### Auditor's independence

The auditor's independence declaration for the year ended 30 June 2015 forms part of this report and a copy of this declaration is attached.

### Indemnification of directors, officers and auditors

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.

No indemnities have been given to the officers or the auditor.

### 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 (\$000) in accordance with ASIC Class Order 98/100. bcu is permitted to round to the nearest one thousand dollars (\$000) for all amounts except prescribed disclosures that are shown whole dollars.

### Regulatory disclosures

The disclosures, required by Prudential Standard APS330 Public Disclosures, namely the common disclosures in Attachment A and the Regulatory Capital reconciliation, are available on bcu's website at [www.bcu.com.au/resources](http://www.bcu.com.au/resources).



## 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 Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
G A Wallace	11	11	3	3	7	7
J O Hoey	11	11	3	3	7	7
D H Christy	11	11	3	3	3	3
G K Hardaker	11	10	3	3	2	2
L A Kingston	11	11	-	-	-	-
M W Gould	3	3	3	3	-	-
S D J Black	5	4	-	-	-	-

\*The Board Audit and Risk Committee was separated into the Board Audit Committee and the Board Risk Committee effective from 28 October 2014.

Director's Name	Board Audit Committee		Board Risk Committee	
	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
G A Wallace	4	4	4	4
J O Hoey	4	4	4	4
D H Christy	4	4	4	4
G K Hardaker	4	4	4	4
S D J Black	1	1	1	1

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



G A Wallace

Chairman



J O Hoey

Deputy Chairman

25 August 2015  
Brisbane



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Brisbane QLD 4000  
GPO Box 457 Brisbane QLD 4001  
Australia

**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF BANANACOAST COMMUNITY CREDIT UNION LTD**

As lead auditor of Bananacoast Community Credit Union for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bananacoast Community Credit Union and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over a light blue horizontal line.

**P A Gallagher**

Director

**BDO Audit Pty Ltd**

Brisbane, 25 August 2015

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Interest income	73,682	72,183
Interest expense	(36,695)	(38,450)
Net interest income	36,987	33,733
Other revenue and income	8,711	8,618
Employment expense	(15,941)	(16,032)
Occupancy expense	(3,315)	(3,637)
Depreciation and amortisation expense	(2,161)	(1,984)
Impairment loss on loans and advances	(736)	(1,216)
Impairment loss on other financial assets	-	(2)
Other expenses	(12,800)	(13,123)
<b>Profit before income tax</b>	<b>10,745</b>	<b>6,357</b>
Income tax expense	(3,071)	(1,845)
<b>Profit for the year</b>	<b>7,674</b>	<b>4,512</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>7,674</b>	<b>4,512</b>

## Discussion and analysis of the Consolidated Statement of Comprehensive Income

bcu's profit for the year was \$7.674m compared to the previous year's profit of \$4.512m. The increase of \$3.162m (or 70.1%) was mainly due to net interest income, which was higher by \$3.254m (9.7%) when compared to the prior year.

The increase was due to asset growth and management of loan and deposit rates in the wake of monetary policy easing by the Reserve Bank of Australia. Other favourable variances included a decline of \$0.480m in the impairment of loans and a reduction in occupancy expenses of \$0.322m. The operating expense to income ratio (excluding impairment losses) decreased to 71.3% from 79.2% the previous year.

The impairment loss on loans and advances decreased by \$0.480m (or 39.5%) when compared to the prior year. Prudent increases to the collective provision in the previous year took this provision in excess of its required level, with a resulting \$0.550m reduction in its provision expense. This was partially offset by a small increase in the provision expense for prescribed and specific provisions.

While employment expenses remained stable, depreciation and amortisation expense increased by \$0.177m (or 8.9%) following a review of the useful life of commercial fit outs, new premises and capitalisation of computer software enhancements.

The decline in other expenses of \$0.323m (or 2.5%) included savings through the take up of electronic statements and decline in the use of cheque books by members. Occupancy expenses decreased by \$0.322m (or 8.9%) following the termination of leases relating to bcu's store network. Overall, total expenses (including impairment losses) are down \$1.039m on the prior year.

# Consolidated Statement of Financial Position

As at 30 June 2015

	2015 \$'000	2014 \$'000
<b>Assets</b>		
Cash and cash equivalents	171,663	154,166
Financial assets available for sale	2,281	1,813
Other receivables	3,983	4,326
Financial assets held to maturity	64,976	84,441
Loans and advances	1,204,740	1,157,707
Property, plant and equipment	10,069	11,751
Investment property	-	335
Net deferred tax assets	4,106	3,619
Intangible assets	358	453
Other assets	426	429
<b>Total Assets</b>	<b>1,462,602</b>	<b>1,419,040</b>
<b>Liabilities</b>		
Deposits	1,304,499	1,263,608
Other payables	9,557	9,015
Income tax payable	1,286	838
Provisions	2,622	3,060
Borrowings	29,954	35,501
Subordinated borrowings	5,500	5,500
<b>Total Liabilities</b>	<b>1,353,418</b>	<b>1,317,522</b>
<b>Net Assets</b>	<b>109,184</b>	<b>101,518</b>
<b>Equity</b>		
Member bonus shares	3,404	3,412
Reserves	39,271	39,370
Retained earnings	66,509	58,736
<b>Total Equity</b>	<b>109,184</b>	<b>101,518</b>

## Discussion and analysis of the Consolidated Statement of Financial Position

Total assets ended the year at \$1.463b representing an increase of \$43.562m (or 3.1%) for the year. This was primarily due to loans and advances which grew \$47.033m or 4.1%. The majority was in housing loans. This was offset by a small decline in investments (cash and cash

equivalents and financial assets held to maturity) of \$1.968m.

Total liabilities ended the year at \$1.353b representing an increase of \$35.896m (or 2.7%) on the prior year. This included growth in deposits of \$40.891m

(or 3.2%) and a decrease in borrowings of \$5.547m (or 15.6%). The decrease in borrowings was largely attributable to the amortisation of loans supporting securitised borrowings.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Member Bonus Shares	Redeemed Preference Shares	General Reserve	Reserve for Credit Losses	Revaluation Reserves	Retained earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2013	3,419	614	34,087	2,467	2,170	54,256	97,013
Total comprehensive income for the year							
Profit for the year						4,512	4,512
Other comprehensive income for the year							-
Transfer from retained earnings to redeemed preference share reserve		32				(32)	-
Member bonus shares redeemed	(7)						(7)
Balance at 30 June 2014	3,412	646	34,087	2,467	2,170	58,736	101,518
Balance at 30 June 2014	3,412	646	34,087	2,467	2,170	58,736	101,518
Total comprehensive income for the year							
Profit for the year						7,674	7,674
Other comprehensive income for the year							-
Transfer from retained earnings to redeemed preference share reserve		28				(28)	-
Transfer from asset revaluation reserve to retained earnings					(127)	127	-
Member bonus shares redeemed	(8)						(8)
Balance at 30 June 2015	3,404	674	34,087	2,467	2,043	66,509	109,184

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

Total equity increased by \$7.666m to \$109.184m (or 7.6%). The main contributor was the inclusion of the \$7.674m profit for the year.



# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>		
Interest received	73,890	72,174
Dividends received	225	240
Fees and commissions received	8,931	8,511
Interest paid	(36,808)	(39,854)
Payments to suppliers and employees	(32,323)	(33,583)
Net movement in loans and advances	(48,208)	(32,221)
Net movement in deposits	41,004	83,845
Income taxes paid	(3,415)	(2,166)
Net cash provided by operating activities	3,296	56,946
<b>Cash flows from investing activities</b>		
<b>Payments for property, plant and equipment</b>	<b>(210)</b>	<b>(283)</b>
Proceeds from sale of property, plant and equipment	501	744
Net movement in financial assets held to maturity	19,465	(30,043)
Net cash used in investing activities	19,756	(29,582)
<b>Cash flows from financing activities</b>		
Redemption of member bonus shares	(8)	(6)
<b>Net movement in securitised loans</b>	<b>(5,547)</b>	<b>(8,367)</b>
<b>Net cash used in financing activities</b>	<b>(5,555)</b>	<b>(8,373)</b>
Net increase in cash held	17,497	18,991
Cash at the beginning of the financial year	154,166	135,175
<b>Cash at the end of the financial year</b>	<b>171,663</b>	<b>154,166</b>

## Discussion and analysis of the Consolidated Statement of Cash Flows

Cash at the end of the financial year increased from \$154.166m to \$171.663m representing an increase of \$17.497m during the year.

The cash provided by operating activities during the year was \$3.296m compared to \$56.946m in the previous year. The decrease in cash provided by operating activities of \$53.650m from the previous year was largely due to a \$42.841m decrease in cash in from net deposits, as well as a \$15.987m increase in cash required for net loan and advances due to increased loan fundings. Despite the

continuation of rate decreases by the RBA, loan interest received remained close to that of the prior year due to higher fundings, while the decrease in interest paid reflected both the fall in deposit growth as well as rate moderation on those deposits.

The cash provided by investing activities during the year was \$19.756m compared to \$29.582m used in investing activities the previous year, a turnaround of \$49.338m. The move from a cash-out to a cash-in position from financing activities was mainly due to the reduction of

\$19.756m in financial assets to be held to maturity during the year compared to a \$30.043m increase the previous year. This movement was a direct result of higher loan balances not fully funded through member deposits, and requiring redemption of financial assets held to maturity.

The net cash used in financing activities during the year was \$5.555m compared to \$8.373m the previous year. The decrease was mainly due to a further \$5.547m decrease in securitised borrowings.

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

# Notes to the concise financial report

For the year ended 30 June 2015

The concise financial report was authorised for issue on 25 August 2015 by the Board of Directors.

## NOTE 1: Basis of preparation of the concise financial report

The concise financial report relates to the consolidated entity consisting of Bananacoast Community Credit Union Ltd (bcu) and Special Purpose Vehicle (SPV) for the year ended 30 June 2015. The consolidated entity 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. bcu is a for profit mutual entity.

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 98/100 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

	2015 \$'000	2014 \$'000
<b>Interest Income</b>	<b>73,682</b>	<b>72,183</b>
Non-interest Income		
Dividend revenue	225	240
Transaction and account fees	4,624	4,273
Loan fees and other commissions	3,825	3,329
Rental income	37	86
Other	-	690
<b>Total Non-interest Income</b>	<b>8,711</b>	<b>8,618</b>
<b>Total Income</b>	<b>82,393</b>	<b>80,801</b>

## NOTE 7: Profit before income tax

Profit before income tax has been determined after the following items:

	2015 \$'000	2014 \$'000
<b>Expenses</b>		
Employment expenses	15,941	16,032
General and administration expense	7,888	8,788
Fees and commission expenses	4,751	4,350
Rental expense on operating leases	1,448	1,795
Occupancy expenses	1,867	1,842
Net impairment loss on loans and receivables	736	1,216
Impairment loss on other financial assets	-	2
Depreciation of plant and equipment	1,093	1,083
Depreciation of buildings	224	212
Amortisation of computer software	271	238
Amortisation of leasehold improvements	573	423
Net loss on disposal of property, plant and equipment	161	13

## NOTE 8: Prudential remuneration disclosures

The Board Governance Committee is responsible for overseeing remuneration within bcu. The members of the Board Governance Committee are:

- GA Wallace (Chairman) - Chairman of the Board and Non-Executive Director;
- JO Hoey - (Deputy Chairman) - Chairman of the Board Audit Committee, Chairman of the Board Risk Committee and Non-Executive Director;
- G K Hardaker - Non-Executive Director.

The Board Governance Committee's mandate includes responsibility for overseeing the remuneration structure for the Board, the Chief Executive, Executive Management and other persons whose activities in the opinion of the committee may affect the financial soundness of the institution. The Board Governance Committee confirms that 8 persons are senior managers in accordance with Prudential Standard CPS510 (2014: 12). No persons were considered to be material risk-takers as per Prudential Standard CPS510 (2014: nil).

The Board Governance Committee meets as required with the number of meetings held during the year and attendance noted in the Directors' Report. There is no separate remuneration paid to the Board Governance Committee members in relation to their duties on this committee.

Advice regarding levels of remuneration and remuneration management practices is sought annually from:

- McGuirk Management Consultants - "Mutual Financial Board Remuneration Survey"
- Australian Institute of Management - "Large Companies Salary Survey"
- Australian Institute of Company Directors - "Australian Board Remuneration Survey Report"

bcu's Remuneration Policy was reviewed on and approved by the Board Governance Committee on 27 January 2015. The Remuneration Policy applies to all employees of bcu and its controlled entities. The key features and objectives and the policy are to:

- establish a Remuneration Policy for bcu that complies with the APRA Prudential Standards and aligns remuneration to enterprise wide risk management;
- outline bcu's remuneration objectives;
- outline bcu's remuneration arrangements for any performance based structures applicable to the Board, the Chief Executive, Executive Management or other persons whose activities in the opinion of the Board Governance Committee may affect the financial soundness of the bcu; and
- establish a mechanism whereby performance based remuneration practices for the Board, the Chief Executive, Executive Management and other persons are regularly reviewed.

Balanced key performance indicators covering risk, capital, compliance, financial performance, people management, sales, service and reporting are taken into account in determining fixed and variable components of remuneration. As detailed in the Remuneration Policy, remuneration arrangements comprise the following components:

- a fixed component consisting of salary, FBT charges related to employee benefits, leave entitlements and employer contribution to superannuation funds dependent on position accountability, responsibility, strategic direction, decision-making capability, performance and demonstrated leadership; and
- a discretionary capped variable or short term cash bonus component differentiated by performance that takes into account the achievement of both individual and institution-wide financial and non-financial key performance indicators, business plans and priorities. The timing and payment of short term bonuses for senior managers (excluding the Chief Executive) is at the discretion of the Chief Executive. The timing and payment of a performance bonus for the Chief Executive is at the discretion of the Chairman of the Board. Given the discretionary nature of bonuses, there is no entitlement or guarantee to bonuses if either individual or institution-wide metrics are weak.

bcu does not offer and has not awarded or paid during the year any long term incentives (including deferred fixed or variable remuneration); shares and share-linked instruments; sign-on awards; and/or guaranteed bonuses.

Total remuneration levels and performance are measured on a regular basis but at a minimum, at least annually.

During the year the Remuneration Policy was reviewed by the Board Governance Committee. No material changes were made during this review.

Management of risk is critical to bcu's continuing profitability and sustainability and bcu actively manages risk through the operational responsibilities of management in accordance with policies approved by the Board and the Board Audit and Risk Committee.

The following key risks are taken into account in the performance and remuneration:

Risk	Measure
Capital	Capital adequacy ratio
	Prescribed and specific provisions
	Loan write-offs
Credit	Arrears
	Geographic and industry exposures
	Credit risk review findings
Market	Net interest income at risk
	Value at risk as a percentage of capital
Liquidity	High quality liquidity asset ratio
Operational	Number and category of fraud events and losses
	Number and category of operational losses
	Customer feedback
	Turnover and absenteeism
Compliance	Adherence to APRA requirements
	Internal and external audit findings
	Credit risk review findings

The performance and remuneration of risk and compliance staff is assessed in accordance with the framework contained in the remuneration policy (as described above). Performance is assessed according to key performance indicators related to the risk and compliance role undertaken. The key performance indicators may cover risk, capital, compliance, financial control, people management, service and reporting. The performance and remuneration of risk and compliance staff is reviewed annually to ensure that it is appropriate. Payment of any performance bonuses to risk and compliance staff is at the discretion of the Chief Executive.

The total value and type of remuneration for senior managers during the year is listed in the table below. Senior managers are defined as per *Prudential Standard APS330 Public Disclosure* and do not include Directors.

	2015 \$'000	2014 \$'000
	Unrestricted	Unrestricted
<b>Fixed remuneration</b>		
Cash-based (including short-term, long-term and post-employment benefits)	2,882	2,774
Shares and share-linked instruments	-	-
Other	-	-
<b>Discretionary variable remuneration</b>		
Cash-based (including short-term, long-term and post-employment benefits)	50	9
Shares and share-linked instruments	-	-
Other	-	-

No deferred remuneration, either fixed or discretionary variable, was provided during the year (2014: nil).

The number of senior managers who received discretionary variable remuneration during the year was 3 (2014: 1).

No persons were exposed to implicit or explicit adjustments of deferred remuneration and retained remuneration.

No remuneration was provided to material risk takers. Material risk-takers are defined as per *Prudential Standard APS330 Public Disclosure*.



## Directors' Declaration

The Directors of Bananacoast Community Credit Union Ltd declare that:

- (a) The concise financial report of the entity for the year ended 30 June 2015 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 2015.

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



G A Wallace  
Chairman

25 August 2015  
Brisbane



J O Hoey  
Deputy Chairman



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## INDEPENDENT AUDITOR'S REPORT

To the members of Bananacoast Community Credit Union Ltd

### Report on the Concise Financial Report

We have audited the accompanying concise financial report of Bananacoast Community Credit Union Ltd which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated 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 2015 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 Limited for the year ended 30 June 2015. We expressed an unmodified opinion on that financial report in our report dated 25 August 2015. 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



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.

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 2015 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over a faint, larger 'BDO' watermark.

**P A Gallagher**

Director

Brisbane, 25 August 2015



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