



Annual Report

2016 - 2017



Coastline Credit Union Limited

ABN 88 087 649 910

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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COASTLINE CREDIT UNION LIMITED

A.B.N. 88 087 649 910

Annual Report

FOR THE YEAR ENDED 30 JUNE 2017

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COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
CHAIRMAN'S REPORT

In 2016/2017 Coastline's continued focus on customer centric banking delivered strong results. We are passionate about the financial well-being of our members and this is reflected in the growth and profitability of the organisation over the past 2 years. Our net profit before tax for the financial year was \$3,407,000 and represents operating growth of 21.19% from the previous financial year. Our membership grew by 3.50%, total assets grew by 18.00% to \$461,319,000 with the loan book growing by 13.87% to \$374,922,000. Member deposits increased by 7.72% to \$360,666,000 which reflects the confidence members have in doing business with Coastline. We are in a prudentially sound position with solid capital and low levels of loan arrears.

We have set a strategic objective of reaching \$500 million of loans by the year 2020 and I am pleased to say that we are tracking ahead of budget to reach our goal. A remarkable effort by all of our staff. We are committed to the further development of our customer centric approach and ensuring our business is focussed on future income. Two recent executive appointments, Head of People & Culture and Chief Operating Officer, will ensure we have the ability to drive our strategy forward.

Our current focus is on 4 key customer groups: young first time borrowers; young families with a home loan; older customers with investments and deposits and external brokers looking for loans for their clients. We are committed to rewarding customer loyalty, being a one stop destination for our customer's financial needs and growing the skills of our staff through customer centric training and development.

During the past year we continued the rollout of our new concept stores in Kempsey and South West Rocks. The new stores strongly reflect Coastline's brand. They feature an open plan layout with service booths, technology bar, member lounge and coin deposit machine, and staff utilise a cash recycling dispenser. The inviting fit-out is a departure from the traditional bank branch and positions Coastline to combat falling transaction business because of the take up of electronic banking.

Locally and across Australia members continue to enjoy unlimited fee-free ATM transactions at Coastline, Westpac, St George, Bank SA and BCU. Our Bpay, Direct Debit & Credit, Internet and Phone Banking services are also fee-free. Plus, our generous Rewards Program ensures that the more members use Coastline's comprehensive range of banking, loans and investment services - the less they will pay in fees and charges.

Since the inauguration of the Coastline Community Foundation in 2002, Coastline has provided grants of over \$900,000 to 240 worthy local causes. This year the Foundation supported two major safer driver initiatives which provided support to over 750 high school students in the Manning and Macleay Valleys. In partnership with the Rotary Clubs of Kempsey and Taree the students were provided with a series of practical and powerful workshops that laid the foundation for safe road use throughout their lives.

COASTLINE CREDIT UNION LIMITED
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CHAIRMAN'S REPORT

The Foundation gives financial support to organisations that provide benefit to local communities. Each year Coastline provides 5% of its operating profit to the Coastline Community Foundation as a way of showing our tangible support to the community.

We anticipate business conditions will again be challenging over the next 12 months. Despite this we are confident solid growth will continue in the year ahead. At the same time, we will develop our business and invest in the things that make us different – our people, our place, our products and our technology – and we believe we can continue to grow above industry benchmarks. We will continue to build on our niche businesses and invest in our people.

In closing, I would like to thank my fellow Board members for their co-operation, teamwork and support throughout the year. My thanks also go to our General Manager Peter Townsend, his leadership team and all staff for their efforts in achieving the trading performance and providing professional, friendly and efficient banking services to our members.



Allan Hudson
Chairman
21 September 2017

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
CORPORATE GOVERNANCE REPORT

Overview

The Board is committed to sound and prudent standards of corporate governance for Coastline Credit Union and the Board maintains a statement of corporate governance principles which defines the framework under which Coastline operates. Board Committees are responsible for advising the Board and monitoring Coastline's compliance with these principles. The implementation of this disciplined governance structure ensures appropriate development, prioritisation and delivery of business strategies, as well as consistent and informed decision making for Coastline to conduct activities and achieve its objectives. In addition the Board Committees continue to ensure compliance with APRA's Corporate Governance Prudential Standard.

The Board of Directors is accountable to the Credit Union to ensure the safety of members' funds and that the organisation operates in a sustainable and responsible way. The Board aims to achieve these objectives through:

- Improving the performance of Coastline through the formulation, adoption and monitoring of corporate strategies, budgets, plans, policies and performance;
- Setting strategic direction, targets and monitoring the performance of management and of itself;
- Monitoring the conduct of senior management;
- Ensuring the annual review of succession planning;
- Identifying and monitoring the management of the principal risks and the financial performance of Coastline; and
- Putting appropriate procedures in place to satisfy its corporate and legal responsibilities whilst conducting its business in compliance with all laws and in an honest, open and ethical manner.

Subject to certain conditions, the Board has delegated responsibility for the management of the day-to-day activities of Coastline to its General Manager.

Board Meetings

The number of Board meetings and each Director's attendance at those meetings are set out in the Directors' Report. Directors are expected to prepare adequately for, attend and participate at Board meetings and meetings of committees. The Board meets principally at its Head Office in Kempsey.

Introduction and Continuing Education

Management, working with the Board, provides an orientation program for new Directors. The program includes discussions with executives and management, and where requested, the external auditor, and reading material. These cover Coastline's strategic plans, its significant financial, accounting and risk management issues, compliance programs, management structure, internal and external audit programs, and Directors' rights, duties and responsibilities. Management periodically conducts additional information sessions for Directors about the organisation, and the factors impacting, or likely to impact, on its business. These assist Directors to gain a broader understanding of the organisation. Directors are also encouraged to keep up to date on topical issues.

COASTLINE CREDIT UNION LIMITED
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CORPORATE GOVERNANCE REPORT

Performance Evaluation

The Board assesses its effectiveness each year through an evaluation process, which includes assessment of:

- The appropriateness and relevance of the meeting schedule and agenda;
- The appropriateness and relevance, content and standard of Board material;
- The identification and appropriate management of risks faced by the organisation;
- The range and standard of skills available at Board level;
- The collective and individual performance of Directors, and the scope of Directors' contributions; and
- The performance of its Chairman.

In addition, the Board assesses annually the performance of the General Manager and Senior Management against agreed objectives.

Remuneration of Directors

Directors are remunerated by the organisation, with shareholders determining the maximum annual aggregate amount of remuneration that may be provided to them at the Annual General Meeting. From this amount individual Directors are remunerated based on a policy of compensation towards the middle quartile of the general market, which is appropriate to the size and complexity of the organisation. The Remuneration Committee receives advice from independent experts on appropriate levels of Director remuneration and guides the Board in this regard.

Performance and Remuneration of Senior Management

The organisation's performance management framework covers all senior management and entails the setting of Key Performance Indicators (including both financial and non-financial measures). Performance discussions are conducted bi-annually between each senior manager and their manager, with a formal end of year review which includes comparing and calibrating each senior executive to the performance of peers. The Board, on advice from the Remuneration Committee, sets the remuneration and performance objectives for the General Manager and Senior Management. Remuneration is reviewed within a Board-established framework and the Remuneration Committee is assisted by independent experts providing advice and benchmarking data.

Access to Management

Board members have complete and open access to management. The Company Secretary provides advice and support to the Board and is responsible for the day-to-day governance framework. Access to Independent Professional Advice guidelines entitles each Director to seek independent professional advice at the organisation's expense, with the prior approval of the Chairman.

The Board can conduct or direct any investigation to fulfil its responsibilities and can retain, at its expense, any legal, accounting or other services, it considers necessary to perform its duties.

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CORPORATE GOVERNANCE REPORT

Board Committees

To assist the Board in fulfilling its responsibilities, the Board has established a number of Committees. Each Committee has its own charter, which sets out its responsibilities. The Board had the following Committees during the financial year:

- Audit Committee;
- Risk Committee;
- Executive Committee;
- Loans Committee;
- Remuneration Committee;
- Nominations Committee; and
- Coastline Community Foundation Committee.

Audit Committee

Principal Responsibilities

- Review the effectiveness of internal financial controls;
- Oversee the financial management and statutory reporting;
- Oversee the internal and external audit processes, including reports and management responses;
- Review of risk management systems, including policies and procedures and business continuity plan;
- Review external audit arrangements annually, including fulfilment of statutory and professional obligations.

Risk Committee

Principal Responsibilities

- Review the effectiveness of the Credit Union's internal risk management systems;
- Oversee and appraise the effectiveness of the internal risk management program;
- Consider the adequacy of operational and market risk controls and compliance with Prudential Standards;
- Undertake any role assigned to the Committee in accordance with any Board policy.

Executive Committee

Principal Responsibilities

- Monitor the functions of the Credit Union between Board meetings, take any immediate action it considers necessary and report to the Board;
- Ensure that facilities are available for satisfactory training and education of Directors;
- To advise the Board in relation to the Board's adopted statement of corporate governance principles;
- To review the Board's committee structure and to establish principles under which they operate in accordance with the constitution and good corporate governance principles.

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CORPORATE GOVERNANCE REPORT

Loans Committee

Principal Responsibilities

- Oversee lending and credit functions;
- Oversee collection policy and processes, including fulfilment of statutory reporting;
- Review delinquency trends and make recommendations to the Board in respect of impaired loan provisioning and write-offs.

Remuneration Committee

Principal Responsibilities

- Review the Remuneration Policy;
- Review the effectiveness and compliance of the Remuneration Policy with Prudential Standards;
- Make annual recommendations to the Board in respect of the remuneration of Directors, General Manager and Senior Management.

Nominations Committee

Principal Responsibilities

- Developing and regularly reviewing the policy on Board structure and membership;
- Ensuring there is an appropriate induction and orientation program in place;
- Making recommendations to the Board for Committee membership;
- Ensuring there is an appropriate Board succession plan in place;
- Undertake fit and proper assessment in accordance with the Fit and Proper Policy.

Coastline Community Foundation Committee

Principal Responsibilities

- Administer the operation of the Coastline Community Foundation;
- Review the structure and guidelines of the Coastline Community Foundation;
- Review and select Coastline Community Foundation grant recipients in line with the terms and conditions of the Foundation.

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Your Directors present their report on the Credit Union for the financial year ended 30 June 2017.

The Credit Union is a company registered under the *Corporations Act 2001*.

1. DIRECTORS

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

A. Hudson
M. Ryan
D. Bevan
V. McNeilly
T. Ferris
J. Pike

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

2. COMPANY SECRETARY

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

Mr Peter Robert Townsend MBA, FAMI, MAICD, JP, Company Secretary and General Manager of Coastline Credit Union since 1996. Mr Townsend is also a Director of Indue (previously Creditlink) since 2001 and NCUA from 2002 to 2010 and was the Company Secretary and General Manager of Central West Credit Union from 1988 - 1996.

3. PRINCIPAL ACTIVITIES

The principal activity of the Credit Union during the financial year was the provision of a complete range of financial products and services to members.

There has been no significant change in the nature of this principal activity during the financial year.

4. OPERATING RESULTS AND REVIEW OF PERFORMANCE

Financial Performance

The profit of the Credit Union after providing for income tax amounted to \$2,379,000 for the financial year ended 30 June 2017 (2016: \$1,963,000). The financial performance was influenced by the following factors:

Interest revenue increased by \$1,141,000 to \$18,010,000. Interest expense increased by \$51,000 to \$7,929,000 resulting in net interest income of \$10,081,000.

COASTLINE CREDIT UNION LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

4. OPERATING RESULTS AND REVIEW OF PERFORMANCE (CONT'D)

Financial Performance (Cont'd)

Non-interest expenses increased by \$1,196,000 to \$9,554,000 which can be attributed to an increase in employee benefits expense of \$489,000 other expenses of \$599,000 and impairment expenses of \$18,000.

Financial Position

Total assets increased by 18.00% to \$461,319,000. Net assets increased by 9.22% for the year and loans and advances increased to \$374,922,000 representing a growth of 13.87% on the prior year. This growth was largely funded by member deposits which increased by 7.72% to \$360,666,000. Total liquid assets held at year end were \$76,506,000, an increase of \$22,746,000 on the previous year.

The Credit Union maintains a strong financial position with its liquidity ratio of 16.43% (2016: 13.61%) and Capital Adequacy Ratio of 13.71% (2016: 14.74%) well above the Australian Prudential Regulation Authority (APRA) requirements and the Credit Union's own internal limits.

APS 330 disclosures for Capital Adequacy are available in the "About Us" section of the Coastline website.

The Directors believe the Credit Union is in a sound financial position.

5. DIVIDENDS

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 of the Credit Union.

6. SIGNIFICANT CHANGES IN STATE AFFAIRS

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

7. EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in subsequent financial years.

8. FUTURE DEVELOPMENTS

The Directors are not aware of any matter or circumstance not otherwise dealt with in the report that will materially affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in financial years subsequent to this financial year.

COASTLINE CREDIT UNION LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

9. ENVIRONMENTAL REGULATION

The Credit Union's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a state or territory.

10. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* has been received and is included in these financial statements.

11. ROUNDING

The amounts contained in the financial statements and Directors' Report have been rounded to the nearest thousand dollars in accordance with the option available to the Credit Union under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Credit Union is permitted to round to the nearest thousand dollars for all amounts except prescribed disclosures that are shown in whole dollars.

12. DIRECTORS' BENEFITS

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Credit Union, a subsidiary, 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 financial interest, other than that disclosed in Note 24 of the financial report.

13. INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The officers of the Credit Union covered by the insurance contract include the Directors, executive officers, secretary and employees.

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

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

COASTLINE CREDIT UNION LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

14. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Credit Union's Directors (including meetings of committees of Directors) held during the year ended 30 June 2017 and the number of meetings attended by each Director.

	Directors' Meetings		Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
A. Hudson	10	10	14	14
M. Ryan	10	10	19	19
D. Bevan	10	10	12	12
V. McNeilly	10	9	14	13
T. Ferris	10	9	10	8
J. Pike	10	8	8	6

15. INFORMATION ON CURRENT DIRECTORS

Name	Roles, Experience & Qualifications	Experience / Occupation
A. Hudson	Director, Chairman Board of Directors, Executive, Remuneration and Coastline Community Foundation Committees.	Self Employed Consultant/Contractor
	Appointed 30 April 2007. Previously Deputy Chairman in 2010.	
	1 Ordinary Share in the Credit Union.	
	Associate Diploma - Business Accounting. F.FIN AIPA JP. Member of Australasian Mutuals Institute.	
M. Ryan	Director, Deputy Chairman Board of Directors, Chairman Risk Committee, Executive, Audit and Nominations Committees.	Management Consultant
	Appointed 17 September 2009.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Arts (Politics) University of New South Wales, Bachelor of Primary Education Charles Sturt University. Member of Australasian Mutuals Institute.	

COASTLINE CREDIT UNION LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

15. INFORMATION ON CURRENT DIRECTORS (CONT'D)

Name	Roles, Experience & Qualifications	Experience / Occupation
D. Bevan	Director, Loans and Nominations Committees.	Investor
	Appointed 27 October 2010.	
	1 Ordinary Share in the Credit Union.	
	Dip Business Administration (Accounting). Member of Australasian Mutuals Institute.	
V. McNeilly	Director, Chairman Loans Committee, Executive and Coastline Community Foundation Committees.	Solicitor
	Appointed 9 November 2011.	
	1 Ordinary Share in the Credit Union.	
	Diploma in Law, Sydney University. Member of Australasian Mutuals Institute.	
T. Ferris	Director, Chairman of Audit Committee, Risk, Nominations, Remuneration and Coastline Community Foundation Committees.	Retired
	Appointed 24 October 2012.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Business (HR) Southern Cross University, Master of Business Administration, Southern Cross University. Member of Australasian Mutuals Institute. Fellow of Finsia.	
J. Pike	Director, Chairman Coastline Community Foundation, Audit, Risk, Remuneration and Nominations Committees.	Governance Officer, Port Macquarie-Hastings Council
	Appointed 1 February 2013.	
	1 Ordinary Share in the Credit Union.	
	Bachelor of Economics, Macquarie University. Member of Australasian Mutuals Institute. CPA.	

COASTLINE CREDIT UNION LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

16. PROCEEDINGS ON BEHALF OF CREDIT UNION

No person has applied for leave of court to bring proceedings on behalf of the Credit Union or intervene in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or any part of those proceedings.

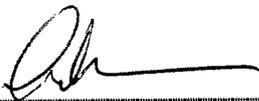
The Credit Union was not a party to any such proceedings during the year.

17. ACKNOWLEDGEMENTS

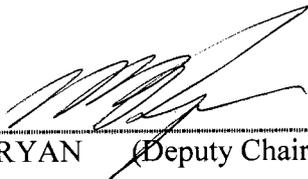
The Board expresses its appreciation to management and staff for the significant progress and achievements made during the 2017 financial year and to the members who continue to show support and confidence in their Credit Union.

Signed in accordance with a Resolution of Directors.

Dated at West Kempsey this 21st day of September 2017



A. HUDSON (Chairman)



M. RYAN (Deputy Chairman)

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF COASTLINE CREDIT UNION LIMITED

This declaration is made in connection with the audit of the financial report of Coastline Credit Union Limited for the year ended 30 June 2017 and in accordance with the provisions of the *Corporations Act 2001*.

I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

NorthCorp Accountants



Robert Magnussen
Partner

10-12 Short Street
Port Macquarie NSW 2444

Dated: 21 September 2017

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Interest Revenue	2	18,010	16,869
Interest Expense	2	<u>(7,929)</u>	<u>(7,980)</u>
Net Interest Income		10,081	8,889
Other Revenue and Income	2	<u>2,880</u>	<u>2,237</u>
Net Operating Income		<u>12,961</u>	<u>11,126</u>
Non-Interest Expenses			
Impairment Losses on Loans and Advances	3	(218)	(200)
Depreciation and Amortisation Expense	3	(418)	(328)
Employee Benefits Expense	3	(3,836)	(3,347)
Other Expenses	3	<u>(5,082)</u>	<u>(4,483)</u>
Total Non-Interest Expenses		<u>(9,554)</u>	<u>(8,358)</u>
Profit Before Income Tax		3,407	2,768
Income Tax Expense	4	<u>(1,028)</u>	<u>(805)</u>
Profit for the Year		<u><u>2,379</u></u>	<u><u>1,963</u></u>
Other Comprehensive Income			
Revaluation gain on land and buildings, net of tax		<u>581</u>	<u>-</u>
Total Other Comprehensive Income for the Year		<u>581</u>	<u>-</u>
Total Comprehensive Income for the Year		<u><u>2,960</u></u>	<u><u>1,963</u></u>
Profit Attributable to Members of the Credit Union		<u><u>2,379</u></u>	<u><u>1,963</u></u>
Total Comprehensive Income Attributable to Members of the Credit Union		<u><u>2,960</u></u>	<u><u>1,963</u></u>

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
Cash and Cash Equivalents	5	48,950	46,348
Receivables Due from Other Financial Institutions	6	27,556	7,412
Other Receivables	7	321	115
Other Assets	8	1,396	834
Loans and Advances	9	374,922	329,261
Other Financial Assets	11	2,796	2,796
Property, Plant and Equipment	12	4,748	3,557
Intangible Assets	13	77	26
Taxation Assets	17(b)	553	585
TOTAL ASSETS		461,319	390,934
LIABILITIES			
Deposits from Other Financial Institutions	14	60,314	20,450
Deposits from Members	15	360,666	334,822
Payables and Other Liabilities	16	4,024	2,637
Taxation Liabilities	17(a)	294	179
Provisions	18	960	745
TOTAL LIABILITIES		426,258	358,833
NET ASSETS		35,061	32,101
EQUITY			
Redeemed Share Capital Account		47	45
Reserves	19	3,814	2,834
Retained Earnings		31,200	29,222
TOTAL EQUITY		35,061	32,101

This Statement of Financial Position should be read in conjunction with the accompanying notes

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Redeemed Share Capital Account \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	General Reserve for Credit Losses \$'000	Other Reserve for Credit Losses \$'000	Total \$'000
2017						
Balance at 1 July 2016	45	29,222	1,250	1,584	-	32,101
Profit for the year	-	2,379	-	-	-	2,379
Other comprehensive income	-	-	581	-	-	581
Total comprehensive income for the year	-	2,379	581	-	-	2,960
Transfers						
Share redemption	2	(2)	-	-	-	-
Transfers to / (from) reserves	-	(399)	-	270	129	-
Balance at 30 June 2017	47	31,200	1,831	1,854	129	35,061
2016						
Balance at 1 July 2015	43	27,213	1,250	1,428	204	30,138
Profit for the year	-	1,963	-	-	-	1,963
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	1,963	-	-	-	1,963
Transfers						
Share redemption	2	(2)	-	-	-	-
Transfers to / (from) reserves	-	48	-	156	(204)	-
Balance at 30 June 2016	45	29,222	1,250	1,584	-	32,101

This Statement of Changes in Equity should be read in conjunction with the accompanying notes

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Interest received		17,981	16,926
Dividends received		166	96
Other income		1,799	2,689
Payments to suppliers and employees		(7,909)	(8,725)
Interest paid		(7,620)	(8,337)
Income tax paid		(944)	(862)
<i>Movement in operating assets and liabilities</i>			
Net (increase) / decrease in receivables due from other financial institutions		(20,144)	24,901
Net (increase) / decrease in member loans and advances		(45,501)	(41,389)
Net increase / (decrease) in deposits from members		25,844	33,525
Net increase / (decrease) in deposits from other financial institutions		<u>39,864</u>	<u>3,550</u>
Net cash (used in) / provided by operating activities	20(a)	<u>3,536</u>	<u>22,374</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		24	23
Acquisition of property, plant and equipment		(873)	(538)
Purchase of investments		-	(96)
Acquisition of intangible assets		<u>(85)</u>	<u>(7)</u>
Net cash used in investing activities		<u>(934)</u>	<u>(618)</u>
Net (decrease) / increase in cash and cash equivalents		2,602	21,756
Cash and cash equivalents at the beginning of the year		<u>46,348</u>	<u>24,592</u>
Cash and cash equivalents at the end of the year	5	<u><u>48,950</u></u>	<u><u>46,348</u></u>

This Statement of Cash Flows should be read in conjunction with the accompanying notes

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

This financial report covers Coastline Credit Union Limited as an individual entity. Coastline Credit Union Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue on 21 September 2017 by the Directors of the Credit Union.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB). The Credit Union is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied, unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the revaluation of land and buildings, and certain financial assets and liabilities for which the fair value basis of accounting has been applied. The statement of financial position has been prepared in order of liquidity.

(a) Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Income Tax (Cont'd)

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdrafts are shown within borrowings on the statement of financial position and are carried at the principal amount. Interest is charged as an expense as it accrues.

For the purposes of the statement of cash flows, cash includes cash on hand, deposits at call with banks and other financial institutions, net of outstanding bank overdrafts.

(c) Receivables Due from Other Financial Institutions

Receivables from other financial institutions are primarily interest bearing deposits due from banks and other financial institutions with a carrying amount equal to their principal amount. Interest is brought to account in the statement of profit or loss when earned.

The accrual for interest receivable is calculated on a proportional basis on the expired period of the term of the deposit. Interest receivable is included in the amount of accrued receivables in the statement of financial position.

(d) Fair Value of Assets and Liabilities

The Credit Union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Credit Union would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Fair Value of Assets and Liabilities (Cont'd)

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the Credit Union at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

(e) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities, are recognised when the Credit Union becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Credit Union commits itself to either purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at 'fair value through profit or loss' in which case transaction costs are recognised immediately as expenses in profit or loss.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables comprise loans and advances to members. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loan origination fees and direct and incremental transaction costs are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included in profit or loss.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Classification and Subsequent Measurement (Cont'd)

(iii) *Held-to-maturity investments*

Held-to-maturity financial assets are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income.

Investments in shares are classified as available-for-sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in unlisted shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

Dividends are brought to account in profit or loss when the right to receive the dividend has been established.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Impairment (Cont'd)

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised immediately in profit or loss.

(i) *Provision for impairment - loans and advances*

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. All loans and advances are subject to continuous monitoring to assess whether there is objective evidence that a loan or group of loans is impaired. Evidence of impairment may include borrower default, a member experiencing financial difficulty, or where the debt has been restructured to assist the borrower. Impairment losses are calculated on individual loans in arrears. Losses expected from potential future losses are not recognised. The Credit Union determines the amount provided for impairment based on the probability of loan amounts not being collected in accordance with terms of the loan agreement. The key judgements used to determine the specific provision for impairment are outlined in Note 10(d).

The various components of impaired assets are as follows:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original loan terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

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.

(ii) *General reserve for credit losses*

In addition to the specific provision for impairment, the Credit Union 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. The reserve, at a minimum, is based on 0.8% of risk-weighted assets at each balance date (2016: 0.8%).

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Impairment (Cont'd)

(iii) *Bad debts*

The Credit Union writes off a loan balance (and any related allowances for impairment losses) when the loan has been determined to be uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as an expense in profit or loss.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs, because a specified debtor fails to make payment when due, are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (Cont'd)

Property (Cont'd)

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity. However, increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases that offset previous increases of the same asset are charged against the asset revaluation reserve directly in equity. All other decreases are charged in profit or loss.

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.

Plant and equipment

Plant and equipment is measured on the cost basis less, where applicable, accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Credit Union commencing from the time the assets are held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.50%
Building Improvements	2.50%
Leasehold Improvements	12.50%
Plant and Equipment	7% - 33.3%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible Assets

Software

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets. Computer software held as an intangible asset is amortised over the expected useful life of the software which is generally determined to be 3 years.

(h) Impairment of Assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is expensed in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Members' Deposits

Members' deposits are initially measured at fair value plus transaction costs and are subsequently measured at their amortised cost using the effective interest method. Interest on deposits is brought to account on an accruals basis. Interest accrued at balance date is included in payables and other liabilities in the statement of financial position.

(j) Payables and Other Liabilities

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Credit Union.

(k) Employee Benefits

Short-term employee benefits

Provision is made for the Credit Union's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Credit Union's obligations for short-term employee benefits are recognised as provisions in the statement of financial position.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee Benefits (Cont'd)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

Superannuation Contributions

Contributions are made by the Credit Union to employees' superannuation funds and are charged as expenses when incurred.

Refer to Note 22 for details of the Credit Union's obligations in relation to a defined benefit plan.

(l) Provisions

Provisions are recognised when the Credit Union has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised.

Fees and commissions

Control of a right to be compensated for services is attained and usually evidenced by approval of a contract by the member. Fee and commission income is recognised as revenue on an accrual basis.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained, and usually evidenced by approval of a contract by the member. Interest income is taken into account on an accrual basis. Interest on members' loans and overdrafts is calculated on the daily outstanding balance and is charged in arrears to the members' loan accounts on the last day of each month.

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

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue (Cont'd)

Loan origination fees

Loan origination fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue. Loan origination expenses that relate to, and are direct and incremental to the establishment of the loan, including brokerage costs, are deferred and brought to account as a reduction to income over the expected life of the loan. The expected lives of mortgage, personal and commercial loans are reviewed annually and adjusted to reflect changes in trends in the actual life of loans per category. These adjustments may accelerate or decelerate the amortisation rate of the deferred origination fee revenue.

(n) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Credit Union, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

(o) Goods and Services Tax (GST)

As a financial institution the Credit Union is input taxed on all income except other income from commission and some fees. An input taxed supply is not subject to GST collection, and similarly GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credit, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, 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 where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or a liability in the statement of financial position.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Goods and Services Tax (GST) (Con't)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(q) Rounding of Amounts

The Credit Union has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

(r) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

Key Estimates - Impairment

The Credit Union assesses impairment at the end of each reporting period by evaluating conditions specific to the Credit Union that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Estimation has been exercised when applying the Credit Union's accounting policies with respect to determining the provision for impairment of loans as disclosed in Note 10(d).

Key Judgements - Recoverable amount of held-to-maturity financial assets

The recoverable amount of held-to-maturity financial assets is determined by discounting future cash flows using the effective interest method. Judgement has been used to determine the timing of future cash flows.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) New Accounting Standards for Application in Future Periods

The following Australian Accounting Standards issued or amended are applicable to the Credit Union but are not yet effective for the 2017 financial year and have not been adopted in preparation of the financial statements at reporting date.

Title of Standards	Future Reporting Requirements	Operative Date
AASB 9: Financial Instruments and Associated Amending Standards.	This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.	1 January 2018
AASB 15: Revenue from Contracts with Customers.	This Standard provides a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118: Revenue.	1 January 2018
AASB 16: Leases.	This Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.	1 January 2019

The abovementioned Standards are applicable for annual reporting periods commencing on the operative date. Although the adoption of these Standards may have an impact on the Credit Union's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
NOTE 2 - INTEREST INCOME AND INTEREST EXPENSE			
Interest Revenue			
<i>Assets at amortised cost</i>			
Cash and cash equivalents		138	126
Deposits with other financial institutions		1,113	1,207
Loans and advances		16,759	15,536
Total interest revenue		18,010	16,869
Interest Expense			
<i>Liabilities at amortised cost</i>			
Members' deposits		7,863	7,939
Borrowings		66	41
Total interest expense		7,929	7,980
Net Interest Income		10,081	8,889
Other Revenue and Income			
Dividends received		166	96
Fees and commissions		2,590	2,112
Bad debts recovered	10(c)	20	16
Reversal of previous revaluation decrement on valuation of land and buildings	12(a)	91	-
Rent received		13	13
Total other revenue and income		2,880	2,237
Net Operating Income		12,961	11,126

NOTE 3 - PROFIT BEFORE INCOME TAX

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

Impairment Losses on Loans and Advances

Bad debts written off	10(c)	90	55
Impairment expense - loans and advances	10(a)	128	145
		218	200

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
NOTE 3 - PROFIT BEFORE INCOME TAX (CONT'D)			
Depreciation and Amortisation Expense			
<i>Depreciation</i>			
Buildings		34	36
Freehold and leasehold improvements		165	79
Plant and equipment		185	159
	12(b)	384	274
<i>Amortisation</i>			
Intangible assets	13	34	54
		418	328
Employee Benefits Expenses			
Salaries and wages		2,366	2,195
Provision for employee benefits		274	252
Superannuation		631	435
Other		565	465
		3,836	3,347
Other Expenses			
Marketing and promotion		564	547
Member protection		312	279
General administration		574	546
Member service costs		1,091	952
Communications		1,026	880
Operating lease payments		174	190
Other occupancy costs		162	149
Loss on sale of property, plant and equipment		9	31
Loan administration fees		704	470
Sundry expenses		466	439
		5,082	4,483
Total Non-Interest Expense		9,554	8,358

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$'000	\$'000
NOTE 4 - INCOME TAX EXPENSE		
(a) The income tax expense comprise amounts set aside as:		
Current tax	1,061	876
Deferred tax	(33)	(71)
	<u>1,028</u>	<u>805</u>
(b) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	1,023	831
Add:		
Tax effect of:		
- other assessable amounts	-	-
- deferred tax expense relating to the origination and reversal of temporary differences	50	-
- other non-allowable items	5	3
	<u>1,078</u>	<u>834</u>
Less:		
Tax effect of:		
- rebateable fully franked dividends	50	29
- tax losses utilised	-	-
	<u>50</u>	<u>29</u>
Income tax attributable to the Credit Union	<u>1,028</u>	<u>805</u>
The applicable weighted average effective tax rates are as follows:	<u>30%</u>	<u>29%</u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$'000	\$'000
NOTE 5 - CASH AND CASH EQUIVALENTS		
Cash on hand	797	591
Deposits at call	26,256	9,880
Short term bank deposits	21,897	35,877
	48,950	46,348
	48,950	46,348
Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	48,950	46,348
NOTE 6 - RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS		
Interest earning deposits	11,459	7,412
Floating rate notes	16,097	-
	27,556	7,412
	27,556	7,412
Maturity Analysis		
Not longer than 3 months	11,488	7,412
Longer than 3 and not longer than 12 months	1,989	-
Longer than 1 and not longer than 5 years	14,079	-
	27,556	7,412
	27,556	7,412
NOTE 7 - OTHER RECEIVABLES		
Interest receivable	142	113
Other accrued income	179	2
	321	115
	321	115
NOTE 8 - OTHER ASSETS		
Prepayments	59	141
Sundry debtors	1,337	693
	1,396	834
	1,396	834

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
NOTE 9 - LOANS AND ADVANCES			
Overdrafts and line of credit loans		6,934	7,185
Term loans		368,468	322,716
Gross loans and advances		<u>375,402</u>	<u>329,901</u>
Less: Unamortised loan origination fees		<u>(212)</u>	<u>(459)</u>
Gross loans and advances net of unamortised loan origination fees		375,190	329,442
Less: Provision for impairment	10	<u>(268)</u>	<u>(181)</u>
Net loans and advances		<u><u>374,922</u></u>	<u><u>329,261</u></u>
(a) Maturity Analysis			
Overdrafts and revolving credit		6,859	7,181
Not longer than 3 months		4,956	3,655
Longer than 3 and not longer than 12 months		25,181	21,211
Longer than 1 and not longer than 5 years		91,909	93,925
Longer than 5 years		<u>246,017</u>	<u>203,289</u>
		<u>374,922</u>	<u>329,261</u>
(b) Concentration of Loans			
Details of concentrations of credit risk to individual members (including associated members) greater than 10% of capital are			
Loans to members are concentrated solely in Australia and principally in the following regions:			
New South Wales		344,129	300,640
Other States		<u>30,793</u>	<u>28,621</u>
		<u>374,922</u>	<u>329,261</u>
(c) Security Analysis			
Secured by mortgage over business assets		9,099	9,664
Secured by mortgage over real estate		346,247	304,154
Partly secured by goods mortgage		9,873	9,030
Wholly unsecured		<u>9,703</u>	<u>6,413</u>
		<u>374,922</u>	<u>329,261</u>

COASTLINE CREDIT UNION LIMITED
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FOR THE YEAR ENDED 30 JUNE 2017

It is not practicable to value all collateral as at the end of the reporting period due to the variety of assets and conditions present.

COASTLINE CREDIT UNION LIMITED
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2017
\$'000

2016
\$'000

NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES

Impaired loans are those for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

Provision for impairment	268	181
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(a) Movement in provision

Balance at beginning of year	181	58
Transfer from / (to) statement of profit or loss	128	145
Bad debts written off against provision	(41)	(22)
Provision balance at end of year	268	181

(b) The provision consists of:

Prescribed provision required under the APRA Prudential Standards	314	28
Addition / (reduction) to specific provision	(46)	153
	268	181

(c) Impaired loans written off

Amounts written off against the provision for impaired loans	41	22
Amounts written off directly to statement of profit or loss	90	55
	131	77

Bad debts recovered	20	16
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(d) Key assumptions in determining the provision for impairment

APRA Prudential Standards stipulate that the minimum provision for impairment is calculated based on specified percentages of the loan balances after considering the length of time repayments are in arrears, the members' borrowing and repayment histories as well as the securities held. Management and the Board also analyse loans and advances to determine amounts where collection may be considered doubtful and make a provision for impairment in excess of the amount calculated under the APRA Prudential Standards to cover this amount.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)

(d) Key assumptions in determining the provision for impairment (Cont'd)

The provision is calculated on a specific identification basis prescribed by the Prudential Standards and is broadly calculated as follows:

Period of Impairment	Unsecured Overdrafts % of Balance	Unsecured Loans % of Balance	Loans & Overdrafts % of Balance
0 to 14 days	0	0	0
14 to 89 days	40	0	0
90 days to 181 days	75	40	5
182 days to 270 days	100	60	10
271 days to 365 days	100	80	15
Over 365 days	100	100	20

In addition, a review of loans was undertaken to identify specific loans where an additional provision for impairment to that calculated under the method above is required.

(e) Analysis of impaired loans by class

	Carrying Value \$ '000	Impaired Loans \$'000	Provision for Impairment \$ '000
2017			
Housing - owner occupied	247,517	2,164	152
Housing - investment	70,513	460	-
Personal	18,075	92	103
Revolving credit	4,740	100	13
Commercial	34,557	147	-
Total	375,402	2,963	268
2016			
Housing - owner occupied	214,124	143	16
Housing - investment	68,082	-	-
Personal	13,958	57	53
Revolving credit	4,659	98	95
Commercial	29,078	30	17
Total	329,901	328	181

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)

(e) Analysis of impaired loans by class (Cont'd)

Loans and advances may be unsecured, secured against residential property, or secured by other registered securities over assets. It is not practicable to determine the fair value of all collateral as at balance date due to the variety of assets and conditions.

(f) Analysis of impaired loans by age of repayments outstanding

	2017	2017	2016	2016
	Impaired	Provision for	Impaired	Provision for
	Loans	Impairment	Loans	Impairment
	\$'000	\$'000	\$'000	\$'000
Up to 90 days in arrears	65	58	140	127
91 to 180 days in arrears	759	78	178	46
181 to 270 days in arrears	1,842	111	7	7
271 to 365 days in arrears	292	17	-	-
Over 365 days in arrears	-	-	-	-
Over limit facilities 14 days and over	5	4	3	1
Total	2,963	268	328	181

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)

(g) Loans with repayments past due but not impaired

Loans that are past due but not impaired include loans where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security or collateral available and the stage of collection of amounts owed to the Credit Union.

	Housing Loans (owner occupied) \$'000	Housing Loans (Investment) \$'000	Personal Loans \$'000	Revolving Credit \$'000	Commercial \$'000	Total \$'000
2017						
Period in arrears:						
Less than 3 months	7,699	3,063	875	216	842	12,695
3 to 6 months	-	-	-	-	-	-
6 to 12 months	-	-	-	-	-	-
Greater than 12 months	-	-	-	-	-	-
Total	7,699	3,063	875	216	842	12,695
2016						
Period in arrears:						
Less than 3 months	7,305	546	507	245	505	9,108
3 to 6 months	470	57	-	-	-	527
6 to 12 months	95	-	-	-	-	95
Greater than 12 months	-	-	-	-	-	-
Total	7,870	603	507	245	505	9,730

(h) Assets acquired via enforcement of security

	2017 \$'000	2016 \$'000
Real estate	-	-
Other	-	-
	<hr/>	<hr/>
	-	-

In the event that the Credit Union takes possession of an asset that is not readily convertible to cash, the Credit Union may sell the asset at auction or by private treaty with the objective of obtaining maximum value. The Credit Union also has discretion to retain the asset for its use in operations.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
Note	\$'000	\$'000
NOTE 10 - IMPAIRMENT OF LOANS AND ADVANCES (CONT'D)		
(i) Renegotiated loans not impaired		
Renegotiated loans arise when the borrower is granted a concession due to continual difficulties in meeting the original terms and the revised terms are not comparable to new or existing loan facilities.		
Balance of loans that were previously past due or impaired which had been renegotiated by the Credit Union at balance date:		
	-	-
(j) Revenue on impaired loans		
Interest and other revenue recognised as revenue earned	54	6
Interest foregone on impaired loans	76	24

NOTE 11 - OTHER FINANCIAL ASSETS

Available-For-Sale Investments

Shares in Unlisted Entities - at cost

Indue Limited	2,796	2,796
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Indue Limited

The shareholding in Indue Limited is measured at cost as its fair value cannot be measured reliably. This company was created to supply services to member credit unions and these shares are held to enable the Credit Union to receive essential banking services. The shares are not able to be publicly traded and are not redeemable.

At the end of the financial year the Credit Union held a 15% shareholding in Indue Limited. The Credit Union is not intending, nor is able to dispose of these shares as the services supplied by the company are relevant to the day to day activities of the Credit Union.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
NOTE 12 - PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value	12(a)	1,100	1,000
Subsequent additions at cost		<u>-</u>	<u>-</u>
Total freehold land		<u>1,100</u>	<u>1,000</u>
Buildings			
At fair value	12(a)	2,000	1,475
Subsequent additions at cost		-	-
Accumulated depreciation		<u>-</u>	<u>(76)</u>
Total buildings		<u>2,000</u>	<u>1,399</u>
Total land and buildings		<u>3,100</u>	<u>2,399</u>
Freehold and leasehold improvements			
At cost		1,511	953
Accumulated depreciation		<u>(394)</u>	<u>(236)</u>
Total freehold and leasehold improvements		<u>1,117</u>	<u>717</u>
Plant and equipment			
At cost		1,478	1,281
Accumulated depreciation		<u>(947)</u>	<u>(840)</u>
Total plant and equipment		<u>531</u>	<u>441</u>
Total property, plant and equipment		<u>4,748</u>	<u>3,557</u>

(a) Asset Revaluations

An independent valuation of freehold land and buildings was carried out by James Flanagan (Registered Valuer 3992). The revaluation of freehold land and buildings was based on an assessment of the current market values of the Credit Union's South West Rocks, Central Kempsey and West Kempsey premises as at 30 June 2017.

The valuation resulted in a revaluation increment of \$581,000 being recognised in the asset revaluation reserve for the year ended 30 June 2017 and revaluation increment of \$91,000 being recognised in profit or loss.

The revaluation increment recognised in profit or loss reverses the revaluation decrement of the same asset, being the Credit Union's Central Kempsey premises, previously charged to profit or loss.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Movements in Carrying Amounts

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

	Land \$'000	Buildings \$'000	Freehold and Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
2017					
Balance at the beginning of the financial year	1,000	1,399	717	441	3,557
Additions	-	-	570	303	873
Disposals	-	-	(5)	(28)	(33)
Revaluation	100	635	-	-	735
Depreciation expense	-	(34)	(165)	(185)	(384)
Carrying amount at the end of the financial year	<u>1,100</u>	<u>2,000</u>	<u>1,117</u>	<u>531</u>	<u>4,748</u>
2016					
Balance at the beginning of the financial year	1,000	1,435	447	465	3,347
Additions	-	-	386	152	538
Disposals	-	-	(37)	(17)	(54)
Depreciation expense	-	(36)	(79)	(159)	(274)
Carrying amount at the end of the financial year	<u>1,000</u>	<u>1,399</u>	<u>717</u>	<u>441</u>	<u>3,557</u>

(c) Historical Cost of Land and Buildings

If land and buildings were stated at historical cost, carrying amounts would be as follows:

	2017 \$'000	2016 \$'000
Land - at cost	509	509
Buildings - at cost	1,390	1,390
Provision for depreciation on buildings	<u>(665)</u>	<u>(631)</u>
Total land and buildings at written down value	<u>1,234</u>	<u>1,268</u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2017 \$ '000	2016 \$ '000
NOTE 13 - INTANGIBLE ASSETS			
Software - at cost		629	544
Accumulated amortisation		<u>(552)</u>	<u>(518)</u>
Carrying value		<u>77</u>	<u>26</u>
Movement in carrying value			
Balance at beginning of year		26	73
Additions		85	7
Transfers		-	-
Amortisation Expense	3	<u>(34)</u>	<u>(54)</u>
Balance at end of year		<u>77</u>	<u>26</u>

NOTE 14 - DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

Term Deposits		<u>60,314</u>	<u>20,450</u>
		<u>60,314</u>	<u>20,450</u>

NOTE 15 - DEPOSITS FROM MEMBERS

Member deposits at call (including withdrawable shares)		269,048	270,778
Member term deposits		<u>91,618</u>	<u>64,044</u>
		<u>360,666</u>	<u>334,822</u>

The deposit portfolio of the Credit Union does not include any deposit which represents 10% or more of total liabilities. The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:

Concentration of deposits

New South Wales		341,479	319,791
Other States		<u>19,187</u>	<u>15,031</u>
		<u>360,666</u>	<u>334,822</u>

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	2017	2016
	\$ '000	\$ '000
NOTE 16 - PAYABLES AND OTHER LIABILITIES		
Accrued interest payable	893	584
Trade payables and accrued expenses	3,131	2,053
	4,024	2,637

NOTE 17 - TAXATION

(a) Taxation Liabilities

Current Tax Liabilities

Income tax payable	293	176
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Non -Current Tax Liabilities

Deferred tax liabilities	1	3
	294	179

Deferred Tax Liabilities

Deferred tax liabilities comprise temporary differences attributable to the assets and liabilities listed below:

	Opening Balance \$'000	Charged to Income \$'000	Charged Directly to Equity \$'000	Changes in Tax Rate \$'000	Closing Balance \$'000
Prepayments	2	1	-	-	3
Balance at 30 June 2016	2	1	-	-	3
Prepayments	3	(2)	-	-	1
Balance at 30 June 2017	3	(2)	-	-	1

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17 - TAXATION (CONT'D)

(b) Taxation Assets

Deferred Tax Assets

Deferred tax assets comprise temporary differences attributable to the assets and liabilities listed below:

	Opening Balance \$'000	Charged to Income \$'000	Charged Directly to Equity \$'000	Tax Effect of Changes in Tax Rate \$'000	Closing Balance \$'000
Property, plant and equipment	99	9	-	-	108
Employee benefits	210	13	-	-	223
Impairment of loans	18	37	-	-	55
Accrued expenses	34	3	-	-	37
Accrued income	2	-	-	-	2
Deferred loan origination fees	126	11	-	-	137
Capital losses	23	-	-	-	23
Balance at 30 June 2016	512	73	-	-	585
Property, plant and equipment	108	(11)	(63)	(3)	31
Employee benefits	223	64	-	(24)	263
Impairment of loans	55	26	-	(7)	74
Accrued expenses	37	23	-	(5)	55
Accrued income	2	53	-	(5)	50
Deferred loan origination fees	137	(73)	-	(5)	59
Capital losses	23	-	-	(2)	21
Balance at 30 June 2017	585	82	(63)	(51)	553

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NOTES TO THE FINANCIAL STATEMENTS
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	2017	2016
	\$'000	\$'000
NOTE 18 - PROVISIONS		
Employee benefits	751	578
Directors' retirement benefits	60	45
Other provisions	149	122
	960	745

(a) Movements in Carrying Amounts

	Employee Benefits \$'000	Directors' Retirement Benefits \$'000	Other Provisions \$'000	Total \$'000
Balance at the beginning of the year	578	45	122	745
Additional provision	438	15	149	602
Amounts paid during the year	(265)	-	(122)	(387)
Carrying amount at the end of the year	751	60	149	960

Provision for employee benefits

Refer to Note 1(k) for information relating to this provision.

Provision for directors' retirement benefits

The provision for Directors' Retirement Benefits is in accordance with the Credit Union's Directors' Retirement Benefits Policy. This policy has been established as a framework within which Coastline Directors may become eligible to receive financial benefits upon their retirement or death as a Director. Eligibility for the receipt of any benefits is strictly subject to the limitations, qualification criteria and approval procedures set out in the Directors' Retirement Benefits Policy.

NOTE 19 - RESERVES

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of land and buildings and available-for-sale financial assets.

(b) General Reserve for Credit Losses

This reserve records an amount previously set aside as a general provision for impairment on loans and is maintained to comply with the Credit Union's policies.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19 - RESERVES (CONT'D)

(c) Other Reserve for Credit Losses

The other reserve for credit losses records the balance of the specific provision for impairment prescribed by APRA that is in excess of the provision for impairment determined in accordance with Australian Accounting Standards.

(d) Redeemed Share Capital Account

The redeemed share capital account records the transfer of profits appropriated for the redeemable preference shares that have been redeemed.

	2017	2016
	\$'000	\$'000

NOTE 20 - CASH FLOW INFORMATION

**(a) Reconciliation of Cash Flow from Operations
with Profit after Income Tax**

Profit for the year	2,379	1,963
Non-cash flows in profit:		
Impairment of loans and advances	87	123
Movement in unamortised loan origination fees	(247)	37
Depreciation and amortisation	418	328
Net (gain) / loss on sale of property, plant and equipment	9	31
Gain on revaluation of land and buildings	(91)	-
Changes in assets and liabilities:		
(Increase) / decrease in receivables due from other financial institutions	(20,144)	24,901
(Increase) / decrease in accrued receivables	(206)	57
(Increase) / decrease in other assets	(562)	238
(Increase) / decrease in loans and advances to members	(45,501)	(41,389)
(Increase) / decrease in deferred tax assets	32	(73)
Increase / (decrease) in deposits from members	25,844	33,525
Increase / (decrease) in deposits from other financial institutions	39,864	3,550
Increase / (decrease) in payables and other liabilities	1,387	(976)
Increase / (decrease) in tax liabilities	52	16
Increase / (decrease) in provisions	215	43
Net cash (used in)/provided by operating activities	3,536	22,374

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20 - CASH FLOW INFORMATION (CONT'D)

(b) Cash Flows Presented on a Net Basis

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

- (i) customer deposits to and withdrawals from deposit accounts;
- (ii) borrowings and repayments on loans and advances;
- (iii) sales and purchases of maturing certificates of deposit; and
- (iv) sales and purchases of other investments.

	2017	2016
	\$'000	\$'000
(c) Credit Standby Arrangements		
Overdraft facility	5,000	5,000
Amount utilised	-	-
	5,000	5,000
Unused Credit Facility	5,000	5,000

NOTE 21 - CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Estimated capital expenditure contracted for at balance date:

- payable not later than 12 months	-	-
- payable between 12 months and 5 years	-	-
- payable later than 5 years	-	-
	-	-
	-	-

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial report

Payable - minimum lease payments:

- not later than 12 months	412	219
- between 12 months and 5 years	875	1,122
- later than 5 years	135	389
	1,422	1,730
	1,422	1,730

Operating lease commitments relate to the rental of the Credit Union's premises and an ATM managed services agreement. The leases are non-cancellable with original terms ranging from 5 - 10 years. Rent is payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payment to be increased by either the CPI or 5% per annum whichever is the greater. An option exists to renew the leases at the end of the lease terms for additional terms of 5 - 10 years.

COASTLINE CREDIT UNION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 22 - SUPERANNUATION COMMITMENTS

Defined Benefit Obligations

The Credit Union contributes to the Cuesuper Superannuation Defined Benefit Plan (the Plan), a sub-fund of NGS Super for the purpose of Superannuation Guarantee payments and payment of other superannuation benefits on behalf of an employee of the Credit Union.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. However, when this information is not reliably available, the Credit Union accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans.

The last full actuarial valuation of the Plan was as at 30 June 2014. Quarterly financial updates for the Plan were provided by NGS Super's actuary with the latest one available effective 31 March 2017. The actuary confirmed that the Schedule One Part B sub-group of the Plan was in an unsatisfactory financial position (ie assets were less than vested benefits) at 31 March 2017 with assets of \$4,337,000, vested benefits of \$4,521,000 and a present value of accrued benefits of \$4,598,000.

As at 30 June 2017 the Credit Union was obliged to make a shortfall contribution of \$152,796 as a result of the unsatisfactory financial position of the Plan. A provision for this shortfall contribution has been recognised as a liability in these financial statements.

The key economic long term assumptions used to calculate the present value of accrued benefits as at 31 March 2017 being; investment returns (after tax and investment fees) of 6.3% per annum and general salary increases forecast to be 4.5% per annum.

For the year to 30 June 2017 employers continue to contribute at the same rates to the defined benefit element of the members' benefits other than for expenses which are allocated to employers on a per member basis. The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuary's assumptions and therefore a surplus or deficit arises; however, any adjustment to the contribution rate to reflect a surplus / deficit would be the same for all sponsoring employers (subject to the comments below).

As part of the 30 June 2014 actuarial valuation, it was recommended that the actuarial advice must be sought if salary increases in excess of 6% per annum are granted by a sponsoring employer after 1 July 2011 to establish if further funding is required from the sponsoring employer who granted the salary increase. This course of action is intended to minimise the level of cross subsidisation between employers when large salary increases are granted.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 23 - CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

	2017	2016
	\$'000	\$'000
(a) Contingent Liabilities		
(i) Guarantees and Security Deposits		
The Credit Union holds security deposits of certain members as a guarantee for a third party. These deposits are not released to the member without written authority from the third party.		
	<u>219</u>	<u>90</u>
(ii) Credit Union Liquidity Support System		
The Credit Union is a member of the Credit Union Financial Support System Limited (CUFSS), a company established to provide financial support to credit unions in the event of a liquidity or capital problem arising. As a member, the Credit Union is committed to maintaining an amount equivalent to 3.2% of total assets in deposits with an Authorised Deposit Taking Institution. These funds can then be used by CUFSS to provide financial support to other credit unions, backed by a floating charge over assets of the borrowing credit union. No claims have been made during the financial year.		
(b) Credit Related Commitments		
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.		
Approved but undrawn loans and credit limits	31,376	26,509
Loans approved but not advanced	<u>6,194</u>	<u>7,860</u>
	<u>37,570</u>	<u>34,369</u>

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NOTE 24 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of the entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP comprise Directors and the executive management team of the Credit Union.

(a) Key Management Personnel Compensation

The aggregate compensation of key management personnel during the year comprising amounts paid or payable or provided for was as follows:

	Short-term benefits	Post - employment benefits	Other long-term benefits	Termination benefits	Total
	\$	\$	\$	\$	\$
2017					
KMP	809,327	113,403	9,809	-	932,539
2016					
KMP	793,072	94,665	15,151	-	902,888

In the above table, remuneration shown as short-term employee benefits means (where applicable) wages, salaries, Directors' fees, paid annual leave and paid sick leave, bonuses and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements. Other long-term benefits includes long service leave accrued during the year.

Post-employment benefits relates to superannuation paid to employees in accordance with the Superannuation Guarantee Legislation.

A provision for Directors' Retirement Benefits calculated in accordance with the Credit Union's Directors' Retirement Benefits Policy is included under termination benefits in the above table.

All remuneration of Directors with the exception of the provision for Directors' Retirement Benefits was approved by the members at the previous Annual General Meeting of the Credit Union.

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NOTE 24 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL (CONT'D)

(b) Loans to Key Management Personnel

The following details of loans are inclusive of loans to Directors, other KMP and close family members of Directors and other KMP:

	Balance at beginning of year	Interest charged	Balance at end of year	Impaired amount
	\$	\$	\$	\$
2017				
Term loans	1,007,040	32,818	668,407	-
Revolving credit loans	5,968	112	2,329	-
Total Loans	1,013,008	32,930	670,736	-
2016				
Term loans	1,837,255	43,945	1,007,040	-
Revolving credit loans	6,026	100	5,968	-
Total Loans	1,843,281	44,045	1,013,008	-

	2017	2016
	\$	\$
Aggregate value of revolving credit facilities available to KMP as at balance date	56,000	56,000
Less: amounts drawn-down	<u>(2,329)</u>	<u>(5,968)</u>
Net balance available	<u><u>53,671</u></u>	<u><u>50,032</u></u>

The Credit Union's policy for lending to KMP is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the KMP remuneration. There are no benefits or concessional terms and conditions applicable to the close family members of KMP.

(c) Other Transactions with Related Parties

The Credit Union has received deposits from KMP and their related entities. These amounts were received on the same terms and conditions as are applicable to members generally and are trivial or domestic in nature.

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NOTE 24 - DISCLOSURES ON KEY MANAGEMENT PERSONNEL (CONT'D)

(c) Other Transactions with Related Parties (Cont'd)

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

NOTE 25 - AUDITOR'S REMUNERATION

	2017	2016
	\$	\$
Audit Services:		
- Audit of the financial statements	46,600	45,400
- Other regulatory audit services	12,850	12,500
	59,450	57,900
Other Services:		
- Internal audit services	45,000	43,500
- Taxation services	-	-
- Other assurance services	4,350	4,100
	49,350	47,600
	108,800	105,500

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Classes of Financial Assets and Financial Liabilities

The Credit Union has the following financial assets and financial liabilities:

	2017	2016
	\$'000	\$'000
Financial Assets		
<i>Measured at amortised cost</i>		
Cash and Cash Equivalents	48,950	46,348
Receivables Due from Other Financial Institutions	27,556	7,412
Other Receivables	321	115
Loans and Advances	<u>374,922</u>	<u>329,261</u>
Total	451,749	383,136
<i>Measured at cost</i>		
Available-for-Sale Financial Assets	<u>2,796</u>	<u>2,796</u>
Total Financial Assets	<u><u>454,545</u></u>	<u><u>385,932</u></u>

Financial Liabilities

Measured at amortised cost

Deposits from Other Financial Institutions	60,314	20,450
Deposits from Members	360,666	334,822
Payables and Other Liabilities	<u>4,024</u>	<u>2,637</u>
Total Financial Liabilities	<u><u>425,004</u></u>	<u><u>357,909</u></u>

The Credit Union has exposure to the following risks from its use of financial instruments:

- Credit Risk;
- Liquidity Risk;
- Market Risk;
- Capital Risk; and
- Operational Risk.

The Credit Union has implemented the following strategies to measure and manage these risks.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(a) Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Board approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks. The Board of Directors is responsible for developing and monitoring the Credit Union's risk management policies.

The Board of Directors has established the Risk Committee which is responsible for developing and monitoring the Credit Union's risk management policies and reporting to the Board of Directors on its activities. A Chief Risk Officer has the responsibility of monitoring risk management activities and practices throughout the Credit Union and reporting results and other pertinent information to the Risk Committee. The Chief Risk Officer is also responsible for implementing changes to the risk management framework and related practices as recommended by the Board via the Risk Committee.

The Credit Union's 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 on at least an annual basis.

The Audit Committee is responsible for monitoring compliance with the Credit Union's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Audit Committee is assisted in these functions by the General Manager.

The General Manager has responsibility for the oversight of the Credit Union's risk management framework and policies, including the identification, analysis, evaluation, treatment and monitoring of risk at all levels of the Credit Union.

The Board of Directors have also appointed an Internal Auditor to assess whether the controls implemented for risk management are operating effectively. The Internal Auditor provides reports on risk management compliance to the Board of Directors and Audit Committee on a regular basis.

(b) Credit Risk

Credit risk is the risk of financial loss to the Credit Union should a member or counterparty to the financial instrument fail to meet their contractual obligations. Credit risk arises principally from the Credit Union's loans and advances to members, deposits with other authorised deposit-taking institutions and investments in available-for-sale assets.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit Risk (Cont'd)

Management of Credit Risk

Loans and Advances

The credit risk associated with loans and advances to members has been minimised through the implementation of credit assessment policies and procedures before these loans and advances are approved. The Credit Union's Board of Directors has delegated responsibility for the management of credit risk to the Loans Committee. The Board has developed policies and procedures designed to ensure strong lending practices which comply with credit legislation. Policies and procedures reduce the risk of credit loss by providing clarity and guidance relating to:

- Credit assessment and approval of loans and facilities including documentary and legal procedures and compliance with regulatory and statutory requirements;
- Security requirements in respect to the acceptable types of security and maximum loan to security value ratios;
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities. Credit Union lending personnel are assigned approval delegations according to their skill and lending experience. The Loans Committee and / or General Manager are required to review and approve certain credit facilities depending on their size, risk or complexity. Lending delegations are reviewed on an annual basis;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

Credit risk management policies and procedures are reviewed by the Board on an annual basis.

Note 9 to the financial statements provides an analysis of the Credit Union's loans credit risk profile.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit Risk (Cont'd)

Management of Credit Risk (Cont'd)

Collateral Securing Loans

The Credit Union holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other Authorised Deposit-Taking Institutions (ADIs) and available-for-sale investments.

Liquid Investments and Receivables Due from Other Financial Institutions

The risk of losses from liquid investments and receivables from other financial institutions is reduced by the nature and quality of the independent rating of the counterparty, and the limits of concentration of investments to any one counterparty. Credit risk related to liquid investments with other financial institutions has been minimised through the implementation of investment policies, which include the types of acceptable investments and limitations on concentrations of deposits. The Credit Union's Finance Department is responsible for managing and monitoring compliance with these policies and limits.

Concentration of Credit Risk

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

Concentrations of credit risk arise in the following categories:

	Loans and Advances to Members		Receivables Due from Other Financial Institutions	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
New South Wales	344,129	300,640	10,576	-
Other States and Territories	30,793	28,621	16,980	7,412
	<u>374,922</u>	<u>329,261</u>	<u>27,556</u>	<u>7,412</u>

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit Risk (Cont'd)

Concentration of Credit Risk (Cont'd)

Concentration by location for loans and advances to members is measured based on the location of the borrower. Concentration by location for receivables due from other financial institutions is measured based on the location of the counterparty.

The Credit Union does not have any concentration of risk on loans to individual members (including associated members) where the balance is greater than 10% of capital at balance date.

Exposure to Credit Risk

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security held, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

(c) Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations arising from its financial liabilities.

Management of Liquidity Risk

The Credit Union's approach to managing liquidity 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's policies and procedures for managing liquidity include:

- Daily monitoring of liquidity position with regards to internal and regulatory limits;
- Monitoring the maturity profiles of financial assets and financial liabilities; and
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity Risk (cont'd)

Exposure to Liquidity Risk

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total adjusted liabilities. The Credit Union's regulator, APRA, has set a minimum ratio of at least 9% of liquid assets to total liabilities. The Credit Union's minimum internal liquidity ratio is 12% (2016: 12%).

Details of the Credit Union's ratio of liquid assets to total adjusted liabilities at the reporting date and during the reporting period were as follows:

Liquidity Ratios	2017	2016
	%	%
As at 30 June	16.43	13.61
Average liquidity for the period	13.94	14.47
Minimum liquidity for the period	12.56	12.48
Maximum liquidity for the period	16.44	16.35

Financial Instrument Maturity Analysis

The following table details the Credit Union's expected and remaining contractual maturities for its financial assets and financial liabilities. The balance for financial assets is based on the undiscounted maturities including interest that will be earned on those assets except where the Credit Union anticipates that the cash flow will occur in a different period. The balance of financial liabilities is based on the undiscounted cash flows at the earliest date on which the Credit Union can be required to pay.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity Risk (Cont'd)

Residual contractual maturities of financial assets and financial liabilities

	At call		Not longer than 3 months		Longer than 3 and not longer than 12 months		Longer than 1 and not longer than 5 years		Longer than 5 years		No Maturity		Total	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Financial assets - cash flows realisable														
Cash and cash equivalents	26,256	9,880	21,897	35,877	-	-	-	-	-	-	797	591	48,950	46,348
Receivables due from other financial institutions	-	-	11,488	7,412	1,989	-	7,571	-	6,508	-	-	-	27,556	7,412
Other receivables	-	-	83	113	14	-	28	-	17	-	179	2	321	115
Loans and advances	6,859	7,181	4,957	3,655	25,179	21,211	91,909	93,925	246,018	203,289	-	-	374,922	329,261
Other financial assets	-	-	-	-	-	-	-	-	-	-	2,796	2,796	2,796	2,796
Total anticipated inflows	33,115	17,061	38,425	47,057	27,182	21,211	99,508	93,925	252,543	203,289	3,772	3,389	454,545	385,932
Financial liabilities due for payment														
Deposits from other financial institutions	-	-	51,200	13,450	9,114	7,000	-	-	-	-	-	-	60,314	20,450
Deposits from members	269,019	270,750	45,678	30,621	41,863	31,523	4,077	1,900	-	-	29	28	360,666	334,822
Payables and other liabilities	-	-	-	-	-	-	-	-	-	-	4,024	2,637	4,024	2,637
Total anticipated outflows	269,019	270,778	96,878	44,071	50,977	38,523	4,077	1,900	-	-	4,053	2,637	425,004	357,909
Net inflow / (outflow) on financial instruments	(235,904)	(253,717)	(58,453)	2,986	(23,795)	(17,312)	95,431	92,025	252,543	203,289	(281)	752	29,541	28,023

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(d) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates or other prices, will affect the Credit Union's income or the value of its financial assets and financial liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable limits.

The Credit Union does not trade in financial instruments, and is not exposed to currency or other significant price risks.

The Credit Union is only exposed to interest rate risk arising from changes in market interest rates.

Interest Rate Risk

Interest rate risk is the variability of the fair value of future cash flows arising from financial instruments due to changes in interest rates.

Management of Interest Rate Risk

The Credit Union has exposure to non-traded interest rate risk generated by banking products such as loans and deposits. The Credit Union does not operate a trading book.

Overall authority for market risk is vested with the Board of Directors, who are responsible for the development of detailed risk management policies.

Exposure to Interest Rate Risk

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The Credit Union monitors its exposure to interest rate risk using gap analysis. The gap analysis report provides a maturity profile of the Credit Union's financial assets and financial liabilities to enable management to identify any significant mismatching of assets and liabilities and hence the potential interest rate risk.

It is the Board's policy that the net potential exposure to market rate changes should not exceed 6.0% of the capital base and 55% of pre-tax profit.

At reporting date, the effect of rises and falls in interest rates within a range of 0.5% to 2.0%, with all other variables remaining constant would be as follows:

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(d) Market Risk (Cont'd)

Exposure to Interest Rate Risk (Cont'd)

	Interest Rate Sensitivity		
	+ / - 0.5%	+ / - 1.0%	+ / - 2.0%
Effect on profit / equity	+ / - \$7,649	+ / -\$15,299	+ / -\$30,598
Percentage of capital base	+ / - 0.02%	+ / - 0.05%	+ / - 0.10%
Impact on 2017 pre-tax profit	+ / - 0.31%	+ / - 0.62%	+ / - 1.24%

Increases in the reserve bank official cash rates are likely to have a positive effect on the Credit Union's profitability.

(e) Capital Management - Regulatory Capital

The Credit Union's regulator (APRA) sets and monitors capital requirements for the Credit Union. The Credit Union reports to APRA on a regular basis and has adopted the standardised approach for credit risk and operational risk.

The Credit Union's regulatory capital comprises two tiers:

- Tier 1 capital, which comprises the highest quality capital components of the Credit Union's capital which satisfy all of the following characteristics:
 - provide a permanent and unrestricted commitment of funds;
 - are freely available to absorb losses;
 - do not impose any unavoidable servicing charge against earnings; and
 - rank behind the claims of depositors and other creditors in the event of a winding-up of the issuer.
- Tier 2 capital, which includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of the Credit Union and its capacity to absorb losses.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The Credit Union's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Credit Union has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Credit Union's management of capital during the period.

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	2017	2016
	\$'000	\$'000

NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(e) Capital Management - Regulatory Capital (cont'd)

The Credit Union's regulatory capital position at balance date was as follows:

Tier 1 Capital	29,922	27,592
Tier 2 Capital	1,854	1,584
	<u>31,776</u>	<u>29,176</u>
Total Regulatory Capital	<u>31,776</u>	<u>29,176</u>
Total risk weighted assets	<u>231,698</u>	<u>197,985</u>

Capital Ratios	2017	2016
	%	%
Total regulatory capital expressed as a percentage of total risk weighted assets	13.71	14.74
Total Tier 1 capital expressed as a percentage of total risk weighted assets	12.91	13.94

Full disclosure of the Credit Union's capital structure is available on the Credit Union's website.

(f) Operational Risk

Operational risk is the risk of the direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors. The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness.

Operational risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management as the 1st Line of Defence. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk in the following areas:

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(f) Operational Risk (Cont'd)

- Requirements for appropriate segregation of duties, including independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

There is an independent oversight of operational risk including effective challenge to activities and decisions which are material in relation to the Credit Union's risk profile, and reporting lines to appropriately escalate issues. This is the 2nd Line of Defence and is assigned to the Risk Management Committee and Chief Risk Officer.

Compliance with Credit Union standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the Board of Directors of the Credit Union. This is the 3rd Line of Defence and also ensures the 1st and 2nd Lines of Defence operate effectively.

Fraud risk

Fraud risk includes, and can arise from, cyber and data security attacks; PINs, cards and passwords being compromised through inadequate protection by the member; identity information being used to obtain financial services; and internal system failures. The Credit Union operates industry standard security systems which remain current; internal controls; incident reporting procedures; escalation procedures; and risk tolerances; to monitor, detect, prevent and manage material fraud from occurring. Systems and internal controls are tested and reviewed on an ongoing basis. Insurance coverage is used to further mitigate fraud risk.

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NOTE 26 - RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

(f) Operational Risk (Cont'd)

IT Systems

The worst case scenario would be the failure of the Credit Union's core banking and IT network suppliers, to meet customer obligations and service requirements. The Credit Union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union to service the settlements with other financial institutions for direct entry, ATM and Visa cards, and Bpay. A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

NOTE 27 - FAIR VALUE

(a) Fair Value Estimates Methodology and Assumptions

The net fair value estimates of the Credit Union's assets and liabilities were determined by the following methodologies and assumptions:

- (i) **Liquid assets and receivables due from other financial institutions** - the carrying values of cash, liquid assets and advances to other financial institutions redeemable within 3 months approximate their net fair value as they are short term in nature or are receivable on demand.
- (ii) **Investment securities and other financial assets** - for financial instruments traded in organised financial markets, fair value is the quoted market value for the asset. For investments where there is no quoted market value, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.
- (iii) **Loans and advances** - the fair value of loans, advances and other receivables is based on their carrying amount net of the specific provision for impairment.
- (iv) **Land and buildings** - the fair value of land and buildings was determined by independent valuation in accordance with the requirements of Australian Accounting Standard AASB 116: Property, Plant and Equipment.
- (v) **Deposits from members** - the fair value of deposits from members is based on their carrying amount.
- (vi) **Payables and other 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.

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NOTE 27 - FAIR VALUE (CONT'D)

(b) Fair Value Estimate for Financial Assets and Financial Liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	2017		2016	
	Carrying amount \$'000	Net Fair value \$'000	Carrying amount \$'000	Net Fair value \$'000
Financial Assets				
Cash and cash equivalents	48,950	48,950	46,348	46,348
Receivables due from other financial institutions	27,556	27,628	7,412	7,412
Accrued receivables	321	321	115	115
Loans and advances	374,922	374,922	329,261	329,261
Other financial assets	2,796	2,796	2,796	2,796
Total financial assets	454,545	454,617	385,932	385,932
Financial Liabilities				
Deposits from other financial institutions	60,314	60,314	20,450	20,450
Deposits from members	360,666	360,666	334,822	334,822
Payables and other liabilities	4,024	4,024	2,637	2,637
Total financial liabilities	425,004	425,004	357,909	357,909

The Credit Union measures and recognises the following assets and liabilities at fair value on a recurring basis:

- land and buildings

(c) Fair Value Hierarchy

The Credit Union measures fair values of assets and liabilities carried at fair value in the financial report using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1:** Quoted market price (unadjusted) in an active market for an identical asset or liability.
- Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:
- quoted market prices in active markets for similar assets or liabilities;
 - quoted prices for identical or similar assets or liabilities in markets that are considered less than active; or
 - other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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NOTE 27 - FAIR VALUE (CONT'D)

(c) Fair Value Hierarchy (Cont'd)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

Fair values for financial instruments or non-financial assets or liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The table below categorises assets and liabilities measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2017				
Recurring fair value measurements				
- land and buildings	-	3,100	-	3,100
2016				
Recurring fair value measurements				
- land and buildings	-	2,399	-	2,399

There have been no transfers into or out of each level during the year ended 30 June 2017 or the prior year.

(d) Disclosed Fair Values

The Credit Union has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in Note 27(b).

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

COASTLINE CREDIT UNION LIMITED
ABN 88 087 649 910
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27 - FAIR VALUE (CONT'D)

(d) Disclosed Fair Values (cont'd)

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of member fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate on similar loans offered in the market place. The carrying amount of variable interest member loans and advances approximate their fair value.

The fair value of financial liabilities such as members' deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Credit Union for similar financial instruments.

(e) Valuation Techniques Used to Derive Level 2 Fair Values Recognised in the Financial Statements

Land and Buildings

Land and buildings are valued independently every three years. At the end of each reporting period the Credit Union reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The Credit Union determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the Credit Union considers information from a variety of sources, including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences; and
- discounted cash flow projections.

COASTLINE CREDIT UNION LIMITED
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FOR THE YEAR ENDED 30 JUNE 2017

NOTE 28 - ECONOMIC DEPENDENCY

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

Indue Limited is a Special Service Provider to the Credit Union. The entity provides the Credit Union financial services such as investment, banking, member chequing, direct entry transactions, Cuecards and Visa cards.

First Data International Limited (FDI) provides the switching computer used to link Cuecards and Visa cards through ATM and EFTPOS networks to the Credit Union's EDP system.

Data Action provides and maintains the central banking and internet banking systems for the Credit Union. Data Action also provides electronic data processing services for the Credit Union.

NOTE 29 - SECURITISATION

The Credit Union has an arrangement with Indue Securitisation Pty Limited whereby it acts as an agent to on sell loans to Trinity Mortgage Origination Trust securities program. The Credit Union also manages the loans portfolio on behalf of the Trust. The Credit Union bears no risk exposure in respect of these loans. The amount of securitised loans under management as at 30 June 2017 was \$14,603,104 (2016: \$1,329,151).

NOTE 30 - EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 31 - COMPANY DETAILS

The registered office of the Credit Union is:

Coastline Credit Union Limited
64 Elbow Street
West Kempsey NSW 2440

COASTLINE CREDIT UNION LIMITED
A.B.N. 88 087 649 910
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

The Directors of Coastline Credit Union Limited declare that:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position of the Credit Union as at 30 June 2017 and of its performance for the year ended on that date.

2. 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.

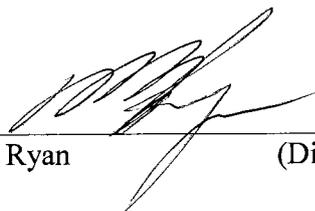
This declaration is made in accordance with a resolution of the Board of Directors.

Dated at West Kempsey this 21st September 2017

For and behalf of the Board



A. Hudson (Director
Chairman)



M. Ryan (Director)

Independent Auditor's Report to the Members of Coastline Credit Union Limited

Opinion

We have audited the financial report of Coastline Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2017, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion:

- (a) the accompanying financial report of Coastline Credit Union Limited 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 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Credit Union in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA

Independent Auditor's Report **to the Members of Coastline Credit Union Limited**

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Credit Union's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditor's Report

to the Members of Coastline Credit Union Limited

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

NorthCorp Accountants



Robert Magnussen
Partner

10 – 12 Short Street
Port Macquarie NSW 2444

21 September 2017



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Locations

South West Rocks

2 Prince of Wales Avenue
(02) 6566 6110

Kempsey

65 Smith Street
(02) 6562 1000

West Kempsey

64 Elbow Street
1300 361 066

Crescent Head

3 Rankine Street
1300 360 166

Port Macquarie

Shop 16A Settlement City
Shopping Centre
(02) 6584 0600

KEY



Coastline Branch

NSW

B56

South Pacific
Ocean

Taree

Shop 22, Manning Mall,
81 Manning Street
(02) 6551 8111



coastline.com.au 1300 361 066

 #Local #EasyBanking

Coastline Credit Union Ltd ABN 88 087 649 910

AFSL Australian Credit Licence 239175