

Annual Financial Report

for the year ended
30th June 2011



Broken Hill[®]
Community Credit Union
Your Credit Union

The Broken Hill Community Credit Union Ltd

ABN: 12 087 650 762

NOTICE OF THIRTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of The Broken Hill Community Credit Union Ltd will be held at the Registered Office 2 Chloride Street, Broken Hill NSW 2880, on
Thursday 24th November 2011

AGENDA

- 1 Welcome to members and guests
- 2 Apologies
- 3 Confirmation of minutes of the thirty-seventh Annual General Meeting
- 4 Capacity for the Chairperson to vary the agenda
- 5 Election of Directors - 3 vacancies
 - a) **Mrs Judith Eileen Hoare** retires by rotation in accordance with the provisions of the Constitution and, being eligible, offers herself for re-election.
 - b) **Mrs Lorelle Emmett**, being eligible, offers herself for election.
 - c) **Mr Gary Edward Crase**, being eligible, offers himself for election.
- 6 Directors' Report
- 7 Statement of Comprehensive Income, Statement of Financial Position & Auditor's Report
- 8 Directors' Remuneration
- 9 General Business of which due notice has been received in accordance with the Constitution of the Credit Union

- 11 Close and refreshments

By Order of the Board

The Broken Hill Community Credit Union Ltd

Secretary: Mr Andrew J. Pellizzer

Date: 29th September 2011

The Broken Hill Community Credit Union Ltd

ABN: 12 087 650 762

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2011.

Board of Directors

The Board has adopted the following key responsibilities:

- Act in the best interests of the Credit Union as a whole
- Observe their duties as Directors in terms of the Corporations Act, the Credit Union's Constitution and other relevant legislation
- Compliance with APRA Prudential Standards
- Enhance member value

In order to meet these responsibilities, the key functions of the Board include:

- Establishing and making delegations to Board Committees
- Appointing, delegating to, supporting, evaluating and rewarding the General Manager and having in place a succession plan
- Seek to achieve a diverse and effective Board, with appropriate skills, operating standards and procedures for the Board and its Committees
- Reviewing, determining and monitoring the strategic direction and objectives
- Reviewing, approving and monitoring the strategic plan including financial and non-financial performance measures
- Ensuring that the principal business risks have been identified and the implementation and monitoring by management of a framework to manage those risks
- Reviewing, approving and monitoring policy, within a policy and compliance framework
- Ensuring a process is in place for the maintenance of the integrity of internal controls, and financial and management information systems
- Ensuring the Credit Union acts legally and responsibly on all matters
- Ensuring that appropriate ethical standards are maintained
- Reviewing, determining and monitoring the skills and performance of the Board as a whole, Directors as individuals and Board Committees.
- Reporting to the members on the Board's stewardship as required

Board Composition

The Constitution of the Credit Union stipulates that the Board may have up to 7 Directors, or such lower number as determined by the Board. The Board may also appoint up to 3 Directors in addition to elected Directors. There is no maximum period of service for Directors, however elected Directors serve a three year term and retire in rotation but may stand for re-election.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

Board Independence

All Directors have been assessed as independent.

When determining whether a non-executive Director is independent the Board is of the view that it would ordinarily expect a relationship to be considered material when it accounts for more than 5% of the total services provided by the member or supplier or more than 10% of the total supplies of the Credit Union.

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Credit Union's expense. Written approval must be obtained from the Chairperson prior to incurring any expense on behalf of the Credit Union.

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Performance Evaluation

Performance evaluations of the Board and all Board members are conducted annually by the Board. A questionnaire for all Board members is completed to provide feedback on how they thought the Board had performed. The Chairperson may also speak to each Director individually regarding their role as Director, if necessary. The results from the questionnaire are collated and developed into a series of recommendations to improve performance. These recommendations are presented to the Board at which time an action plan is developed to implement the recommendations and set the performance criteria and goals for the next year.

Audit Committee

The Committee's role includes:

- Facilitate communication between the internal auditor, the external auditors and the Board
- Reviewing and considering any changes to accounting policies
- Receiving and considering reports from management so as to determine the effectiveness of the Credit Union's risk management systems
- If necessary, requiring the internal auditor or senior management undertake any audit or compliance project and report on such
- Considering and reviewing with the external auditors, the internal auditor and management the adequacy of internal controls and any related significant findings and recommendations
- Consider and review with management and the internal auditor significant findings during the year, any difficulties encountered in the course of the internal audits, including any restrictions on the scope of their work, any changes required in the planned scope of the internal audit plan, and the internal budgets and staffing.
- Reviewing legal and regulatory matters that may have a material impact on the Credit Union's compliance policies and programs and reports received from APRA.
- Considering and reviewing the policies and procedures for the selection, appointment and reappointment of the external auditor, the rotation of external audit engagement partners and the terms of any such appointment.
- Monitor the Credit Union's compliance with legal obligations to which it is subject
- Assist the Board and management in monitoring risk management, controls and corporate governance performance.

Corporate Governance & Remuneration Committee

The Committee's role includes:

- Reviewing and reporting to the Board on current corporate governance policies and review outcomes
- Reviewing and reporting to the Board on corporate governance issues
- Providing recommendations to the Board on corporate governance practices after assessment and review
- Reviewing and reporting to the Board on the Credit Union's compliance with APRA Prudential Standard APS510 and the best practice recommendations of the ASX Corporate Governance Council
- Reviewing disclosure of corporate governance policies and information on the Credit Union's website
- Reviewing and reporting to Board on best practice developments in corporate governance

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- Providing recommendations to Board on effective policies and procedures to ensure effective communication of the Credit Union's corporate governance policies to members, media, analysts and industry participants.
- Providing recommendations to the Board on technical or professional development courses to assist Directors in keeping up to date with relevant issues and practices
- To review and recommend to the Board remuneration policies and packages for the Board of Directors and Executive Management
- To recommend to the Board any changes in remuneration policy including superannuation, other benefits and remunerations structures
- To ensure there is a proper performance management process in place throughout the organisation and that it is operating effectively

There are no schemes for retirement benefits other than statutory superannuation for non-executive Directors.

Ethical Standards

The core values of the Credit Union centre on improving the quality and efficiency of financial service delivery by providing products and services to help members meet their financial goals. To this end the Credit Union is committed to maintaining the highest ethical standards in delivering products and services to its members.

The Credit Union acknowledges that personal financial information is sensitive and subject to privacy legislation. To this end, the Credit Union is committed to ethical and appropriate practices and compliance with relevant privacy legislation. It has in place processes to maintain the expectations of the community and members for the security, privacy and integrity of personal financial information.

The Board has adopted Codes of Conduct which set out the expectations for Directors and staff in their business affairs and in dealings with members. The Codes of Conduct require high standards of personal integrity and honesty in all dealings, a respect for privacy of members and others and observance of the law.

The Board regularly reviews all its policies to ensure their continued relevance and effectiveness.

Where necessary, at Board meetings, Directors report on any interest that could potentially conflict with those of the Credit Union and report on any Director related transactions in the Notes to the Annual Financial Statements.

Communication with Members

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

- The Annual Report is distributed to all members who request it and includes information about the operations of the Credit Union during the year, changes in the state of affairs of the Credit Union and details future developments, in addition to other disclosures required by the *Corporations Act 2001*
- When the Credit Union becomes aware of information which in the view of the Board requires members to be notified immediately a letter is sent to members
- The Credit Union website

Other Information

Further information relating to the Credit Union's corporate governance practices and policies has been made publicly available on the Credit Unions website at <www.bhccu.com.au>

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CHAIRPERSON'S REPORT

Once again your Credit Union has performed strongly in what has been another year of difficulties in financial markets. The strength of the financial sector in Australia, especially the banking sector, has meant that we have been able to manage much of the volatility in international markets and minimize the impact on Australian markets arising from that volatility. Allowing for a difficult market, it is pleasing to report that a gross profit of \$671,712 was returned this financial year. This was an increase of 33% on the previous year, giving rise to a net profit of \$466,649 which was an increase of 32% on last year. There has also been growth across the major areas of the Credit Union's balance sheet. Loans are up 3.39%, member deposits up 8.33% and assets have grown 8.24%. These successes for the business have resulted in a return on assets of 0.83% and return on equity of 5.59%.

The Board has again spent considerable time focused on what being a mutual means when considering why anyone should become a member of a mutual. Being a mutual, among other things, means that we have a focus on the wellbeing of members and the community as a whole. We saw a reduction in fee income for the year of 4.95%, a tangible means of returning value to all members. We again supported the community with financial support to 101 community groups. Major sponsorships continued this year including, supporting local primary students attending the Stewart House program, refurbishment of the fire doors at the Sea Scouts hall, Broken Hill Basketball Association, Broken Hill Football League and the Broken Hill Community Foundation.

Consolidation within the industry continues and the Board has adopted a watching brief on the potential impact of this consolidation on our ability to source cost effective services into the future. Although this changing environment has the potential to impact on your Credit Union in the future, the Board believes that the support for your Credit Union in the local community and the conservative approach to the business has seen a model developed and sustained that will hold us in good stead for the foreseeable future.

The introduction of the Visa Debit product has been a great success and the uptake would suggest that this is a product that members have been seeking for some time. The use of our various electronic banking facilities, especially internet banking continues to increase across the membership. The flexibility that this type of service offers will see a continued focus on improving this area of our service. Unfortunately we have had difficulty in finding an overall suite of general insurance products that the Board feel will best service the needs of Members in this area. Management are continuing to work on this project but the Board is determined that a new set of products will not be released until those products are right for Members.

Your Credit Union will continue to support the Industry Promotion campaign that was launched during the previous year. The success of this campaign in telling the credit union story leads us to believe that a follow-up campaign will be beneficial.

The year has seen some movement in Board composition. After seven years as a Director Laurie Chapman retired from full time work and has elected to travel in his retirement, consequently Laurie resigned from the Board. Similarly, after ten years on the Board, John Doyle has sold his legal practice and moved to Adelaide. Both Laurie and John have been valuable contributors to the governance of the Credit Union and I wish them well in their future endeavours. I welcome Kym Visser to the Board and am sure that his legal background and commitment to the Broken Hill community will ensure that Kym is a valuable contributor to Board deliberations.



Allan Carter, Chairperson

Dated this 29th day of September 2011

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DIRECTORS' REPORT

Your Directors present their report on The Broken Hill Community Credit Union Ltd (the Credit Union) for the financial year ended 30 June 2011.

Directors

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

Mr Allan Carter	
Mr Lawrence Chapman	<i>resigned 28th October 2010</i>
Mrs Judith Hoare	
Mr John Doyle	<i>resigned 14th December 2010</i>
Mr Gary Oldman	
Mr Tony Hiscox	
Mr Gary Barraclough	<i>resigned 31st July 2011</i>
Mr Kym Visser	
Mrs Lorelle Emmett	<i>Board elected 25th July 2011</i>
Mr Gary Crase	<i>Board elected 25th August 2011</i>

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Credit Union Secretary

The following person held the position of Credit Union secretary at the end of the financial year:

Mr Andrew Pellizzer - Diploma of Financial Services. Andrew has worked for The Broken Hill Community Credit Union Ltd for the past 28 years, and is currently the General Manager. Andrew was appointed Credit Union secretary on 1st July 2004.

Principal Activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. No significant changes in the nature of these activities occurred during the year.

Operating Results

The profit of the Credit Union after providing for income tax amounted to \$466,649 (2010 \$354,570).

Dividends Paid or Recommended

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors as the Credit Union is limited by guarantee and cannot distribute dividends by virtue of the provisions of its Constitution.

Review of Operations

The results of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

Significant Changes in State of Affairs

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

After Balance Date Events

There were no significant events subsequent to balance date.

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DIRECTORS' REPORT

Information on Directors

Mr Allan K Carter

Qualifications/Memberships
Experience

Chairperson

BHSM (Op) MBA FAICD FIPA MAMI

Allan is an accountant and the Chief Executive Officer of Southern Cross Care (Broken Hill) Ltd. He is the Auditor for a number of local community organisations and on the Board of the Far West Local Health Network. He has been a Director since 1993 and Chairperson since 2002 and is a member of the Australasian Mutuals Institute. Allan is a member of the Corporate Governance & Remuneration Committee and is the Committee's Chairperson.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mrs Judith E Hoare

Qualifications/Memberships
Experience

Vice-Chairperson

MAHRI MAMI

Judi has a Professional Diploma in Human Resource Management and was the Office Manager for Austen Brown Thompson Solicitors, Accountants & Financial Planners from 1986 until 2001 when she became the Resource Manager at Southern Cross Care (Broken Hill) Ltd. Judi has been a Director since 1998 and is a member of the Australasian Mutual Institute. Judi is a member of the Corporate Governance & Remuneration Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mr Gary Oldman

Qualifications/Memberships
Experience

Director

B.IT MACS (Snr) MAMI

Gary has a Degree in Information Technology, Certificates in Electrical Engineering and Electronics & Communications and is a senior member of the Australian Computer Society. He has held the position of IT Manager with the Royal Flying Doctor Service since 1990, prior to that Gary was Chief Communications Officer. Gary has been with the RFDS since 1979 and is a member of the Australasian Mutuals Institute. He has been a Director since April 2007 and is a member of the Audit Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mr William A Hiscox

Qualifications/Memberships
Experience

Director

FIPA ACIS MAMI JP

Tony is an accountant and has previously worked for Broken Hill City Council and with OACC as its Small Business Field Officer. He plays an active part in the Broken Hill community through his involvement with Southern Cross Care (Broken Hill) Ltd and the Rotary Club of Broken Hill South. Tony has been a Director since August 2007 and is a member of the Australasian Mutuals Institute. Tony is a member of the Audit Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

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DIRECTORS' REPORT

Mr Gary W Barraclough

Qualifications/Memberships
Experience

Vice-Chairperson (resigned 31st July 2011)
AssocDipBus (Acctng) MAMI

Gary has owned and operated the local McDonald's franchise since 1998. Prior to establishing his own business Gary worked for Westpac Banking Corporation for 20 years. His last position with Westpac was in their Sydney credit centre as Manager Commercial Credit responsible for Country NSW. Gary has an Associate Diploma of Business (Accounting). Gary joined the Board on 21st April 2009 and is a member of the Audit Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mr Kym J Visser

Qualifications/Memberships
Experience

Director
Dip.Law LPAB

Kym is a solicitor with the law firm Visser & Walton Pty Limited. Kym has over 20 years experience working in a legal firm, previously working with Austen Brown Boog since 1989. Kym was admitted as a solicitor in 1999. Kym has been a Director of the Credit Union since 2010 and is a member of the Law Society and the Australasian Mutuals Institute. Kym is a member of the Corporate Governance & Remuneration Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mrs Lorelle Emmett

Qualifications/Memberships
Experience

Director
JP

Lorelle is a director of North Economy Stores Pty Ltd and Johns Securities Pty Ltd. Lorelle has over 30 years' experience as a retailer and property manager. Prior to this Lorelle was employed for 10 years in a road design position with the NSW government. Lorelle has filled a casual vacancy as Director of the Credit Union since July 2011 and is a member of the Corporate Governance & Remuneration Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Mr Gary Edward Crase

Qualifications/Memberships
Experience

Director
FCPA, ACIS

Gary is an accountant and has previously worked for Far West Area Health Service and the Broken Hill City Council. Gary is a Fellow of CPA Australia and an Associate of the Chartered Secretaries of Australia and has been the auditor for a number of local community organisations. Gary also served seven years as the Treasurer of St Patrick's Race Club. Gary has filled a casual vacancy as Director since August 2011 and is a member of the Audit Committee.

Interest in Shares

1 Member Share in The Broken Hill Community Credit Union Ltd

Director Benefits

No Director has received or became entitled to receive during or since the end of the financial year, a benefit because of a contract made by the Credit Union, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Credit Union's Financial Statements presented in the Annual Financial Report, prepared in accordance with Division 1 of Part 2M.3 of the Corporation's Act, other than that disclosed in Note 21 of the financial statements.

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DIRECTORS' REPORT

Meetings of Directors

During the financial year, 20 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings		Committee Meetings					
			Audit Committee		Corporate Governance & Remuneration Committee		Nominations Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
A.K Carter	13	10	-	-	3	3	-	-
L.D Chapman	3	3	-	-	1	1	-	-
J.E Hoare	13	10	-	-	3	3	1	1
J.W Doyle	7	6	2	2	-	-	-	-
G.S Oldman	13	9	3	3	-	-	-	-
W.A Hiscox	13	12	3	3	-	-	-	-
G.W Barraclough	13	12	3	3	-	-	-	-
K.J Visser	8	6	-	-	2	2	-	-

Indemnifying Officers or Auditor

During or since the end of the financial year, the Credit Union has given an indemnity or entered into an agreement to indemnify, paid or agreed to pay insurance premiums as follows:

The Credit Union has paid premiums to insure each of the Directors and Officers of the Credit Union against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Credit Union, other than conduct involving a wilful breach of duty in relation to the Credit Union.

In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities are prohibited by a confidentiality clause in the contract.

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

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit Committee, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in Section 290 of APES 110.

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DIRECTORS' REPORT

The following fees for non-audit services were paid/payable to WHK during the year ended 30 June 2011:

	\$
Taxation services	4,215
Total	<u>4,215</u>

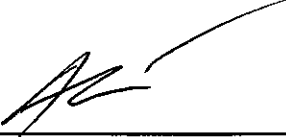
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 12.

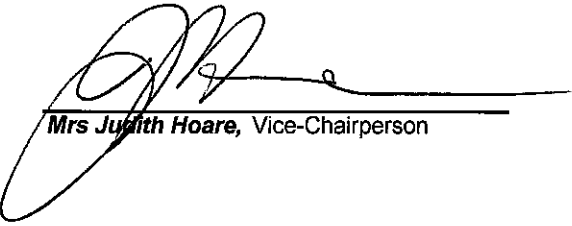
Rounding of Amounts

The Credit Union is an entity to which ASIC Class Order 98/100 applies. Amounts in the financial statements and Directors' Report have not been rounded off under the option available to the Credit Union under this Class Order.

Signed in accordance with a resolution of the Board of Directors.



Mr Allan Carter, Chairperson



Mrs Judith Hoare, Vice-Chairperson

Dated this **29th September 2011**

133 Langtree Avenue
Mildura, VIC 3500

PO Box 1608
Mildura, VIC 3502

**Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001
To the Directors of The Broken Hill Community Credit Union Ltd.**

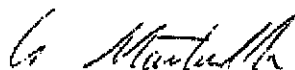
T 03 5023 9700
F 03 5021 1430
T 1300 WHK TFS

murraydarling@whk.com.au
www.whk.com.au

WHK Audit Services
ABN 27 161 274 861

As auditor for the Broken Hill Community Credit Union Ltd, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**Grant Martinella CA RCA
WHK Audit Services**

133 Langtree Avenue
MILDURA, VIC 3500

Date: 29 September 2011

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2011

	Note	2011 \$	2010 \$
REVENUE			
Interest Revenue	2	3,835,908	3,064,440
Non-Interest Revenue	3	796,509	819,483
TOTAL REVENUE		4,632,417	3,883,923
Expenses			
Borrowing Expense	4	(1,032,988)	(590,591)
Non-Interest Expenses			
Auditor Remuneration	5	(41,505)	(41,778)
General Administration Expenses			
Employee Benefits		(1,370,556)	(1,326,772)
Depreciation & Amortisation		(107,067)	(109,683)
Lease Expenses		(3,108)	(3,108)
Other Administration Expenses		(269,576)	(311,191)
Total General Administration Expenses		(1,750,307)	(1,750,754)
Other Expenses		(764,339)	(707,813)
EDP Expenses		(371,566)	(286,397)
Total Non-Interest Expenses		(2,927,717)	(2,786,742)
TOTAL EXPENSES		(3,960,705)	(3,377,333)
Profit before income tax		671,712	506,590
Income tax expense	6	205,063	152,020
Profit after income tax		466,649	354,570
OTHER COMPREHENSIVE INCOME			
Net Gains/(Loss) on revaluation of financial assets		-	-
Other Comprehensive Income for year		-	-
TOTAL COMPREHENSIVE INCOME		466,649	354,570
Total Comprehensive Income attributed to members of the entity		466,649	354,570

The accompanying notes should be read in conjunction with these financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2011

	Note	2011 \$	2010 \$
ASSETS			
Cash and cash equivalents	7	2,821,094	3,544,191
Receivables from other Financial Institutions	8	11,492,228	7,997,322
Receivables	9	429,977	208,977
Loans and advances	10	38,979,218	37,698,087
Available for sale investments	11	176,765	176,765
Property, Plant & Equipment	12	1,996,433	2,008,021
Investment Properties	13	295,000	295,000
Intangible Assets		70,857	58,798
Deferred Tax Assets	14	127,361	122,412
TOTAL ASSETS		56,388,933	52,109,573
LIABILITIES			
Member Deposits	15(a)	46,852,483	43,249,975
Payables-other	15(c)	761,937	537,335
Current tax provision	16	(14,920)	17,750
Provisions - Leave Entitlements	17	358,451	341,580
Deferred Tax Liability		6,243	4,843
TOTAL LIABILITIES		47,964,194	44,151,483
NET ASSETS		8,424,739	7,958,090
MEMBER'S EQUITY			
Capital Reserve Account	<u>18(a)</u>	58,584	54,412
Asset Revaluation Reserve	<u>18(b)</u>	837,963	837,963
General Reserve for Credit Losses	<u>18(c)</u>	121,972	134,856
Card Fraud Reserve	<u>18(d)</u>	17,500	-
Retained Earnings		7,388,720	6,930,859
TOTAL EQUITY		8,424,739	7,958,090

The accompanying notes should be read in conjunction with these financial statements

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2011

2011	Capital Reserve \$	Asset Revaluation Reserve \$	Retained Profits \$	Reserve for Credit Losses \$	Card Fraud Reserve \$	Total \$
Balance at 30/06/10	54,412	837,963	6,930,859	134,856	-	7,958,090
Profit attributable to members	-	-	466,649	-	-	466,649
General Reserve for Credit Losses	-	-	12,884	(12,884)	-	-
Movements in Reserves	4,172	-	(21,672)	-	17,500	-
Balance at 30/06/2011	58,584	837,963	7,388,720	121,972	17,500	8,424,739

2010	Capital Reserve \$	Asset Revaluation Reserve \$	Retained Profits \$	Reserve for Credit Losses \$	Card Fraud Reserve	Total \$
Balance at 30/06/09	50,216	837,963	6,595,272	120,069	-	7,603,520
Profit attributable to members	-	-	354,570	-	-	354,570
General Reserve for Credit Losses	-	-	(14,787)	14,787	-	-
Movements in Reserves	4,196	-	(4,196)	-	-	-
Balance at 30/06/2010	54,412	837,963	6,930,859	134,856	-	7,958,090

The accompanying notes should be read in conjunction with these financial statements

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2011

	Note	2011 \$	2010 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received-Loans & Advances		3,094,028	2,514,027
Interest received-Investments		525,545	747,397
Other Income		791,844	819,483
Interest Paid		(1,032,988)	(590,591)
Members Loans (net)		(1,281,131)	(3,021,579)
Member Deposits (net)		3,602,508	1,562,494
Cash payments in the course of operations		(2,579,177)	(2,769,282)
Income tax paid		(241,282)	(143,592)
Net cash provided by (used in) operating activities	20	2,879,347	(881,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receivables from other Financial Institutions (net)		(3,494,906)	3,501,232
Payments for property, plant & equipment		(95,479)	(53,643)
Payments for intangible assets		(12,059)	(58,798)
Net cash provided by (used in) investing activities		(3,602,444)	3,388,791
CASH FLOWS FROM FINANCING ACTIVITIES			
TPS Loan		-	(1,000,000)
Net cash provided by (used in) financing activities		-	(1,000,000)
Net increase in cash held		(723,097)	1,507,148
Cash at beginning of financial year		3,544,191	2,037,043
Cash at end of financial year	7	2,821,094	3,544,191

The accompanying notes should be read in conjunction with these financial statements

The Broken Hill Community Credit Union Ltd
ABN: 12 087 650 762

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared for The Broken Hill Community Credit Union Ltd (the Credit Union) as a single credit union, for the year ended 30 June 2011. The report was authorised for issue on **29th September 2011** in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars. The financial statements are a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, 2001. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensure the financial statements and notes comply with the International Financial Reporting Standards (IFRS).

Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values on non-current assets (except for real property and available for sale investments which are stated at fair value). The accounting policies are consistent with the prior year unless otherwise stated.

Accounting Policies

a) Loans to Members

(i) Basis of Recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the loans using the effective interest rate method.

(ii) Interest Earned

Term loans - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft - interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member account on the last day of each month.

(iii) Fees on Loans

Loan establishment fees which do not exceed the amount of costs recouped are brought to account as income in the year of receipt. Fees for the recovery of costs incurred are allocated against the relevant expense incurred. Loan fees in excess of cost are deferred and brought to account over the term of the loan. It has been determined that there is no requirement to defer loan fee income at this time. The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

b) Loan Impairment

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 10. Note 10 details the credit risk management approach for loans.

The APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

(ii) Reserve for Credit Losses

In addition to the above specific provision, the Board of Directors has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The general reserve for credit losses is based on an estimation of potential risk in the loan portfolio.

(iii) Reserve for Card Fraud

In addition to the above specific provision, the Board of Directors has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience card fraud in the future. The card fraud reserve is based on an estimation of potential risk in the card portfolio.

(iv) The various components of impaired assets are as follows:

Non-accrual loans

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 does not meet the definition of a restructured loan only because it yields less than the Credit Union's average cost of funds.

Restructured Loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until normal repayments are re-instated and brought up to date and maintained for a specific period of time.

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

A loan or similar facility in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan.

(c) Bad Debts Written Off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write-offs are recognised as expenses in the income statement.

**(d) Property, Plant & Equipment
Owner Occupied Property**

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction, less subsequent depreciation. It is the policy of the Credit Union to have an independent valuation every three years, with annual appraisals being made by the Board of Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A revaluation surplus is credited to the asset revaluation reserve included within equity unless it reverses a revaluation decrease on the same asset previously recognised in the income statement. A revaluation deficit is recognised in the income statement unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

Investment Property

The fair value model is applied to all investment property. Investment properties are independently revalued annually. Values are based on an active liquid market and are performed by a registered independent valuer.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Board of 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 that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the net profit or loss in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected life to the Credit Union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

- Buildings	40 years
- Plant & Equipment	3 years

(e) Receivables from Other Financial Institutions

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of the receivables in the balance sheet.

(f) Member Deposits

(i) Basis for Measurement

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest Payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Provision for Employee Benefits

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on a pro-rata entitlement for part years of service and leave entitlements due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement as incurred.

(h) Goods and Services Tax (GST)

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. With other sources of income which are subject to GST collection, the GST on related or apportioned purchases are generally recoverable on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC) of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(i) Impairment of Assets

At each reporting date the Credit Union assess whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income Tax

The income tax expense shown in the income statement is based on the profit before income tax adjusted for any non tax deductible, or non assessable items, between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation, and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

(k) Accounting Estimates and Judgements

Management have made judgements when applying the Credit Union's accounting policies with respect to impairment provisions for loans - Refer Note 10.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2. INTEREST REVENUE

	Average Interest Rate		Average Balance		Interest Revenue	
	2011	2010	2011	2010	2011	2010
Interest Revenue	%	%	\$	\$	\$	\$
Cash deposits at call	3.08	2.10	2,691,115	2,343,459	82,819	49,308
Deposits with other Financial Institutions	6.76	5.05	9,744,775	9,913,745	659,061	501,105
Loans & other Advances	8.06	6.93	38,371,694	36,296,970	3,094,028	2,514,027
TOTAL INTEREST REVENUE	7.55	6.31	50,807,584	48,554,174	3,835,908	3,064,440

NOTE 3. NON-INTEREST REVENUE

	2011	2010
Fee and Commission Revenue	\$	\$
Loan fee income	75,464	72,987
Other fee income	428,503	457,208
Insurance Commissions	112,294	143,424
Other Commissions	24,391	25,232
Total Fee and Commission Income	640,652	698,851
Dividends	30,197	22,096
Bad Debts Recovered	3,573	1,646
Other Revenue		
Rent received	46,937	26,400
Miscellaneous revenue	75,150	70,490
TOTAL NON-INTEREST REVENUE	796,509	819,483

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4. BORROWING EXPENSE

	Average Interest Rate		Average Balance		Interest Expense	
	2011	2010	2011	2010	2011	2010
Interest Expense	%	%	\$	\$	\$	\$
Member Deposits	2.29	1.33	45,051,229	42,914,914	1,032,121	570,592
Borrowings	12.00	12.00	7,225	166,667	867	19,999
TOTAL INTEREST EXPENSE	2.29	1.37	45,058,454	43,081,581	1,032,988	590,591

NOTE 5. AUDITOR'S REMUNERATION

	2011	2010
	\$	\$
Remuneration of the auditor for: auditing or reviewing the financial report	41,505	41,778
TOTAL AUDITOR REMUNERATION	41,505	41,778

NOTE 6. INCOME TAX EXPENSE

	2011	2010
	\$	\$

The components of tax expense comprise:

Current tax payable	201,514	151,977
Originating and reversing temporary differences	3,549	43
	205,063	152,020

Reconciliation of income tax expense:

Prima facie tax payable on profit before income tax	201,514	151,977
Tax effect of: non deductible expenses	4,949	(9,279)
previously unrecognised temporary differences	(1,400)	9,322
	205,063	152,020

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7. CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Cash at Bank and in hand	592,966	524,443
Deposits at Call	2,228,128	3,019,748
	<u>2,821,094</u>	<u>3,544,191</u>

NOTE 8. RECEIVABLES WITH OTHER FINANCIAL INSTITUTIONS

	2011	2010
	\$	\$
Investments held to maturity	11,492,228	7,997,322
	<u>11,492,228</u>	<u>7,997,322</u>

(a) Credit Quality

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential guidance note AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are as follows:

Banks rated AA and above	9,492,228	6,997,322
Banks rated below AA	2,000,000	1,000,000
	<u>11,492,228</u>	<u>7,997,322</u>

NOTE 9. RECEIVABLES

	2011	2010
	\$	\$
Interest receivable on deposits with other Financial Institutions	164,827	130,943
Prepayments	59,852	55,187
Sundry Debtors	9,223	7,058
Clearing Accounts	196,075	15,789
	<u>429,977</u>	<u>208,977</u>

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10. LOANS AND ADVANCES	2011	2010
	\$	\$
Amount due comprises:		
Overdraft revolving credit and term loans	39,045,301	37,764,547
LESS: Provision for specific impairment	(66,083)	(66,460)
NET LOANS	<u>38,979,218</u>	<u>37,698,087</u>

(a) Concentration of Risk

Exposure to grouping of individual loans which concentrate risk within particular geographical segments are as follows:

Broken Hill NSW	33,805,527	32,930,628
Other Australian locations	5,239,774	4,833,919
TOTAL	<u>39,045,301</u>	<u>37,764,547</u>

Purpose dissection

Residential	32,644,067	31,466,456
Personal	5,668,407	5,003,682
Commercial	732,827	1,294,409
TOTAL	<u>39,045,301</u>	<u>37,764,547</u>

The Credit Union does not have any significant exposure to any particular industry sectors or other groupings of clients, other than those loans which are predominantly for residential housing purposes.

(b) Credit Quality of Loans

A majority of the portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the loan to valuation ratio (LVR) cover should the property market be subject to decline. The risk of losses from loans is primarily reduced by the nature and quality of the security obtained.

It is not practical to value all collateral as at the balance date due to the variety of asset and their nature and condition. A breakdown of the quality of the mortgage security on the portfolio basis is as follows:

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10. LOANS AND ADVANCES (continued)

	2011	2010
Secured by Mortgage over Residential Property	\$	\$
LVR less than 80%	32,119,520	30,945,899
LVR more than 80% not mortgage insured	1,195,313	1,244,475
	<u>33,314,833</u>	<u>32,190,374</u>
Partly secured by goods mortgage	2,726,107	2,242,454
Secured other	39,650	363,308
Wholly unsecured	2,964,711	2,968,411
TOTAL	<u>39,045,301</u>	<u>37,764,547</u>

(c) Provision for Impairment

Opening balance	66,460	62,155
Doubtful debts provided for during the year	13,655	26,217
Bad debts written off	(14,032)	(21,912)
TOTAL	<u>66,083</u>	<u>66,460</u>

(d) Impairment Expense

Bad debts recognised directly as expense	<u>13,655</u>	<u>40,845</u>
	<u>13,655</u>	<u>40,845</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10. LOANS AND ADVANCES (continued)

(e) Past Due and Impaired Loans

	Less than 3 months past due	3-6 months past due	6-12 months past due	More than 12 months past due	Gross Loan balance	Impairment Provision	Net Carrying Value
	\$	\$	\$	\$	\$	\$	\$
2011							
Impaired Loans							
Personal Loans	5,979	17,085	29,427	709	53,200	(32,573)	20,627
Mortgage Loans		91,686	47,294		138,980		138,980
	<u>5,979</u>	<u>108,771</u>	<u>76,721</u>	<u>709</u>	<u>192,180</u>	<u>(32,573)</u>	<u>159,607</u>
Not considered Impaired							
Personal Loans							
Overdrawn Savings Accounts	13,862	378	6,964	12,306	33,510	(33,510)	
	<u>13,862</u>	<u>378</u>	<u>6,964</u>	<u>12,306</u>	<u>33,510</u>	<u>(33,510)</u>	<u>-</u>
TOTAL	<u><u>19,841</u></u>	<u><u>109,149</u></u>	<u><u>83,685</u></u>	<u><u>13,015</u></u>	<u><u>225,690</u></u>	<u><u>(66,083)</u></u>	<u><u>159,607</u></u>

	Less than 3 months past due	3-6 months past due	6-12 months past due	More than 12 months past due	Gross Loan balance	Impairment Provision	Net Carrying Value
	\$	\$	\$	\$	\$	\$	\$
2010							
Impaired Loans							
Personal Loans	14,550	7,765	23,308	-	45,623	(27,730)	17,893
Mortgage Loans	-	652,689	9,205	-	661,894	-	661,894
	<u>14,550</u>	<u>660,454</u>	<u>32,513</u>	<u>-</u>	<u>707,517</u>	<u>(27,730)</u>	<u>679,787</u>
Not considered Impaired							
Personal Loans	-	-	4,964	-	-	(3,971)	993
Overdrawn Savings Accounts	18,434	4,180	7,246	4,899	34,759	(34,759)	-
	<u>18,434</u>	<u>4,180</u>	<u>12,210</u>	<u>4,899</u>	<u>34,759</u>	<u>(38,730)</u>	<u>993</u>
TOTAL	<u><u>32,984</u></u>	<u><u>664,634</u></u>	<u><u>44,723</u></u>	<u><u>4,899</u></u>	<u><u>742,276</u></u>	<u><u>(66,460)</u></u>	<u><u>680,780</u></u>

Renegotiated Loans

The Credit Union does not have any loans where the original terms of the loan have been varied by agreement with the borrower.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11. INVESTMENTS

	2011	2010
	\$	\$
Available for Sale Investments		
Shares in special service providers	<u>176,765</u>	176,765
TOTAL	<u><u>176,765</u></u>	<u>176,765</u>

a) Shares in special service providers

The shareholding in special service providers relates to a shareholding in CUSCAL LTD. The shareholding is measured at cost as their fair value could not be measured reliably.

These shares are held to enable the Credit Union to receive essential banking services. The shares are not to be traded and are not redeemable.

The Financial Statements of CUSCAL Ltd record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of the provider, any fair value determination on these shares is likely to be greater than their cost value. Due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

NOTE 12. PROPERTY, PLANT & EQUIPMENT

	2011	2010
	\$	\$
LAND AND BUILDINGS		
Freehold - at valuation		
Land	<u>360,000</u>	360,000
Total Land	<u>360,000</u>	360,000
Buildings at valuation	<u>1,483,726</u>	1,483,726
Less accumulated depreciation	<u>(73,124)</u>	(36,955)
Total Buildings	<u>1,410,602</u>	1,446,771
Total Land and Buildings	<u><u>1,770,602</u></u>	<u>1,806,771</u>
 PLANT AND EQUIPMENT		
At cost	<u>1,387,849</u>	1,312,771
Less accumulated depreciation	<u>(1,162,018)</u>	(1,111,521)
Total Plant and Equipment	<u>225,831</u>	201,250
Total Property, Plant and Equipment	<u><u>1,996,433</u></u>	<u>2,008,021</u>

a) Valuations

The valuation of land and buildings is on the basis of fair market value. Properties are independently valued on a three year rotating basis.

Independent valuations at 30th June, 2010 were performed by:

Smith & Hickey Valuation Services

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 12. PROPERTY, PLANT & EQUIPMENT (continued)

b) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant & equipment between the beginning and the end of the current financial year:

2011	Freehold Land	Buildings	Plant & Equipment	TOTAL
	\$	\$	\$	\$
Balance at the beginning of the year	360,000	1,446,771	201,250	2,008,021
Additions	-	-	95,479	95,479
Disposals	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-
Depreciation expense	-	(36,169)	(70,898)	(107,067)
Carrying amount at the end of the year	<u>360,000</u>	<u>1,410,602</u>	<u>225,831</u>	<u>1,996,433</u>

2010	Freehold Land	Buildings	Plant & Equipment	TOTAL
	\$	\$	\$	\$
Balance at the beginning of the year	360,000	1,475,000	229,061	2,064,061
Additions	-	8,726	44,917	53,643
Disposals	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-
Depreciation expense	-	(36,955)	(72,728)	(109,683)
Carrying amount at the end of the year	<u>360,000</u>	<u>1,446,771</u>	<u>201,250</u>	<u>2,008,021</u>

NOTE 13. INVESTMENT PROPERTIES

	2011	2010
	\$	\$
At Fair Value		
Balance at beginning of the year	295,000	295,000
Fair value adjustments	-	-
Balance at the end of the year	<u>295,000</u>	<u>295,000</u>

The fair value model is applied to all investment property. Investment properties are independently re-valued bi-annually. Values are based on an active liquid market and are performed by a registered independent valuer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14. DEFERRED TAX ASSETS

	2011	2010
	\$	\$
Deferred tax assets comprise:		
Provisions		
Specific impairment	19,825	19,938
Leave	<u>107,536</u>	<u>102,474</u>
Total	<u><u>127,361</u></u>	<u><u>122,412</u></u>

The movement in deferred tax assets for each temporary difference during the year is as follows:

Provisions - specific impairment

Opening Balance	19,938	18,646
Credited to the income statement	<u>(113)</u>	<u>1,292</u>
Closing Balance	<u><u>19,825</u></u>	<u><u>19,938</u></u>

Provisions - leave

Opening Balance	102,474	94,444
Credit to the income statement	<u>5,062</u>	<u>8,030</u>
Closing Balance	<u><u>107,536</u></u>	<u><u>102,474</u></u>

NOTE 15. PAYABLES

	2011	2010
	\$	\$
a) Member Deposits		
At Call	30,331,373	29,003,309
Fixed Term	<u>16,442,856</u>	<u>14,167,282</u>
Total	<u><u>46,774,229</u></u>	<u><u>43,170,591</u></u>
Member Shares	<u>78,254</u>	<u>79,384</u>
TOTAL DEPOSITS & SHARES	<u><u>46,852,483</u></u>	<u><u>43,249,975</u></u>

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15. PAYABLES (continued)

	2011	2010
	\$	\$
b) Concentration of Member Deposits		
Broken Hill Residents	39,841,847	38,008,011
Other	<u>6,932,382</u>	<u>5,162,580</u>
Total	<u>46,774,229</u>	<u>43,170,591</u>

The deposits above do not include any deposits from individual clients representing 10% or more of total liabilities.

c) Payables - Other

Creditors and accruals	324,898	267,575
Interest payable on deposits	281,307	188,285
Sundry Creditors	<u>155,732</u>	<u>81,475</u>
Total	<u>761,937</u>	<u>537,335</u>

NOTE 16. CURRENT TAX PROVISION

	2011	2010
	\$	\$
Current Income Tax	<u>(14,920)</u>	17,750
Total	<u>(14,920)</u>	<u>17,750</u>

NOTE 17. PROVISIONS

a) Leave Entitlement Provisions

	Annual Leave	Long Service Leave	Total
Entitlements	\$	\$	\$
Opening balance at 1 July 2010	102,703	238,877	341,580
Adjustments to provisions	<u>4,812</u>	<u>12,059</u>	<u>16,871</u>
Balance at 30 June 2011	<u>107,515</u>	<u>250,936</u>	<u>358,451</u>

Provision for long term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to the report.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18. RESERVES

a) Capital Reserve Account	2011	2010
	\$	\$
Balance at the beginning of the year	54,412	50,216
Transfer from retained earnings on share redemptions	4,172	4,196
Balance at the end of the year	58,584	54,412

The account represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July, 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

b) Asset Revaluation Reserve	2011	2010
	\$	\$
Asset Revaluation reserve - Land & Buildings	837,963	837,963
Available for sale revaluation reserve - investments	-	-
Balance at the end of the year	837,963	837,963

Movements in Reserves

Asset Revaluation Reserve - Land & Buildings

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluations to fair value.

Balance at the beginning of the year	629,321	629,321
Increase on revaluation of land & buildings	-	-
Balance at the end of the year	629,321	629,321

Available for Sale Revaluation Reserve

The asset revaluation reserve accounts for the unrealised gains on assets due to the revaluation to fair value.

Balance at the beginning of the year	208,642	208,642
Increase on revaluation of land & buildings	-	-
Balance at the end of the year	208,642	208,642

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18. RESERVES (continued)

c) General Reserve for Credit Losses	2011	2010
	\$	\$
General Reserve for Credit Losses	<u>121,972</u>	134,856
Balance at the end of the year	<u><u>121,972</u></u>	<u>134,856</u>

This reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards set down by APRA.

Balance at the beginning of the year	134,856	120,069
Increase/(decrease) transferred from retained earnings	<u>(12,884)</u>	14,787
Balance at the end of the year	<u><u>121,972</u></u>	<u>134,856</u>

d) Card Fraud Reserve	2011	2010
	\$	\$
Balance at the beginning of the year	-	-
Increase/(decrease) transferred from retained earnings	17,500	-
Balance at the end of the year	<u><u>17,500</u></u>	<u>-</u>

The card fraud reserve is maintained to cover the general fraud risks inherent to issuing cards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT

a)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities. The Credit Union through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

b)

Capital Management

Capital is the cornerstone of an ADI's financial strength.

The primary role of capital is to:

- Maintain a cushion against loss to enable the Credit Union to trade through difficult times
- Absorb unanticipated losses from activities
- Ensure safety of deposits thereby maintaining public confidence in the financial soundness and stability of the Credit Union

The Broken Hill Community Credit Union Ltd is bound by the prudential standards as set by the prudential regulator, the Australian Prudential Regulation Authority (APRA). Under the standards governing capital, ADI's are required to hold minimum Tier 1 capital equivalent to 8% of its risk weighted assets as measured under the relevant prudential standards. The Board has established an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that it holds sufficient capital.

The Credit Union has, to date, sourced capital from profits generated from the business, general reserves, asset revaluation reserve and general reserve for credit losses. In an organic environment, the Credit Union will endeavour to manage its capital ratio via normal operating conditions. This will include such initiatives as:

- Improving the Credit Union's profitability
- Managing the Credit Union's asset portfolio to ensure that the Credit Union is not over exposed in higher risk weighted assets
- Prudent management of the Credit Union's interest rates to ensure that products are priced adequately to reflect the various levels of risk associated with the product

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT (continued)

b) Capital Management

- Ensure that the Credit Union is adequately protected from marketing risk
- Ensure that other risks facing the Credit Union are effectively monitored and managed
- Managing rate of growth

The Broken Hill Community Credit Union Ltd prepares an annual budget. The annual budget contains financial forecasts which provide management and the Board with an indication of the financial estimates for the coming 12 months of The Broken Hill Community Credit Union Ltd's strategies and operations. Included in the financial reports is a forecast of the Credit Union's capital adequacy ratio. Management reviews the budgeted profit levels to ensure that the Credit Union achieves a return on assets which keeps capital adequacy above internal limits.

On a monthly basis, Management reviews actual accounting results against budgeted results. Management will also review the capital adequacy ratio on a monthly basis. Such results are provided to the Board each month.

Tier 1 Capital

The majority of Tier 1 capital comprises:

- Retained profits
- Realised reserves

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibits some of the loss absorption and funding flexibility features of equity, together with other components of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Subordinated debt
- General Reserve for Credit Losses
- Asset revaluation reserve. The asset revaluation reserve on the land and buildings are discounted to 45% of the value net of any capital gains tax and estimated costs of sale.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT (continued)

Capital in the Credit Union is made up of:	2011	2010
Tier 1	\$	\$
Retained earnings	7,388,720	6,930,859
Card Fraud Reserve - General Reserves	17,500	-
Less prescribed deductions		
Investment property fair value adjustments	(88,382)	(88,382)
Deferred tax assets	(127,361)	(122,412)
Information technology software costs	(14,845)	(87,045)
Intangible Assets	(70,857)	(58,798)
	<u>7,104,775</u>	<u>6,633,020</u>
Tier 2		
Capital reserve	58,584	54,412
General reserve for credit losses	121,972	134,856
Revaluation reserve	837,963	837,963
Less prescribed deductions		
Investment property fair value adjustments	(88,382)	(88,382)
Revaluations limited to 45%	(460,880)	(460,880)
	<u>469,257</u>	<u>477,969</u>
Adjusted prudential capital	<u>7,574,032</u>	<u>7,110,989</u>
	%	%
The ratio of capital to risk weighted assets at the end of the financial year was:	<u>27.38</u>	<u>26.85</u>

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT (continued)

c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Credit Union is primarily exposed to interest rate risk arising from changes in market interest rates due to mismatches between repricing terms of financial assets and liabilities. Financial instruments held by the Credit Union do not give rise to any material exposures to currency or equity price risk.

The interest rate risk is managed by:

- Continuously monitoring the "gap" between the yield on loans and investments and the cost of funds
- Projecting the interest spread forward to future periods
- Amending interest rates on loans and/or deposits to ensure that an appropriate spread is maintained

Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables constant, post tax profit would have been affected as follows:

	2011	2010
Plus 1% (100 Basis Points)	64,401	60,690
Less 1% (100 Basis Points)	(64,401)	(60,690)

d) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a borrower, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's receivables from customers and investment securities.

Credit risk - Loans

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to recognise the impairment of loans and facilities
- Debt recovery procedures
- Review of compliance with the above policies

Credit risk - Liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The Board has a liquid assets mix policy which limits its exposures to:

- 50% of capital base to unrelated ADI's
- 10% of capital base to other counterparties
- 500% of capital base for exposures to CUSCAL as approved by APRA

This policy applies to liquidity which is in excess of the Credit Union's obligations to CUSCAL for CUFSS.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

The Credit Union's maximum exposure to credit risk, including both on balance sheet and off-balance sheet exposures is:

	2011	2010
On-balance sheet exposures	\$	\$
Loans and receivables (amortised cost)	39,045,301	37,698,087
Placements with other financial institutions	11,492,228	7,997,322
Trade and other receivables	429,977	208,977
	<u>50,967,506</u>	<u>45,904,386</u>
 Off-balance sheet exposures		
Loans approved not yet funded	460,576	975,800
Undrawn loans	700,314	498,705
	<u>1,160,890</u>	<u>1,474,505</u>
Maximum exposure to credit risk	<u><u>52,128,396</u></u>	<u><u>47,378,891</u></u>

Information on the credit quality and collateral obtained in relation to these credit exposures is detailed in Notes 8 and 10.

e) Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecast cash flows
- Monitoring the maturity profiles for financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA prudential standards. The liquidity ratio is checked daily. Should the liquidity ratio fall below triggers set above this level Management and the Board address the matter by ensuring that liquid funds are obtained from new deposits and available borrowing facilities.

The high quality liquid asset ratio at 30th June 2011 was 20.94%

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19. FINANCIAL RISK MANAGEMENT (continued)

Maturity analysis of financial liabilities

This table details the Credit Union's remaining contractual maturity for its non-derivative financial instruments. Contractual cash flows are based on the undiscounted total payment, including both principal and interest, on the earliest possible date on which the Credit Union may be required to pay.

2011	Carrying Amount	Contractual cash flows					No maturity
		Within 1 month	1-3 months	3-12 months	1-5 years	Later than 5 years	
Financial Liabilities							
Call deposits	30,331,373	-	-	-	-	-	30,331,373
Term deposits	16,442,856	4,264,976	4,552,467	7,060,426	564,987	-	-
Trade and other payables	761,937	761,937	-	-	-	-	-
Total	47,536,166	5,026,913	4,552,467	7,060,426	564,987	-	30,331,373

2010	Carrying Amount	Contractual cash flows					No maturity
		Within 1 month	1-3 months	3-12 months	1-5 years	Later than 5 years	
Financial Liabilities							
Call deposits	29,003,309	-	-	-	-	-	29,003,309
Term deposits	14,167,282	2,822,040	4,378,814	6,447,149	519,279	-	-
Trade and other payables	537,335	537,335	-	-	-	-	-
Total	43,707,926	3,359,375	4,378,814	6,447,149	519,279	-	29,003,309

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

f) Financial Instruments Fair Value

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2011		2010	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Financial Assets				
Cash	2,821,094	2,821,094	3,544,191	3,544,191
Placements with other financial institutions	11,492,228	11,492,228	7,997,322	7,997,322
Trade and other receivables	429,977	429,977	208,977	208,977
Loans and advances	39,045,301	38,857,246	37,764,547	37,563,231
	53,788,600	53,600,545	49,515,037	49,313,721
Financial Liabilities				
Deposits	46,774,229	46,774,229	43,249,975	43,249,975
Trade and other payables	761,937	761,937	537,335	537,335
	47,536,166	47,536,166	43,787,310	43,787,310

The Broken Hill Community Credit Union Ltd

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

f) Financial Instruments Fair Value (continued)

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

- Cash and liquid assets due from other financial instruments: The carrying amount approximates fair value because of their short-term to maturity or because they are receivable on demand.
- Loans and advances: The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.
- Investment/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.
- Deposits and short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.
- Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on incremental borrowing rates for similar types of borrowing arrangements.
- Other financial liabilities: This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.
- Other assets and other liabilities approximate their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20. RECONCILIATION OF CASH FROM OPERATIONS TO ACCOUNTING PROFIT

	2011	2010
Reconciliation of cash from operations to accounting profit		
Operating profit after income tax	466,649	354,570
<i>Add/(Less) items classified as investing/financing activities:</i>		
Loss on disposal of fixed assets	-	-
<i>Add/(Less) non cash items:</i>		
Depreciation	107,067	109,683
Charges to Provisions	16,871	26,767
<i>Changes in assets/liabilities</i>		
(Increase)/decrease in member loans (net)	(1,281,131)	(3,021,579)
Increase/(decrease) in member deposits (net)	3,602,508	1,562,494
(Increase)/decrease in sundry debtors	(216,335)	196,984
(Increase)/decrease in prepayments	(4,665)	(16,143)
Increase/(decrease) in creditors	224,602	(92,903)
(Increase)/decrease in general reserve for credit losses	-	(14,787)
(Increase)/decrease in deferred tax assets	(4,949)	(9,322)
Increase/(decrease) in provision for tax	(32,670)	17,750
Increase/(decrease) in deferred tax liability	1,400	4,843
	2,879,347	(881,643)

a) 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:

- (i) Member deposits to and withdrawals from deposit accounts
- (ii) borrowings and repayments on loans, advances and other receivables
- (iii) investment securities including shares in special service providers and unlisted shares

NOTE 21. DIRECTORS DISCLOSURES

	2011	2010
	\$	\$
Aggregate remuneration of Directors	72,116	79,114

Remuneration means salaries, allowances and commissions and other benefits to Directors, but excludes out of pocket expense reimbursements. All remuneration was approved by the members at the previous Annual General Meeting of the Credit Union.

	2011	2010
Loans to Directors	\$	\$
The aggregate value of loans and credit facilities to Directors amounted to:	501,117	478,251
The aggregate value of loans disbursed to Directors amounts to:	-	330,478

Directors concerned with the above were:

Allan K. Carter
Judith E. Hoare
Kym J. Visser

All loans distributed to Directors were approved on the same terms and conditions which applied to members for each class of loan.

The Broken Hill Community Credit Union Ltd
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22. KEY MANAGEMENT PERSONNEL COMPENSATION

Number of Key Management Personnel: 6

Aggregate compensation	2011	2010
	\$	\$
Short term benefits	508,961	487,516
Post employment benefits	46,713	44,939
TOTAL	555,674	532,455

NOTE 23. FINANCIAL COMMITMENTS

	2011	2010
	\$	\$
a) Outstanding loan commitments		
Loans approved but not funded	460,576	975,800

b) Loan redraw facilities

Loan redraw facilities	-	-
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c) Undrawn loan facilities

Loan facilities available to members for undrawn loans, overdrafts and line of credit loans are as follows:

Total value of facilities approved	2,747,992	2,433,012
Less: Amounts advanced	(2,047,678)	(1,934,307)
Net Undrawn value	700,314	498,705

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

Total Financial Commitments	1,160,890	1,474,505
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NOTE 24. CONTINGENT LIABILITIES

Credit Union Financial Support System

The Credit Union is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFSS is to protect the interest of credit union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

An Industry Support Contract made between CUSCAL, Credit Union Financial Support System Ltd and participating credit unions required the credit union to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the credit union and secures any advances which may be made to the credit union under the scheme.

Bank Overdraft Facility

The Credit Union has an overdraft facility to the extent of \$500,000 (2010: \$500,000) provided by CUSCAL Ltd and incurs interest at 8.35% (2010: 8.5%).

The balance of the utilised portion of the facility at 30th June, 2011 was \$Nil (2010: Nil)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25. ECONOMIC DEPENDENCY

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

a) CUSCAL

The entity provides the Credit Union with rights to and the production of member cheques, Redicards, Visa debit cards, fraud bureau services, provides finance facilities and also Central Banking and money market services.

b) First Data Resources Australia Ltd

This entity operates the switching system that links ATM and EFTPOS transactions to the Credit Union system.

c) Data Action Pty Ltd

This entity operates a computer bureau which operates the main Credit Union processing system.

NOTE 26. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events subsequent to balance date and prior to the preparation of these financial statements which have significantly affected the Credit Union's financial results.

NOTE 27. SEGMENT INFORMATION

The financial institution operates predominantly within one business and geographical segment, being the finance industry in Australia, primarily within Broken Hill, New South Wales.

NOTE 28. CREDIT UNION DETAILS

The registered office of the Credit Union is at:

**2 Chloride Street
Broken Hill NSW 2880**

The Broken Hill Community Credit Union Ltd

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DIRECTORS' DECLARATION

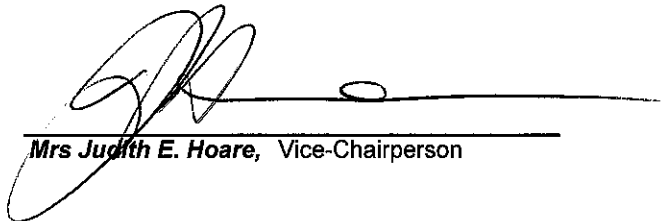
The Directors of the Credit Union declare that:

- 1 the financial statements and notes, as set out on pages 13 to 44 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Credit Union.
- 2 the General Manager and Assistant General Manager have each declared that:
 - a) the financial records of the Credit Union for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3 in the Directors' opinion there are reasonable grounds to believe that the Credit Union 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 Board of Directors.



Mr Allan Carter, Chairperson



Mrs Judith E. Hoare, Vice-Chairperson

Dated this 29th September 2011

**Independent Auditor's Report
To the members of Broken Hill Community Credit Union Ltd.**

Report on the Financial Report

We have audited the accompanying financial report of The Broken Hill Community Credit Union Ltd., which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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*.

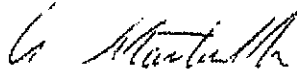
Independent Auditor's Report (continued)
To the members of Broken Hill Community Credit Union Ltd.

Opinion

In our opinion the financial report of The Broken Hill Community Credit Union Ltd. is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

WHK Audit Services



Grant Martinella CA RCA

133 Langtree Avenue
MILDURA, VIC 3500

Date: 29 September 2011